



Audit and Risk Management Committee Meeting

Minutes

Tuesday 12 March 2019

6.00pm

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 on the appropriateness and effectiveness of the Shire's systems and procedures in relation to:
- risk management;
 - internal control; and
 - legislative compliance and report to Council.

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 6.01pm.

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. F R Gilmore
Cr. J A Mason

Chief Executive Officer
Manager Finance

N A Manton
D C Ospina Godoy

APOLOGIES

Cr Hardingham

LEAVE OF ABSENCE

NIL

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 18 December 2018 (Attachment 4.1) be confirmed as a true and correct record.

COMMITTEE'S RECOMMENDATION

Moved: Cr Mason Seconded: Cr Hickey

That the minutes of the Shire of Corrigin Audit and Risk Management Committee meeting held in the Council Chambers on 18 December 2018 (Attachment 4.1) be confirmed as a true and correct record.

Carried 6/0

5. MATTERS ARISING FROM MINUTES

Annual Electors Meeting was held on 5 February 2019 at the Corrigin Community Resource Centre.

6. REPORTS

6.1 Excess Annual and Long Service Leave Accruals

Since the December 2018 meeting of the Audit and Risk Management Committee several staff members with excess leave balances have taken leave.

The CEO wrote to all employees with leave in excess of eight weeks on 11 October 2018 and directed them to take leave or confirm in writing the dates that they planned to take leave within the next six months.

Leave forms have been received from all staff with excess leave with the leave to be taken prior to April 2019.

A report of the employees with excess leave accruals is provided as Attachment 6.1.

6.2 Review of Financial Management, Risk Management, Internal Control and Legislative Compliance

The CEO received three quotes from consultants to conduct a review of financial management, risk management, internal control and legislative compliance. AMD has been engaged to conduct the review during the first week of April 2019 and will provide a report confirming the appropriateness and effectiveness of the Shire of Corrigin systems and processes and if necessary to develop an improvement plan to work towards achieving best practice in future.

The following services were required in relation to the requirements of Local Government *Financial Management Regulation 5* and the *Audit Regulation 17*:

- review current risk management policies, procedures and plans;
- evaluate the financial internal control systems and procedures;
- evaluate the operational internal control systems and procedures;
- assess systems and processes for maintaining legislative compliance;
- provide a list of any improvements identified during the review; and
- provide a report including recommendations to assist the CEO to assess the appropriateness and effectiveness of the systems and procedures.

6.2.1 Financial Management Review

A Financial Management Review for the Shire of Corrigin under of the Local Government (*Financial Management*) *Regulations 1996 Regulation 5* requires the Chief Executive Officer (CEO) to ensure efficient systems and procedures are established for the local authority at least every three years. The last Financial Management Review *Reg 5* was conducted in June 2016 however there has been a recent change in staff and a follow up review is required.

The key areas are to be included in the Financial Management Review:

- Bank reconciliations and Petty Cash
- Trust Funds
- Receipts and receivables
- Rates
- Fees and Charges
- Purchases, payments and payables (Including Purchase Orders)
- Salaries and wages
- Credit Card procedures
- Fixed Assets (Including acquisition and disposal of property)
- Cost and administration overhead allocations
- Minutes of meetings
- Budget
- Financial Reports
- Registers (including Annual and Primary Returns)
- Delegations
- Audit Committee
- Insurance
- Storage of documents/record keeping
- Plan for the future
- General compliance and other matters

6.2.2 Risk Management, Internal Control and Legislative Compliance

The Local Government *Audit Regulations 1996 Regulation 17* requires the CEO to review the appropriateness and effectiveness of a local government's systems in relation to risk management, internal control and legislative compliance. Each of these areas is to be the subject of a review at least once every three calendar years and reported to the Audit and Risk Management Committee.

The CEO has decided to conduct a risk management review (*Audit Regulation 17*) at the same time as the Financial Management Review. The last formal review under Regulation 17 was conducted in house and reported to the Audit Committee in December 2016.

Risk Management

Scope of the Regulation 17 review will include the following areas as outlined in the Department of Local Government Guidance Note 9 Audit in Local Government:

- Review risk management systems and operating risks.
- Review business continuity plan.
- Assess the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, with regard to;
 - potential non-compliance with legislation, regulations and standards and local government's policies.
 - important accounting judgements or estimates that prove to be wrong.
 - litigation and claims.
 - misconduct, fraud and theft.
 - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government.
- Risk reports identifying key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.
- Assess the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover.
- Review the effectiveness of the local government's internal control system with management and the internal and external auditors.
- Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more a high degree of risk.
- Assess the local government's procurement framework and whether these policies and procedures are being applied.
- Ascertain whether fraud and misconduct risks have been identified, analysed, evaluated, an appropriate treatment plan has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Internal Control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government. An effective and transparent internal control environment is built on the following key areas:

- integrity and ethics;
- policies and delegated authority;
- levels of responsibilities and authorities;
- audit practices;
- information system access and security;
- management operating style; and
- human resource management and practices.

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government. Aspects of an effective control framework will include:

- delegation of authority;
- documented policies and procedures;
- trained and qualified employees;
- system controls;
- effective policy and process review;
- regular internal audits;
- documentation of risk identification and assessment; and
- regular liaison with auditor and legal advisors.

The following controls are to be reviewed:

- separation of roles and functions, processing and authorisation;
- control of approval of documents, letters and financial records;
- comparison of internal data with other or external sources of information;
- limit of direct physical access to assets and records;
- control of computer applications and information system standards;
- limit access to make changes in data files and systems;
- regular maintenance and review of financial control accounts and trial balances;
- comparison and analysis of financial results with budgeted amounts;
- the arithmetical accuracy and content of records;
- report, review and approval of financial payments and reconciliations; and
- comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. The review will consider Audit and Risk Management Committee's monitoring of compliance programs including:

- Compliance with legislation and regulations;
- Annual Compliance Audit Return and reporting to Council the results of that review;
- Procedures for receiving and treating complaints, including confidential and anonymous employee complaints.
- Obtain assurance that adverse trends are identified and review management's plans to deal with these.
- Management disclosures in financial reports.
- Whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects and report compliance and ethics issues to the Audit Committee.
- Compliance frameworks dealing with relevant external legislation and regulatory requirements.
- Legislative and regulatory requirements imposed on Audit Committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.

Reports

At the conclusion of the review a report will be provided to the CEO outlining the appropriateness and effectiveness of the Shire's current systems and processes and identify any areas for improvement.

The draft report is expected to be submitted to the next Audit and Risk Management Committee meeting in June 2019.

6.3 Review of Internal Controls

During January and February IT Vision was contracted to conduct a review of the Synergysoft rates, payroll and finance modules. The purpose of the review was to assess the configuration and use of the modules and report the findings and recommendations to improve the use and function from the system.

Payroll Health Check

This check focused on the following areas:

- Parameters screen - tax scales
- Employee Masterfile - pay week, direct and indirect emps, default expense accounts, job titles
- Superannuation - percentages, council super (if applicable)
- Termination Type Leave - LUMP SUM, ETP's
- Other Leave Types - Workers Comp, Unpaid, Annual, Sick, Long Service
- Leave allocation settings
- Allowance code allocations
- Deduction code allocations
- Reconciliation/balancing payroll accounts

Rates Health Check

The Rates and Properties System check-up provided a comprehensive review of the Rating and Property modules within SynergySoft to ensure the system was in balance, up to date and being used in an efficient and practical manner. A detailed report was produced and summarised the results of the review and made recommendations to adjust and or correct existing data and configuration issues.

This check focused on the following areas:

- Rates ledger to General Ledger reconciliation
- Review of out of balance assessments
- Review of common journals (Levies/Receipts/writeoffs)
- Valuation reviews (non-rateable assessments with values, assessments with future values)
- Pensioner record review (e.g. pensioner with curtilage% applied, incorrect relevant interest, invalid records)
- Pensioner rebate to General Ledger
- Preliminary valuation reconciliations (valuation register to valuation summary)
- Check of ESL reports updated/locked
- Check for mismatches between rate codes, valuation codes, property use
- Review of rates Parameters, General Ledger settings, other settings
- Assessments excluded form penalty processing
- Check that Change of Ownerships are being processed correctly (ensures previous owner history is being updated)
- Services Audit, e.g. check residential non vacant assessments being charged rubbish services
- Report on assessments with a balance more than three years old so that debt recovery and property sale and seizure orders can commence
- Report on duplicate Name & Address records and duplicate street names, use of suburb fields
- Check formatting of name & Address records and if Address Dissection is required
- A detailed report on findings and recommendations for further action

Finance Health Check

A review of the Finance Module was conducted to check the configuration, data quality and selected processes and a report outlined the findings and recommended actions to improve the finance system.

This check focused on the following areas:

- General Ledger Structure - Reviewed the configuration and coding structures to better accommodate standard reporting requirements against the applicable Australian and International Accounting Standards.
- Loans - Review of the Loan module, with an emphasis on the payment of existing and future loans
- Plant - Review of the Plant Module, with an emphasis on cost recoveries and the relationship with the General Ledger.
- Assets - Review of the Asset Module, with an emphasis on the depreciation schedules and the relationship with the General Ledger.
- Debtors/Creditors - Review of the Debtors/Creditors Modules, including a review of charge types and associated processes.
- Receipting - Review of the Receipting Module, including a review of the receipting parameters.
- Trust - Review of the Trust Module, including a review of trust types and the relationship to both the Trust Bank Account and The General Ledger.
- Purchase Orders - Review of the Purchasing Module, focussing on the purchasing cycle and the relationship with suppliers.

The reports confirmed that the Synergysoft Payroll, Rates and Finance modules are generally operating very well and the recommended changes and improvements were generally of a minor nature. Some of the recommended changes required to the asset, plant and trust systems had already been identified and action has commenced to address the required improvements.

6.4 Pool Audit

The Royal Lifesaving Audit of the Corrigin Pool was completed in February 2019 and an excellent report was received with only some very minor actions still required to be taken. A copy of the audit report is included at Attachment 6.4.

6.5 Enterprise Agreement

The final Enterprise Agreement negotiations were concluded in December 2018 followed by a seven day access period during which employees covered by the agreement voted on whether to support the revised agreement or not. Voting slips were sent to 29 employees covered by the agreement and a total of 28 votes were received supporting the new agreement.

The Enterprise Agreement has now been forwarded to the Fair Work Commission to consider whether the agreement passes the 'better off overall test' (BOOT) among other things.

The CEO has endorsed an administrative payment of a 2% pay increase as of July 2018 as outlined in the agreement prior to the agreement being approved by the Fair Work Commission as this was already included in the adopted budget.

6.6 Corrigin Recreation and Events Centre Roof Defects

The CEO is in regular communication with SITE Architecture and has reiterated the need for the matter to be resolved as soon as possible. Legal action is still pending between the builder and roof material manufacturer.

The CEO has sought further clarification of the legal rights and potential action available to the Shire of Corrigin regarding the ongoing issues with the roof leaks on the Corrigin Recreation and Events Centre.

7. MATTERS REQUIRING A COMMITTEE DECISION

7.1 INTERNAL AUDIT - COMPLIANCE AUDIT RETURN

Applicant:	Shire of Corrigin
Date:	6/03/2019
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	CM.0001
Attachment Ref:	Attachment 7.1 - Compliance Audit Return 2018

SUMMARY

The purpose of this report is to provide the Audit Committee with the 2018 Compliance Audit Return for the period 1 January 2018 to 31 December 2018. The Audit Committee is requested to review the 2018 Compliance Audit Return and to recommend its endorsement to Council.

BACKGROUND

Western Australian local governments are required to complete an annual Compliance Audit Return (CAR) in accordance with the provisions of the Local Government (Audit) Regulations 1996 (Regulations). The CAR must be submitted to the Department of Local Government, Sport and Cultural Industries (Department) by 31 March 2019. The period examined by this audit is 1 January 2018 to 31 December 2018.

The completed return is required to be:

- Reviewed by the Audit Risk Management Committee.
- Considered and adopted by Council.
- Certified by the President and CEO following Council adoption.
- Submitted together with a copy of the Council Minutes to the Department by 31 March 2019.

The report assists the Shire of Corrigin to monitor legislative compliance by examining a range of prescribed requirements under Regulation 13 of the Local Government (Audit) Regulations 1996 in detail. The audit findings must be recorded in the supplied proforma which has been completed and is provided as Attachment 7.1.

COMMENT

The Compliance Audit Return has been carried out by the Chief Executive Officer in conjunction with the administration staff and no matters of non-compliance against the following criteria have been identified.

- Integrated Planning and Reporting
- Local Government Employees
- Official Conduct
- Tenders for Providing Goods and Service
- Delegation of Power / Duty
- Disposal of Property
- Finance
- Commercial Enterprises by Local Governments

A copy of the Compliance Audit Return is attached (Attachment 7.1).

STATUTORY ENVIRONMENT

Local Government Act 1995,

Section 7.13(1)(i) of the Local Government Act 1995 requires local governments to carry out an audit of compliance with statutory requirements prescribed in the Local Government (Audit) Regulations 1996, in the prescribed manner and in the form approved by the Minister.

Regulation 13 of the Local Government (Audit) Regulations 1996 sets out the statutory requirements which may be included in the compliance audit.

Regulation 14 Compliance Audits by Local Governments

- 1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- 2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- 3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
 - 3) *After the audit committee has reported to the council under sub-regulation (3A), the compliance audit return is to be —*
 - (a) *presented to the council at a meeting of the council; and*
 - (b) *adopted by the council; and*
 - (c) *recorded in the minutes of the meeting at which it is adopted.*

Regulation 15 Compliance Audit Return, certified copy of etc. to be given to Executive Director

- 1) *After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —*
 - (a) *a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
 - (b) *any additional information explaining or qualifying the compliance audit,**is to be submitted to the Executive Director by 31 March next following the period to which the return relates.*
- 2) *In this regulation —*
certified in relation to a compliance audit return means signed by —
 - (a) *the mayor or president; and*
 - (b) *the CEO.*

POLICY IMPLICATIONS

8.1 Audit and Risk Management Committee

FINANCIAL IMPLICATIONS

NIL

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
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION

Moved: Cr Dickinson Seconded: Cr Weguelin

That the Audit and Risk Management Committee accepts the completed Compliance Audit Return for the period 1 January 2018 to 31 December 2018 as attached in Attachment 7.1 and recommend to Council that the return be adopted.

Carried 6/0

7.2 INCIDENT MANAGEMENT AND BUSINESS CONTINUITY

Applicant:	Shire of Corrigin
Date:	2/01/2019
Reporting Officer:	Heather Talbot, Governance Projects Officer
Disclosure of Interest:	NIL
File Ref:	CM.0054
Attachment Ref:	Attachment 7.2.1 and Attachment 7.2.2

SUMMARY

This report relates to the review of Council's existing Incident Management and Business Continuity Response Plan and Procedures Manual that was last reviewed and adopted by Council in February 2017.

BACKGROUND

The Incident Management and Business Continuity Response Plan and Procedures Manual is to be reviewed annually by the office of CEO and is to be taken to Council for consideration and adoption.

COMMENT

Council and management have previously identified the need to develop and maintain Business Continuity Plans as part of the Shire's overall management of risk. This plan and attached procedures are an important tool in assisting the Shire in its ability to recover from situations that may arise ensuring that decisions are made quickly minimising financial, environmental and reputational impacts.

The review reflects new management and staff structural changes as well as updating any out of date information contained within the plan and procedures. Once adopted by Council, copies of the plan will be distributed to relevant staff and off-site locations.

STATUTORY ENVIRONMENT

In accordance with the *Local Government (Audit) Regulations 1996* (Regulations) a local government's CEO is to review the appropriateness and effectiveness of the local government's systems and procedures with regard to risk management, internal control and legislative compliance.

CEO to review certain systems and procedures

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

POLICY IMPLICATIONS

NIL

FINANCIAL IMPLICATIONS

NIL

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
4.1.1	Provide leadership, communication and active engagement with the community	4.1.1.1	Elected members provide strategic leadership for the benefit of the community.
4.1.2	Undertake strategic planning and ensure legislative compliance	4.1.2.2	Annual review of Council's policies and Corporate Business Plan.

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION

Moved: Cr Gilmore Seconded: Cr Mason

*That the Audit and Risk Management Committee recommend to Council to:
Adopt the Incident Management and Business Continuity Response Plan and Incident Management and Business Continuity Response Procedures Manual as provided in Attachment 7.2.1 and Attachment 7.2.2.*

Carried 6/0

7.3 INTERNAL AUDIT - APPOINTMENT OF AUDITOR

Applicant:	Shire of Corrigin
Date:	6/03/2019
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.00*
Attachment Ref:	Attachment 7.3 - Arrangements for the Audit of the Annual Financial Report of the Shire of Corrigin

SUMMARY

This item requests that the Audit and Risk Management Committee acknowledge the responsibility for the audit to be conducted by the Office of the Auditor General for the current and subsequent financial years.

BACKGROUND

The CEO has received correspondence from the Office of the Auditor General confirming the arrangements for the Audit of the Annual Financial Report for the 2018/2019 financial year.

Moore Stephens, the existing Shire of Corrigin auditor, has been engaged by the Office of the Auditor General to conduct the audit for the current and subsequent financial years.

A copy of the correspondence is provided at Attachment 7.3.

COMMENT

The Shire of Corrigin Council and the Chief Executive Officer are required to acknowledge responsibility for the following:

- (a) keeping proper accounts and records
- (b) the preparation and fair presentation of the annual financial report in accordance with the Local Government Act 1995 (the Act), Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards
- (c) such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error
- (d) providing you with:
 - (i) access to all information that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - (ii) additional information that you may request from us for the purpose of the audit; and
 - (iii) unrestricted access to persons within the Shire from whom you determine it necessary to obtain audit evidence.
- (e) the preparation of other information included in the Shire's annual report that is consistent with the financial report, and which does not contain any material misstatements.

As part of the audit process, the auditor will also request, from the Chief Executive Officer and the Manager of Finance, written confirmation concerning representations made in connection with the audit.

The Shire President and CEO are required to acknowledge the above arrangements by signing and returning the letter.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government Audit Regulations 1996

POLICY IMPLICATIONS

8.1 Audit and Risk Management Committee

FINANCIAL IMPLICATIONS

Details of the cost of the audit are not known at this stage but are expected to be provided by the Office of the Auditor General in the first quarter of the year.

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
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Absolute Majority

COMMITTEE RECOMMENDATION

Moved: Cr Weguelin Seconded: Cr Dickinson

That the Audit and Risk Management Committee acknowledge the responsibilities for the audit to be conducted by the Office of the Auditor General for the year ending June 2019 including the responsibilities of the President and CEO.

Carried 6/0

7.4 INTERNAL AUDIT - DEFERRED LONG SERVICE LEAVE CONFIDENTIAL

Applicant:	Shire of Corrigin
Date:	21/02/2019
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	PER.0051
Attachment Ref:	Long Service Leave Frequently Asked Questions

SUMMARY

Audit committee is asked to consider granting approval for deferral of long service leave to Mr Terry Barron, Leading Hand.

BACKGROUND

Mr Terry Barron, Leading Hand, achieved the milestone of working with the Shire of Corrigin for the past 10 years on 14 August 2018. Usual practice is to take 13 weeks leave between the due date and no more than six months later unless otherwise requested formally in writing.

Long Service Leave can be taken in any of the following methods:

- Leave at ordinary rates for 13 weeks (r.6 (2)).
- Leave at half pay (26 weeks) by agreement (r.6A).
- Leave at double pay (6.5 weeks) by agreement (r.6B).

The leave can be taken in up to three separate periods by agreement (r.7 (1) (d)).

Mr Barron has submitted a request to take four weeks Long Service Leave at double time from 21 February 2019 to 22 March 2019 and a second period from 20 November to 18 December 2019.

Under the provisions of the *Local Government (Long Service Leave) Regulations*, where the commencement of long service leave has been postponed to meet the convenience of the employee beyond a period of six months, the rate of payment for that leave shall be at the rate applicable to the employee for ordinary time (excluding allowances) at the end of the period of six months unless otherwise agreed in writing between the Shire of Corrigin and employee. In this instance the rate of pay would be the hourly rate in February 2019.

In addition to the Local Government (Long Service Leave) Regulations Council endorsed a new Leave Policy in October 2018 to provide guidelines for the management of leave for Shire of Corrigin employees and reduce excess leave. With regard to deferred long service leave the policy 5.26 Leave Policy states that:

- Employees are required to formally seek approval from the CEO to defer long service leave. This deferral request must be in writing and clearly identify the amount of leave accrued, at what date it will be cleared and why it has not been cleared; and
- Where the commencement of long service leave has been postponed to meet the convenience of the employee beyond a period of six months, the rate of payment for or in lieu of that leave shall be at the rate applicable to the employee for ordinary time (excluding allowances) at the end of the period of six months unless otherwise agreed in writing between the Shire of Corrigin and employee.
- Deferrals in excess of this period require the approval of the CEO.

This policy is inconsistent with 5.17 Long Service Leave Policy which states that the CEO is to refer the request for an application to defer long service leave to Council for approval.

COMMENT

Normal practice is for the Manager and CEO to grant approval to defer Long Service Leave based on ensuring financial stability as well as maintaining adequate staff resources to deliver services to the Council and community. The CEO understands that the requirement for the Council to grant approval the deferral of Long Service Leave is due to a historical issue of

employees deferring Long Service leave for over six years which resulted in high leave liability and was noted in the auditor's management letter. The excess annual and long service leave has been significantly reduced in the past six months. There are currently seven employees with a leave balance over eight weeks with six of these employees either currently taking leave or have leave booked to be taken in the next month.

The management of excess leave has now been resolved and it is recommended that the policy 5.17 relating to Long Service Leave be deleted as the management of all leave including Long Service Leave is adequately covered by 5.26 Leave Policy.

STATUTORY ENVIRONMENT

Local Government Act 1995,
Local Government (Long Service Leave) Regulations
Shire of Corrigin Enterprise Agreement 2014

POLICY IMPLICATIONS

3.1 Risk Management Policy
5.17 Long Service Leave
5.26 Leave Policy

FINANCIAL IMPLICATIONS

Current liability for annual and long service leave currently \$443,000

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
4.1.3	Maintain accountability and financial responsibility to ensure the stability of the Shire	4.1.3.1	Council maintain financial stability
		4.1.3.3	Provide Council adequate and appropriate financial information on a timely basis

VOTING REQUIREMENT

Simple Majority

COMMITTEE RECOMMENDATION

Moved: Cr Mason Seconded: Cr Weguelin

That Committee recommend to Council that:

- 1. The request made by Mr Terry Barron, Leading Hand, to defer his accrued Long Service Leave to February 2019 and December 2019 be approved.*
- 2. Policy 5.17 Long Service Leave Policy be deleted as the guidelines for Long Service Leave are duplicated in policy 5.26 Leave Policy.*

Carried 6/0

8. MEETING CLOSURE

The Chairperson, Cr L Baker closed the meeting at 6.30pm.

President: Gynesse Baker Date: 3.4.2019

