



Audit and Risk Management Committee Meeting

Minutes

Tuesday 14 May 2019

10.30am

Venue: Council Chambers,
9 Lynch Street Corrigin

TERMS OF REFERENCE

Regulation 16 of the Local Government (Audit) Regulations 1996 states that:

“An audit committee —

- a) is to provide guidance and assistance to the local government —
 - i. as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
 - ii. as to the development of a process to be used to select and appoint a person to be an auditor; and
- b) may provide guidance and assistance to the local government as to —
 - i. matters to be audited; and
 - ii. the scope of audits; and
 - iii. its functions under Part 6 of the Act; and
 - iv. the carrying out of its functions relating to other audits and other matters related to financial management; and
- c) is to review a report given to it by the CEO under regulation 17(3) (the CEO’s report) and is to —
 - i. report to the council the results of that review; and
 - ii. give a copy of the CEO’s report to the council.

1.0 INTRODUCTION

The Council of the Shire of Corrigin (hereinafter called the "Council") hereby establishes a committee under the powers given in Section 5.8 and Section 7.1 A of the Local Government Act 1995, Local Government Amendment Act 2004 and Audit Regulations, such committee to be known as the Audit and Risk Management Committee, (hereinafter called the "Committee"). The Council appoints to the Committee those persons whose names appear in Section 4.0 below.

Membership of the Committee shall, unless otherwise specified, be for a term ceasing at the date of the Local Government election in the year the Shire’s local government elections are held, after which time the Council may appoint members for a further term. The Committee shall act for and on behalf of Council in accordance with provisions of the Local Government Act 1995, the Local Government Amendment Act 2004 and the Local Government (Audit) Amendment Regulations 2005, local laws and policies of the Shire of Corrigin and this Instrument.

2.0 NAME

The name of the Committee shall be the Audit and Risk Management Committee.

3.0 ROLE

The Committee’s role is to report to Council and provide appropriate advice and recommendations on matters relevant to its objectives in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

4.0 OBJECTIVES OF THE COMMITTEE

- 4.1 To provide guidance and assistance to the Council in:
 - a) carrying out its audit functions under Part 7 of the Local Government Act;
 - b) the development of a process to be used to select and appoint an auditor;
 - c) determining the scope and content of the external and internal audit and advising on the general financial management of the Shire;
 - d) overseeing the audit process and meeting with the external auditor after each visit to discuss management issues and monitoring administration’s actions on, and responses to, any significant matters raised by the auditor;
 - e) evaluating and making recommendations to Council on internal and external audit reports prior to them being presented to Council;
 - f) receiving and verifying the annual Local Government Statutory Compliance Return;

- g) review reports provided by the CEO on the Shire's systems and procedures in relation to:
 - i. risk management;
 - ii. internal control; and
 - iii. legislative compliance.
 - h) at least once every 3 years and report to Council the results of that review. Ref: Functions of Audit Committees (Audit Regulations).
- 4.2 To advise Council on significant high level strategic risk management issues related to the Shire of Corrigin including issues involving:
- a) the community;
 - b) the workforce;
 - c) vehicles and plant;
 - d) buildings and similar property;
 - e) revenue streams;
 - f) legal liability;
 - g) electronically stored information;
 - h) environmental impact;
 - i) fraud; and
 - j) reputation.

5.0 MEMBERSHIP

The Committee shall consist of all Councillors. Additionally up to two independent consultants with expertise in financial or legal matters will be called upon as required to provide additional independent external advice to the Committee. The external independent persons will have senior business, legal or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements.

Appointments of external consultants shall be made by the CEO following a decision of Council and the allocation of sufficient funds to provide consultation fees using relevant professional fee schedules. No member of staff including the CEO is to be a member of the Committee, but the CEO may participate as Council's principal advisor, unless expressly excluded by resolution of the Committee.

6.0 PRESIDING MEMBER

The President will take the role of Presiding Member and Deputy President the role of Deputy Presiding Member to conduct its business. The Presiding Member shall ensure that minutes of the proceedings are kept and that business is conducted in accordance with the Shire of Corrigin Standing Orders (Local Law). The Local Government Act 1995 places responsibility for speaking on behalf of Council with the President, or the CEO if the President agrees. The Presiding Member if different from the President is to refrain from speaking publicly on behalf of the committee or Council, or to issue any form of written material purporting to speak on behalf of the committee or Council without the prior approval of the President.

7.0 CONDUCT OF MEETINGS

The Committee shall meet at least three times per year. A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines, for example in February to discuss the Statutory Compliance Return, in July to discuss the year's financial performance and to discuss the annual audit program and in November to discuss the Annual Financial Report. Additional meetings shall be convened at the discretion of the Presiding Member.

Any three members of the Committee collectively or the internal or external auditor themselves may request the Presiding Member to convene a meeting. From a time management point of view, urgent matters which may arise should be referred directly to Council through the bi-monthly meetings or to a Special Council meeting.

- 7.1 Notice of meetings shall be given to members at least 3 days prior to each meeting.
- 7.2 The Presiding Member shall ensure that detailed minutes of all meetings are kept and shall, not later than 5 days after each meeting, provide Council with a copy of such minutes. Council shall provide secretarial and administrative support to the Committee.
- 7.3 All members of the Committee shall have one vote. If the vote of the members present is equally divided, the person presiding must cast a second vote.
- 7.4 The Chief Executive Officer should attend all meetings, except when the Committee chooses to meet in camera with the exclusion of the CEO.
- 7.5 Representatives of the external auditor should be invited to attend at the discretion of the Committee but must attend meetings either in person or by telephone link up considering the draft annual financial report and results of the external audit.
- 7.6 The internal auditor or representative shall be invited to attend meetings, at the discretion of the Committee, to consider internal audit matters.

8.0 QUORUM

Quorum for a meeting shall be at least 50% of the number of officers, whether vacant or not. A decision of the Committee does not have effect unless a simple majority has made it.

9.0 DELEGATED POWERS

The Committee has no delegated powers under the Local Government Act and is to advise and make recommendations to Council only. The Audit and Risk Management Committee is a formally appointed committee of Council and is responsible to that body. The Audit and Risk Management Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The following guidelines are to provide further direction from Council for the operation of the Committee:

9.1 *The External Audit*

The Committee shall:

- Develop the process of appointment of the external auditor and recommend a suitable Auditor for appointment by Council. Prior to appointment, discuss the scope of the audit and any additional procedures required from the external auditor. Invite the external auditor to attend audit committee meetings to discuss the audit results and consider the implications of the external audit findings.
- Inquire of the auditor if there have been any significant disagreements with management and whether they have been resolved.
- Monitor management responses to the auditor's findings and recommendations.
- Review the progress by management in implementing audit recommendations and provide assistance on matters of conflict.
- Provide a report and recommendations to Council on the outcome of the external audit.

9.2 *Co-ordination of Auditors*

The Committee shall:

- Oversee the work of the internal audit function to facilitate co-ordination with the external auditor.
- Meet periodically with the Chief Executive Officer, senior management staff and internal and external auditors to understand the organisation's control environment and processes.

9.3 *Duties and Responsibilities*

The following duties and responsibilities of the Committee will include:

- i. To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:

- internal controls over significant areas of risk, including non-financial management control systems;
 - internal controls over revenue, expenditure, assets and liability processes;
 - the efficiency, effectiveness and economy of significant Council programs; and
 - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- ii. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer.
 - iii. Review the level of resources allocated to internal audit and the scope of its authority.
 - iv. Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
 - v. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
 - vi. Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference.
 - vii. Review management's response to, and actions taken as a result of the issues raised.
 - viii. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
 - ix. Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
 - x. Review Council's draft annual financial report, focusing on:
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements;
 - significant variances from prior years.
 - xi. Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
 - xii. Discuss with the external auditor the scope of the audit and the planning of the audit.
 - xiii. Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
 - xiv. Review tendering arrangements and advise Council.
 - xv. Review the annual performance statement and recommend its adoption to Council.
 - xvi. Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators.
 - xvii. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.
 - xviii. Monitor the progress of any major lawsuits facing the Council.
 - xix. Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
 - xx. Report to Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.
 - xxi. The Committee in conjunction with Council and the Chief Executive Officer should develop the Committee's performance indicators.
 - xxii. The Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.
 - xxiii. Advise Council on significant risk management issues related to the Shire of Corrigin including major issues involving:
 - The Community;

- The Workforce;
 - Vehicles and Plant;
 - Buildings and Similar Property;
 - Revenue Streams;
 - Legal Liability;
 - Electronically Stored Information;
 - Environmental Impact;
 - Fraud; and
 - Reputation.
- xxiv. Review reports and report to Council on the appropriateness and effectiveness of the Shire's systems and procedures in relation to:
- risk management;
 - internal control; and
 - legislative compliance.

9.4 Reporting Powers

The Committee:

- Shall report to Council and provide recommendations on matters pertaining to its terms of reference by assisting elected members in the discharge of their responsibilities for oversight and corporate governance of the local government.
- Does not have executive powers or authority to implement actions in areas that management has responsibility.
- Is independent of the roles of the Chief Executive Officer and his senior staff as it does not have any management functions.
- Does not have any role pertaining to matters normally addressed by the Local Emergency Management Committee and Council in relation to financial management responsibilities in relation to budgets, financial decisions and expenditure priorities.
- Is a separate activity and does not have any role in relation to day-to-day financial management issues or any executive role or power.
- Shall after every meeting forward the minutes of that meeting to the next Ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
- Shall report annually to the Council summarising the activities of the Committee during the previous financial year.

10.0 TERMINATION OF COMMITTEE

Termination of the Committee shall be:

- a) in accordance with the Local Government Act 1995; or
- b) at the direction of the Council.

11.0 AMENDMENT TO THE INSTRUMENT OF APPOINTMENT AND DELEGATION

This document may be altered at any time by the Council.

12.0 COMMITTEE DECISIONS

The Committee recommendations are advisory only and shall not be binding on Council

1. DECLARATION OF OPENING

The Chairperson, Cr L Baker opened the meeting at 10:30am.

2. ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

ATTENDANCE

Shire President

Deputy Shire President

Cr. L Baker

Cr. D L Hickey

Cr. M A Weguelin

Cr. M B Dickinson

Cr. J A Mason by telephone

Director, Office of Auditor General

Director, Moore Stephens (WA) Pty Ltd

Manager, Moore Stephens (WA) Pty Ltd

V Turco by telephone

G Godwin by telephone

G Chan by telephone

Chief Executive Officer

Manager Finance

Executive Support Officer

N A Manton

D C Ospina Godoy

K L Biglin

APOLOGIES

Cr. F R Gilmore

Cr. S G Hardingham

LEAVE OF ABSENCE

NIL

COMMITTEE'S RESOLUTION

Moved: Cr Weguelin Seconded: Cr Hickey

Cr. Mason be granted permission to attend meeting by telephone from her address at 28 Reading Place, Waterloo 6228.

Carried by Absolute Majority 4/0

3. DECLARATIONS OF INTEREST

NIL

4. CONFIRMATION AND RECEIPT OF MINUTES

That the minutes of the Shire of Corrigin Audit and Risk Management Committee meeting held in the Council Chambers on 12 March 2019 (Attachment 4.1) be confirmed as a true and correct record.

COMMITTEE'S RESOLUTION

Moved: Cr Hickey Seconded: Cr Dickinson

That the minutes of the Shire of Corrigin Audit and Risk Management Committee meeting held in the Council Chambers on 12 March 2019 (Attachment 4.1) be confirmed as a true and correct record.

Carried 5/0

NB: Cr Weguelin left room at 10:34am and did not return.

5. MATTERS ARISING FROM MINUTES

The Compliance Audit Return was submitted to the Department Local Government, Sport and Cultural Industries on 20 March 2019.

6. REPORTS

Mr Vince Turco, OAG Director and Mr Greg Godwin, Director, Moore Stephens, provided an overview of the Audit Strategy Memorandum including:

- audit scope, approach and key deliverables;
- key audit risks and focus areas;
- audit team members and methodology; and
- recent changes to accounting standards.

7. MATTERS REQUIRING A COMMITTEE DECISION

7.1 MEETING WITH AUDITOR

Applicant:	Shire of Corrigin
Date:	6/05/2019
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0058
Attachment Ref:	Attachment 7.1 - Audit Strategy Memorandum (Confidential)

SUMMARY

The Shire of Corrigin Audit and Risk Management Committee is required to meet with the auditor annually.

BACKGROUND

Moore Stephens Chartered Accountants has been engaged by the Office of the Auditor General (OAG) Western Australia to perform an audit of the Shire of Corrigin's annual financial report for the year ending 30 June 2019.

An Audit Strategy Memorandum has been prepared and sets out the proposed strategy for the audit. The key purpose of this memorandum are to:

- set out the audit scope and approach in summary;
- identify and communicate the key audit risk areas which we expect to be the focus of the audit procedures; and
- promote effective communication between the auditor and those charged with governance.

Representatives from the OAG and Moore Stephens will meet with the audit committee to provide an overview of the audit process for 2019 and respond to questions from committee members.

Mr Vince Turco, OAG Director and Mr Greg Godwin, Director, Moore Stephens, will attend the meeting by telephone.

COMMENT

The interim audit is planned for 22 to 24 May 2019 and final visit from 28 to 30 October 2019. The annual report is expected to be finalised in December 2019 ready for endorsement at the Council meeting on 17 December 2019.

STATUTORY ENVIRONMENT

Local Government Act 1995 (WA)

Local Government (Audit) Regulations 1996

Part 7 of the Act and the Local Government (Audit) Regulations 1996 (the Regulations) outlines the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and
 - ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;

POLICY IMPLICATIONS

8.11 Audit and Risk Management Committee

8.12 Appointment of an Auditor, Scope of Works and Notification of Appointments

FINANCIAL IMPLICATIONS

The indicative fee for the 2019 audit is approximately \$45,000 (exc gst).

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2017-2021:

Objective: Leadership

Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.2	Undertake strategic planning and ensure legislative compliance	4.1.2.1	Review Council's Community Strategic Plan to ensure it remains aligned to the community's vision, aspirations and desired outcomes
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.2.2	Annual review of Council's policies and Corporate Business Plan
		4.1.2.3	Regular review of Integrated Planning and Reporting documents and informing strategies including Long Term Financial Plan, Asset Management Plan and Workforce Plan
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Simple Majority

COMMITTEE'S RESOLUTION

Moved: Cr Hickey Seconded: Cr Dickinson

That the Audit and Risk Management Committee recommend that Council endorse the Audit Strategy Memorandum outlining the scope, approach and key deliverables of the audit of the annual financial report for the year ending 30 June 2019.

Carried 4/0

7.2 FRAUD AND ERROR ASSESSMENT BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

Applicant:	Shire of Corrigin
Date:	6/05/2019
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0058
Attachment Ref:	Attachment 7.2 - Fraud and Error Assessment by the Audit Committee

SUMMARY

The Shire of Corrigin Audit and Risk Management Committee is requested to consider the risk and error assessment checklist prior to the interim audit.

BACKGROUND

In performing the audit engagement, the Australian Auditing Standards require the auditor, Moore Stephens on behalf of the Office of the Auditor General (OAG), to consider the risk that fraud or error could occur within the Shire of Corrigin for the year ended 30 June 2019.

The standards require the auditor to make enquiries of those charged with governance of the risk of fraud or error within the organisation.

The fraud and error assessment checklist requires the Chair of the Audit and Risk Management Committee to answer the following questions prior to the commencement of the audit.

1. Do you believe the policies and procedures in place within the organisation are adequate to minimise the risk of fraud to an appropriately low level? If no, please provide an explanation and reasons for your answer.
2. Are you aware of any instances where policies and procedures have not been adhered to which could have resulted in a fraud occurring? If yes, please provide details.
3. Have you, during the past year, become aware of or suspected fraud within the organisation? If yes, please provide details.
4. If there any concerns or questions you would like us to address during the course of our audit, please describe.

COMMENT

The Audit and Risk Management Committee will meet with representatives of the OAG and Moore Stephens on 14 May 2019.

The interim audit is planned for 22 to 24 May 2019 and final visit from 28 to 30 October 2019.

STATUTORY ENVIRONMENT

Local Government Act 1995 (WA)

Local Government (Audit) Regulations 1996

Part 7 of the Act and the Local Government (Audit) Regulations 1996 (the Regulations) outlines the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and
 - ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;

POLICY IMPLICATIONS

8.11 Audit and Risk Management Committee

8.12 Appointment of an Auditor, Scope of Works and Notification of Appointments

FINANCIAL IMPLICATIONS

The indicative fee for the 2019 audit is approximately \$45,000 (exc gst).

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2017-2027 and Corporate Business Plan 2017-2021:

Objective: Leadership

Strong Governance and leadership

Outcome 4.1 - A strategically focussed dynamic Council serving the community

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.1.2	Undertake strategic planning and ensure legislative compliance	4.1.2.1	Review Council's Community Strategic Plan to ensure it remains aligned to the community's vision, aspirations and desired outcomes
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.2.2	Annual review of Council's policies and Corporate Business Plan
		4.1.2.3	Regular review of Integrated Planning and Reporting documents and informing strategies including Long Term Financial Plan, Asset Management Plan and Workforce Plan
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Simple Majority

COMMITTEE'S RESOLUTION

Moved: Cr Dickinson **Seconded: Cr Hickey**

That the Audit and Risk Management Committee recommend to Council that Cr Baker, as the Chair of the committee, be authorised to complete of the Fraud and Error Assessment for the year ending 30 June 2019.

Carried 4/0

8. MEETING CLOSURE

The Chairperson, Cr L Baker closed the meeting at 11:15am.

President: *Gynette Baker* Date: *1.7.2019*