



Shire of
Chapman Valley
Love the Rural Life

UNCONFIRMED MINUTES

FINANCE, AUDIT & RISK COMMITTEE MEETING

10th FEBRUARY 2017

**COUNCIL CHAMBERS NABAWA
2.00PM**

Committee Purpose & Delegations

Will meet on an annual basis to provide a review of Council's ongoing financial situation, provide a forum for ongoing review of strategic management plan for Council operations and discuss the Audit System.

Delegation – Nil

The Finance, Audit & Risk Committee is comprised of:-

**Cr John Collingwood
Cr Pauline Forrester
Cr Trevor Royce
Cr Veronica Wood**

Chief Executive Officer	(Observer)
Manager Finance & Corporate Services	(Observer)
Executive Services Administrator	(Minute Taker)
Greg Godwin – Moore Stephens WA	(Auditor)

DISCLAIMER



No responsibility whatsoever is implied or accepted by the Shire of Chapman Valley for any act, omission or statement or intimation occurring during Council Meeting. The Shire of Chapman Valley disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council Meeting does so at that person's or legal entity's own risk.

The Shire of Chapman Valley warns that anyone who has any application or request with the Shire of Chapman Valley must obtain and should rely on

WRITTEN CONFIRMATION

Of the outcome of the application or request of the decision made by the Shire of Chapman Valley.

A handwritten signature in black ink, appearing to read 'M. Battilana', is written over a large, stylized, circular flourish.

Maurice Battilana
CHIEF EXECUTIVE OFFICER

UNCONFIRMED MINUTES

FINANCE, AUDIT & RISK COMMITTEE MEETING TO BE HELD IN THE COUNCIL CHAMBERS, NABAWA FRIDAY 10th FEBRUARY 2017 AT 2.00PM

ORDER OF BUSINESS

1.0 Declaration of Opening / Announcements of Visitors

The President, Cr Collingwood opened the meeting at 2.00pm.

2.0 Announcements from the Presiding Member

Cr Collingwood welcomed Elected Members and staff to the Finance, Audit & Risk Committee meeting.

3.0 Record of Attendance

3.1 Present

a. Councillors

Member	Ward
Cr John Collingwood - President	South West Ward
Cr Pauline Forrester	North East Ward
Cr Veronica Wood	South West Ward

b. Staff

Officer	Position
Mr Maurice Battilana	Chief Executive Officer
Mrs Dianne Raymond	Manager of Finance & Corporate Services
Mrs Karen McKay	Executive Services Administrator (Minute Taker)

c. Visitors

Name	
Mr Greg Godwin	Moore Stephens WA – Auditor (via phone link) from 2.16pm to 2.45pm

3.2 Apologies

Member	Ward
Cr Trevor Royce	North East Ward

4.0 Disclosure of Interest - Nil

Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.

Section 5.60A:

*“a person has a **financial interest** in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.”*

Section 5.60B:

"a person has a **proximity interest** in a matter if the matter concerns –

- (a) a proposed change to a planning scheme affecting land that adjoins the person's land; or
- (b) a proposed change to the zoning or use of land that adjoins the person's land; or
- (c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person's land."

Regulation 34C (Impartiality):

"**interest** means an interest that could, or could reasonably be perceived to, adversely affect the **impartiality** of the person having the interest and includes an interest arising from kinship, friendship or membership of an association."

5.0 Petitions / Deputations / Presentations

Nil

6.0 Confirmation of Minutes from previous meetings

Finance and Audit Committee Meeting held on Monday 4th February 2016

Recommend that the Minutes of the Finance and Audit Committee of the Shire of Chapman Valley held on Monday 4th February 2016 be confirmed as a true and accurate record of proceedings. (Supplied under separate cover).

COMMITTEE RECOMMENDATION

MOVED: CR FORRESTER

SECONDED: CR WOOD

That the Minutes of the Finance and Audit Committee of the Shire of Chapman Valley held on Monday 4th February 2016 be confirmed as a true and accurate record of proceedings.

CARRIED
Voting 3/0
Minute Reference FAC 02/17 - 1

7.0 Items to be dealt with En Bloc

Nil

8.0 Officers' Reports

- | | | |
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| 8.1 | Management Report 30 June 2016 | Page 6 |
| 8.2 | Audit Report 30 June 2016 | Page 11 |
| 8.3 | Compliance Audit Return 2016 | Page 15 |
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9.0 Information Items

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| 9.1 | Risk Management Procedure (Review) | Page 22 |
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Chief Executive Officer February 2017

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8.0 AGENDA ITEMS

- 8.1 Management Report (30 June 2016)
- 8.2 Audit Report (30 June 2016)
- 8.3 Compliance Audit Report (2016)
- 8.4 Biennial Internal Audit (2016)

AGENDA ITEM:	8.1
SUBJECT:	MANAGEMENT REPORT - 30 JUNE 2016
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	305.05
PREVIOUS REFERENCE:	N/A
DATE:	10th FEBRUARY 2017
AUTHOR:	MAURICE BATTILANA & DIANNE RAYMOND

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the Management Report from its Auditors - Moore Stephens (Please refer to Management Report Letter submitted as **Attachment 1**). The following Management Issues were raised:

COMMENT

The Management Report is attached, which identifies all areas raised by the Auditors for Committee and Council consideration.

STATUTORY ENVIRONMENT

Part 7 *Local Government Act 1995* and the Local Government (Audit) Regulations 1996

POLICY IMPLICATIONS

None applicable

FINANCIAL IMPLICATIONS

The long term financial viability of the Shire is of importance for future service delivery levels provided to the Shire's constituents.

- **Long Term Financial Plan (LTFP):**

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning.

STRATEGIC IMPLICATIONS

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning.

- **Strategic Community Plan/Corporate Business Plan:**

Objective	Strategy	Outcome
We want to strengthen our community's position for the future	Maintain a resilient and independent Shire	A sustainable and progressive local government

CONSULTATION

Council staff have been in contact and discussion with Council auditors throughout the audit review process.

RISK ASSESSMENT

The audit report has not highlighted any significant areas of risk.

VOTING REQUIREMENTS

Simple Majority

COMMITTEE / STAFF RECOMMENDATION

MOVED: CR WOOD

SECONDED: CR FORRESTER

The Finance, Audit & Risk Committee recommends to Council the Management Report for year ending 30 June 2016 be received and, other than monitoring the levels and trends of all ratios, there are no actions required out of the report.

CARRIED

Voting 3/0

Minute Reference FAC 02/17 - 2

24 November 2016

The Shire President
Shire of Chapman Valley
PO Box 1
NABAWA WA 6532

Dear Cr Collingwood

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MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 20

We advise that we have completed our audit procedures for the year ended 30 June 2016 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

COMMENT ON RATIOS

Ratios provide useful information when compared to industry and internal benchmarks and assist in identifying trends.

By providing this overview, we aim to improve the understanding of the trends and how they interact. This is beneficial for the allocation of scarce resources and planning for the future.

Information relating to the statutory ratios disclosed in the financial report is summarised in the table below and our commentary is provided on the following pages.

	Target Ratio ¹	Actual		Shire's Adjusted Ratios				Shire's 5 Year Trend ²	4 Year Average ³	
		2016	2016	2016	2015	2014	2013		2012	Regional
Current Ratio	≥ 1	2.50	2.50	2.95*	1.56*	1.84	1.16	↑	3.31	2.29
Asset Sustainability Ratio	≥ 1.1	0.77	0.77	0.66	2.15	1.47	2.80	↓	1.27	1.23
Debt Service Cover Ratio	≥ 15	24.91	31.22*	5.67*	5.45*	1.22	5.74	↑	12.49	14.01
Operating Surplus Ratio	≥ 0.15	(0.02)	0.13*	(0.09)*	0.01*	(0.37)	0.11	↑	0.03	(0.02)
Own Source Revenue Coverage Ratio	≥ 0.9	0.55	0.55	0.62	0.82	0.51	0.47	↓	0.59	0.68
Asset Consumption Ratio	≥ 0.75	0.98	0.98	0.83	0.79	0.83	N/A	↑	0.63	1.16
Asset Renewal Funding Ratio	≥ 1.05	0.62	0.62	0.67	0.71	0.69	N/A	↓	0.88	1.00

Target ratios per Department of Local Government and Communities (DLGC) Guidelines except the Debt Service Ratio which is a target devised by Moore Stephens (and based on experiences. For information, DLGC Guidelines indicate a target Debt Service Cover Ratio of 5.

² The 5-year trend compares the adjusted 2016 ratio to the average of the adjusted ratios for the Last 5 years (except for the Asset Consumption and Asset Renewal Funding Ratios which are a 4-year trend).

³ The average in relation to the Regional and State comparisons is a 4 year average of 2012, 2013, 2014 and 2015.

* Adjusted for "one-off" timing/non-cash items.

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COMMENT ON RATIOS (CONTINUED)

Adjustments relating to 2016

Two of the ratios in the accompanying table were distorted by an item of significant revenue relating to the early payment of 2015/16 Financial Assistance Grants (FAGs) totaling \$428,318 received on 30 June 2015. The early payment of the grant increased operating revenue in 2015 and decreased operating revenue in 2016.

This item is considered "one-off" timing in nature and was adjusted when calculating the ratios in the above table (as shown by "**") as were relevant comparative year ratios (which had been affected by similar "one-off" items).

Regional and State 4 Year Averages

Regional and State 4 year averages have not been adjusted for "one-off" items even though these items may have been applicable in prior years as they are based on the statutory ratios which have been reported in published financial reports. However, they still provide a useful reference point as they are indicative of a trend.

Commentary on specific ratios

- **Asset Sustainability Ratio**

This ratio measures the extent to which assets are being renewed/replaced compared to the amount consumed (depreciation).

Although the ratio has increased from the previous year, it is below both the regional and state averages, and is trending downwards over 5 years.

As suggested in our management letter last year, a review of the depreciation rates and asset valuations was performed during 2015/16 to ensure they are reasonable and are generating a reliable representative depreciation expenditure. This has resulted in the improved ratio of 0.77, however this is still below target levels.

A ratio less than 0.90 indicates the local government is having difficulty undertaking a sustained capital investment program sufficient to renew/replace assets while also negating the effect of inflation on purchasing power over time. This may require a review of operations with a view to assessing the revenue raising capacity necessary to support the ongoing asset base.

Council and management should continue to monitor this ratio in the future as you attempt to fully understand the trend and level of this ratio.

- **Asset Renewal Funding Ratio**

The Asset Renewal Funding Ratio indicates whether Council's planned capital renewal expenditure over the next 10 years per its Long Term Financial Plan (LTFP) is sufficient to meet the required capital renewal expenditure over the next 10 years per its Asset Management Plans (AMP).

This ratio continues to be below the target levels and both the Regional and State 4 year averages. It reflects planned capital expenditure of 62% of the required capital expenditure. When the planned capital expenditure in the LTFP is compared to the required capital expenditure in the AMP, a ratio of 0.62 indicates Council has a funding gap of 38% being the portion of required capital expenditure Council's LTFP indicates will be unfunded.

Notwithstanding this, as both the LTFP and AMP are outdated, these should be reviewed and updated to help ensure valid comparisons can be made.

Once the above exercise has been completed, Council should review required service levels of assets based on available funding

Summary

Overall, as a general comment, the Shire's ratio position appears to be stable in some areas (with improvement noted in most ratios), but has declined in other areas (In particular, Own Source Revenue Coverage Ratio and Asset Renewal Funding Ratio).

In addition, the Asset Sustainability, Own Source Revenue Coverage and Asset Renewal Funding Ratios appear to be trending downwards over the longer term and this should be considered moving forward.

Particular attention should be paid to the asset ratios to determine if changes are required or if the ratios are reflective of the current short to medium term asset management approach of the Shire (based on condition assessments).

We would also like to take this opportunity to stress one-off assessments of ratios at a particular point in time can only provide a snapshot of the financial position and operating situation of the Shire. As is the case with all ratios and indicators, their interpretation is much improved if they are calculated as an average over time with the relevant trends being considered.

We will continue to monitor the financial position and ratios in future financial years and suggest it is prudent for Council and management to do so also as they strive to manage the scarce resources of the Shire.

If the Shire requires, we have a report available which is able to compare your ratios against other Local Governments across the State and by Region. The report is also able to incorporate a selection of your peer Local Governments, whether they be of near neighbours or similar type in nature. This may be of particular relevance in your case as you are included in the Mid-West region when comparison to other, more similar local governments, may be more relevant.

If you are interested in such an expanded report, please contact us.

UNCORRECTED MISSTATEMENTS

We advise there were no uncorrected misstatements noted during the course of our audit.

We take this opportunity to thank all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



Greg Godwin
Partner
Moore Stephens

Encl.

AGENDA ITEM:	8.2
SUBJECT:	INDEPENDENT AUDIT REPORT - 30 JUNE 2016
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	403.05 & 305.12
PREVIOUS REFERENCE:	N/A
DATE:	10th FEBRUARY 2017
AUTHOR:	MAURICE BATTILANA

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The Shire of Chapman Valley has received the final Independent Audit Report from its Auditors Moore Stephens. (Please refer to **Attachment 2**).

COMMENT

As the Independent Audit Report didn't highlight any issues there is nothing to report on or bring to Council attention for further action.

STATUTORY ENVIRONMENT

Part 7 *Local Government Act 1995* and the Local Government (Audit) Regulations 1996

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The long term financial viability of the Shire is of importance for future service delivery levels provided to the Shire's constituents.

- **Long Term Financial Plan (LTFP):**

The annual audit of the Shire's operations is integral to monitoring how the Shire is tracking with its integrated strategic planning.

STRATEGIC IMPLICATIONS

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- **Strategic Community Plan/Corporate Business Plan:**

Objective	Strategy	Outcome
We want to strengthen our community's position for the future	Maintain a resilient and independent Shire	A sustainable and progressive local government

CONSULTATION

Council staff have been in contact and discussion with Council auditors throughout the audit review process.

RISK ASSESSMENT

The audit report has not highlighted any significant areas of risk.

VOTING REQUIREMENTS

Simple Majority

COMMITTEE / STAFF RECOMMENDATION

MOVED: CR WOOD

SECONDED: CR FORRESTER

The Finance, Audit & Risk Committee recommends to Council the Final Audit Report of the Chief Executive Officer the year ending 30 June 2016 be received and it be noted there are no further actions required from the report.

CARRIED
Voting 3/0
Minute Reference FAC 02/17 - 3

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INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF CHAPMAN VALLEY

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of the Shire of Chapman Valley, which comprises the statement of financial position as at 30 June 2016, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended) and for 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shire's preparation and fair presentation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial report of the Shire of Chapman Valley is in accordance with the *Local Government Act 1995* (as amended) and the *Local Government (Financial Management) Regulations 1996* (as amended), including:

- a) giving a true and fair view of the Shire's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations).

INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF CHAPMAN VALLEY (CONTINUED)

Report On Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996*, we also report that:

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the *Local Government Act 1995* (as amended), the *Local Government (Financial Management) Regulations 1996* (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) In relation to the Supplementary Ratio Information presented at page 62 of this report, we have reviewed the calculations as presented and nothing has come to our attention to suggest it is not:
 - i. reasonably calculated; and
 - ii. based on verifiable information.
- d) All necessary information and explanations were obtained by us.
- e) All audit procedures were satisfactorily completed in conducting our audit.

MOORE STEPHENS
CHARTERED ACCOUNTANTS


GREG GODWIN
PARTNER

Date: 24 November 2016
Perth, WA

AGENDA ITEM:	8.3
SUBJECT:	COMPLIANCE AUDIT RETURN (2016)
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	403.05 & 305.12
PREVIOUS REFERENCE:	N/A
DATE:	10th FEBRUARY 2017
AUTHOR:	MAURICE BATTILANA

DISCLOSURE OF INTEREST

Nil

BACKGROUND

Every Local Government Authority in Western Australia is required to complete the Compliance Audit Return (CAR) each year. The purpose of this item is to present the 2016 Compliance Audit Return to the Committee to review prior to going to Council for formal adoption and forward a certified copy to the Department of Local Government.

COMMENT

A Draft copy of the Shire of Chapman Valley 2016 Compliance Audit Return has been provided to Councillors as **Attachment 3**.

STATUTORY ENVIRONMENT

Local Government Act 1995

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

COMMITTEE / STAFF RECOMMENDATION

MOVED: CR COLLINGWOOD

SECONDED: CR FORRESTER

That the Finance, Audit & Risk Committee recommends the following to Council:

1. The 2016 Compliance Audit Return be signed by the CEO and Shire President
2. The 2016 Compliance Audit Return be received and recorded in the Minutes of Council
3. The 2016 Compliance Audit Return is submitted to the Department of Local Government & Communities.

CARRIED
Voting 3/0
Minute Reference FAC 02/17 - 4


Chapman Valley - Compliance Audit Return 2016

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2016.	N/A		Maurice Battilana
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2016.	N/A		Maurice Battilana
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2016.	N/A		Maurice Battilana
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2016.	N/A		Maurice Battilana
5	s3.59(5)	Did the Council, during 2016, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Maurice Battilana

Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A		Maurice Battilana
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Maurice Battilana
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Maurice Battilana
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Maurice Battilana
5	s5.18	Has Council reviewed delegations to its committees in the 2015/2016 financial year.	N/A		Maurice Battilana
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Maurice Battilana
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Maurice Battilana
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Maurice Battilana
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Maurice Battilana
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Maurice Battilana
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Maurice Battilana
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2015/2016 financial year.	Yes		Maurice Battilana
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Maurice Battilana

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Maurice Battilana
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Maurice Battilana

No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Maurice Battilana
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A		Maurice Battilana
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	N/A		Maurice Battilana
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2016.	Yes		Maurice Battilana
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2016.	Yes		Maurice Battilana
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Maurice Battilana
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Maurice Battilana
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Maurice Battilana
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	N/A		Maurice Battilana
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Maurice Battilana
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Maurice Battilana
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Maurice Battilana

No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Maurice Battilana
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Maurice Battilana

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Maurice Battilana
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes		Maurice Battilana

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes		Maurice Battilana

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Maurice Battilana
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Maurice Battilana
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Maurice Battilana
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Maurice Battilana

No	Reference	Question	Response	Comments	Respondent
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government within 30 days of completion of the audit.	Yes		Maurice Battilana
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government by 31 December 2016.	Yes		Maurice Battilana
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A		Maurice Battilana
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Maurice Battilana
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Maurice Battilana
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Maurice Battilana
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Maurice Battilana
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Maurice Battilana
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Maurice Battilana
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Maurice Battilana

Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A		Maurice Battilana
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A		Maurice Battilana
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Maurice Battilana
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Maurice Battilana
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A		Maurice Battilana

Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Maurice Battilana
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Maurice Battilana
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Maurice Battilana
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Maurice Battilana
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Maurice Battilana
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Maurice Battilana

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Maurice Battilana
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A		Maurice Battilana
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Maurice Battilana
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Maurice Battilana
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Maurice Battilana
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Maurice Battilana
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Maurice Battilana
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Maurice Battilana
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Maurice Battilana
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Maurice Battilana
11	F&G Reg 21 & 22	Did the local governments' advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Maurice Battilana
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	Yes		Maurice Battilana

No	Reference	Question	Response	Comments	Respondent
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes		Maurice Battilana
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes		Maurice Battilana
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	N/A		Maurice Battilana
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A		Maurice Battilana
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A		Maurice Battilana
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Maurice Battilana
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Maurice Battilana
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A		Maurice Battilana
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Maurice Battilana
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A		Maurice Battilana

No	Reference	Question	Response	Comments	Respondent
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Maurice Battilana
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	Yes		Maurice Battilana
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Maurice Battilana

AGENDA ITEM:	8.4
SUBJECT:	BIENNIAL INTERNAL AUDIT
PROPONENT:	CHIEF EXECUTIVE OFFICER
SITE:	WHOLE OF SHIRE
FILE REFERENCE:	305.00
PREVIOUS REFERENCE:	NA
DATE:	10th FEBRUARY 2017
AUTHOR:	MAURICE BATTILANA

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The State Government gazetted new legislation in February 2013 under Clause 17 of the *Local Government (Audit) Regulations, 1996*, which requires a local government authority to undertake internal control audit at least once every two years, with the first of these audits to be completed by the 31st December 2014.

This item was presented to the December 2016 OCM with the following being resolved:

“MOVED: CR MALUISH

SECONDED: CR WOOD

Council receives the Internal Audit Report as presented and request the Chief Executive Officer present this to the Finance & Audit Committee in accordance with Clause 17 (3) of the Local Government (Audit) Regulations, 1996 for review, comments and if necessary provide recommendations to back to Council for consideration.

Voting 7/0

CARRIED

Minute Reference: 12/16-13”

A copy if the Internal Audit is provided as **Attachment 4** for the Committee Members to review.

COMMENT

The Local Government Act 1995 (the Act) requires all local governments to establish an Audit Committee. An Audit Committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The CEO is required to provide biennial reviews of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance to the Audit Committee, who will review this along with the results of the annual Compliance Audit Return.

The biennial review will require an internal audit carried out by a person who is not involved in the operational management of the Shire or the functions being audited. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The reporting tool is designed to assist local governments to assess and report on their internal environment, functions and procedures for inclusion in the CEO biennial review, and to support organisational development and continuous improvement.

Marg Hemsley (Risk ID) was contracted to undertake the independent Internal Audit Report in November 2016 to address the legislative requirements of Regulation 17 of *Local Government (Audit) Regulations, 1996*. A copy of this Report is provided under separate cover.

The intention of this Agenda Item is to advise Council the internal audit has been completed and will be presented to the Finance & Audit Committee in early 2017 for review and report back to Council on any items or issues considered necessary for further action. This timing was considered appropriate as the internal audit review can be considered by the Finance & Audit Committee at the same time the Committee considers the annual Compliance Audit Return.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations, 1996

17. 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 at least once every 2 calendar years.
 - (3) The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

POLICY IMPLICATIONS

No existing policy/procedure affected.

FINANCIAL IMPLICATIONS

Nil affect

- **Long Term Financial Plan (LTFP):**

Nil affect

CONSULTATION

Relevant staff have been consulted and had input into the development of the Internal Audit Report

RISK ASSESSMENT

Based upon the adopted *Risk Assessment and Acceptance Criteria* for the Shire's Risk Management Policy & Procedures the risk level considered relevant:

- ***Insignificant/Minor Risk*** in the areas of *Financial Impact, Compliance and Reputation*.

STRATEGIC IMPLICATIONS

It is sound practice to undertake an internal review of operations to ensure maximum compliance and efficiencies are in place and adhered to.

- **Strategic Community Plan/Corporate Business Plan:**

Objective	Strategy	Actions
We want a representation and governance model that reflects our community's unique attributes	The President and Councillors to be representative of the community and provide strong leadership	Develop Council appropriate policies and procedures that enable good: governance, development, services and growth

VOTING REQUIREMENTS

Simple Majority

COMMITTEE / STAFF RECOMMENDATION

MOVED: CR WOOD

SECONDED: CR COLLINGWOOD

The Committee confirm with Council they have reviewed the internal audit and recommend the items identified are to be dealt with by the Chief Executive Officer as operational issues.

CARRIED
 Voting 3/0
 Minute Reference FAC 02/17 - 5

Internal Audit - Addressing WA Local Government (Audit) Regulations 1996

Auditor - Margaret Hemsley Principal Consultant Risk/D and LG People

Audit Date: 23/11/2016

Shire Staff Consulted: Manager Finance and Corporate - Dianne Raymond: Governance and CEO - Karen McKay; CEO - Maurice Battilana

ATTACHMENT 4

The Local Government Act 1995 (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions. The CEO is required to provide biennial reviews of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance to the Audit Committee, who will review this along with the results of the annual CEOs report and Compliance Audit Return. The biennial review will require an internal audit carried out by a person who is not involved in the operational management of the Shire or the functions being audited. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This tool has been developed in good faith, addressing Appendix 3 of the Local Government Operational Guidelines - Number 9 - Audit in Local Government. This will assist local governments to assess and report on their internal environment, functions and procedures for inclusion in the CEO biennial review, and to support organisational development and continuous improvement. This tool is to be used in conjunction with Section 7 (Internal Control Framework) of the Western Australian Local Government Accounting Manual which provides guidelines on specific areas of controls to review.

1 Risk Management							
1.1 Risk Management Systems and Processes							
Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs							
		Unsure or not in place [U]	Planned [U]	Developing [D]	Implemented [I]	Monitored / Reviewed [MR]	Comments
1.1.1	Does the Shire have a Risk Management Policy, with formal risk appetite and tolerance levels included?						A risk management Policy is in place with risk appetite and tolerance levels included.
1.1.2	Does the Shire have an organisational wide risk management framework in place?			D			There is a risk management framework in place but comprehending the Policy in relation to their own working environment may prove a challenge to those not familiar with risk management principles, practices and vocabulary. An improvement would be to develop Organisational Guidelines for Risk Management that include the individual responsibility levels for reporting and closing out risks, and include them in the Employment Manuals / Induction Packs.
1.1.3	Does the Shire have a risk register that is regularly reviewed to ensure that risks are addressed and closed out?			D			Risk Register of Systems and Processes is in place and regularly reviewed to close out those risks. There is also a working OSH issue tracking system. An improvement would be to develop a Risk Management Tracker to compliment the OSH Tracker.
1.1.4	Is this policy communicated to all current staff, and included in induction processes?			D			While it has been communicated to the Council and Senior Management, it has not been fully communicated across the Organisation as per the Risk Management Policy requires. The Shire must ensure all new and existing staff are trained in risk management as per communication and consultation section of the Shire's policy (Page 8). In transcribing and delivering this information to staff, it would need to be in a simplified form that is relevant to the areas of risk identification in strategy and operations.
1.1.5	Has responsibility for risk management been included in the organisational structure with responsibility assigned?						Assigned to the CEO with the risk management committee embedded in the Executive as outlined in the Risk Management Policy
1.1.6	Are strategic risks considered, evaluated and reviewed in annual planning processes?			D			In some areas they are, but more routine use of the risk identification and evaluation processes for Council and Executive decision making using the Risk Management Policy Tolerance levels would be an improvement at Council meetings and in the annual planning process.
1.1.7	Are material operating risks appropriately considered in the Shire?						CEO and Executives responsible for their areas
1.1.8	Does risk management form part of the Council agenda item requirements?						While this is implemented it could be improved by greater reference to the tolerance levels as approved in the Shires Risk Management Policy as outlined in 1.1.6
1.1.9	Is risk management an agenda item at staff or stakeholder meetings?						In Executive, Toolbox and Divisional Meetings
1.1.10	Is risk management a key performance indicator on all senior management position descriptions?			D			While it is an expectation of Senior staff there is not a measurable KPI While it is an expectation of Senior staff there is not a measurable KPI documented.
1.1.11	Does the Shire have a regular risk identification, review and reporting process overseen by senior management?						Currently more OSH focussed but will improve by additional reporting and discussion of Operational and Strategic Risks
1.1.12	Does the Shire have a business continuity plan?						In place and developing
1.1.13	Is the Business Continuity Plan tested from time to time?			D			The IT business continuity component has been tested and other component tests are planned.
1.1.14	Does the Shire have a Disaster Recovery Plan?						LEMAC, IT and Coronation Beach Evacuation
1.1.15	Is the Disaster Recovery Plan tested from time to time?						Yes
Determining and Managing Material Operating Risks							
1.2.1	Does the Shire have a system or processes to ensure compliance with Legislation, Regulations, Standards and Shire Policies?					MR	Dates to Remember' process and Staff information
1.2.2	Does the Shire have a process to address accounting judgements or estimates that prove to be wrong?					MR	Finances reviewed monthly and appropriate adjustments made as required
1.2.3	Does the Shire have a formal process to deal with claims and litigations?						LGIS, Complaints Register
1.2.4	Is there a process in place to identify misconduct, fraud or theft risks that includes monitoring, review and a treatment plan should they eventuate?					MR	Segregation of duties, complaints register, regular financial reviews and PIIOs Officer in place.
1.2.5	Does the Shire have systems and processes to prevent or uncover misconduct, fraud and theft?					MR	Monthly review of accounts and bank statements and code of conduct requirements.
1.2.6	Does the Shire have systems in place to address Occupational Safety and Health risks?						Well developed OSH systems and processes
1.2.7	Does the Shire have systems in place to address environmental risks?						Appropriate officers, policies and processes in place to monitor environment and address issues arising
1.2.8	Does the Shire have systems and processes in place to address business risks?						Regular CEO and Executive meetings, identified business risks discussed, managed and monitored.
1.2.9	Does the Shire have a process to manage insurable risks and ensure the adequacy of insurance?					MR	LGIS and Executive Review Annually
1.2.10	Does the Shire have formal processes to review the effectiveness of the internal control systems with management, internal and external auditors?					MR	Annual audits carried out with outcomes reviewed and appropriate improvements made. Monthly reviews carried out in the financial area.
1.2.11	Does management have controls in place for unusual types to transactions or transactions that may carry more than acceptable degrees of risk?					MR	Procurement policies and stringent processes in place with CEO and Executive oversight.
1.2.12	Does the Shire have a formal tenders and procurement system and process in place with a focus on probity and transparency of policies and procedures?						WALGA process and policies used for Tenders (E Tender) and Procurement
1.2.13	Does the Shire have a process / checklist approach to ensure the tenders and procurements policies and processes are being applied at all times?						Stringent process for purchasing including electronic Purchase Orders linked to budget limits of users, formal tender / three quote process as applicable. CEO has final sign off and Creditors Officer reconciles invoices with purchase orders.

2 Internal Control		Unsure or not in place (U)	Planned (U)	Developing (D)	Implemented (I)	Monitored / Reviewed (MR)	Comments
<p>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.</p> <p>An effective and transparent internal control environment is built on the following key areas:</p> <ul style="list-style-type: none"> ■ integrity and ethics. ■ policies and delegated authority. ■ levels of responsibilities and authorities. ■ audit practices. ■ information system access and security. ■ management operating style. ■ human resource management and practices. <p>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.</p>							
2.1	Does the Shire have a formal delegation of authority system and process?					MR	Documented and reviewed
2.2	Does the Shire have documented policies and procedures?					MR	In place and regularly reviewed
2.3	Is there an effective process in place for policy and procedure reviews?					MR	Formally reviewed annually by Council and Executives
2.4	Are all Shire staff qualified and trained in the areas of their principal responsibility?					MR	Training matrix in place and reviewed regularly
2.5	Are there controls on all formal systems and processes?					MR	In place and audit trails monitored
2.6	Are regular internal audits carried out?					MR	Annually reviewed
2.7	Are risk identification and assessments activities documented?			D			Risk identification and assessment activities are in place but not yet fully following the documentation processes as outlined in the Shire's Risk Management Policy.
2.8	Does the Shire have regular liaison with the Shire Auditors?				I		Yes
2.9	Does the Shire have regular liaison with legal advisors?				I		Yes
2.10	Is there a process to review the effectiveness of internal controls?					MR	There are checks in place in Shire systems
2.11	Is there a process for ensuring separation of roles and functions in processing and authorisation?				I		In place
2.12	Is there a process in place for control of approval of documents, letters and financial records?				I		Only CEO and Senior officers can sign off on documents
2.13	Is there a process for comparison of internal data with other external sources of information?				I		There is ongoing development of checks and balances
2.14	Is direct physical access to assets and records limited?				I		Restricted by 'sign in' to these areas
2.15	Are controls in place relating to computer applications and information system standards?				I		Controlled environment in place
2.16	Is access limited to make changes in data files and systems?				I		Controlled environment in place
2.17	Is there regular maintenance and review of financial control accounts and trial balances?					MR	Monthly reconciliation and review by CEO, Manager Finance and Corporate and Council
2.18	Is there a process to regularly compare and analysis of financial results with budgeted amounts?					MR	Monthly budget review
2.19	Is there a process to review the arithmetical accuracy and content of records?					MR	Robust annual budget review
2.20	Is there a process to review and report on approval of financial payments and reconciliations?					MR	Regular Agenda item for Council
2.21	Is there a process to compare the result of physical cash and inventory counts with accounting records?				I		In place

3 Legislative Compliance							
	The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include the following that should be audited.	Unsure or not in place (U)	Planned (U)	Developing (D)	Implemented (I)	Monitored / Reviewed (MR)	Comments
3.1	Is there a process in place for monitoring compliance with legislation and regulations?					MR	Dates to Remember process used
3.2	Is there a process in place to review the annual Compliance Audit Return and report to Council the results of that review?					MR	Annual Review and Council Agenda
3.3	Is there a process for the audit committee to stay informed on how management is monitoring the effectiveness of its compliance and making recommendations for change as necessary?					MR	Annual item on Audit Committee Agenda
3.4	Does the Shire have procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints?				I		PIDS Officer and grievance management process in place.
3.5	Is there a process that gives the Audit Committee assurance that adverse trends are identified and reviews management's plans to deal with these?				I		Annual item on Audit Committee Agenda
3.6	Is there a process for the Audit committee to review management disclosures in financial reports of the effect of significant compliance issues?				I		Annual meeting of the Audit Committee and external audit.
3.7	Is there a process to review 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?				I		Part of the Tender specifications upon which the contract is developed and finalised with the Auditors
3.8	Is there a process to determine the internal auditor's role in assessing compliance and ethics risks in their plan?				I		Part of the Tender specifications upon which the contract is developed and finalised with the Auditors
3.9	Is there a process to monitor the Shire's compliance frameworks dealing with relevant external legislation and regulatory requirements?					MR	Compliance audit return monitored by Council and Executive and is reported in the Annual Report
3.10	Is there a process in place to ensure Audit Committee members are complying with legislative and regulatory requirements imposed on them, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the Shire, and disclosing conflicts of interest?					MR	Elected Members are informed of responsibilities, have a copy of the Code of Conduct, have training offered with a reasonable level of uptake.

9.0 Information Items

AGENDA ITEM:	9.1
SUBJECT:	RISK MANAGEMENT PROCEDURE - REVIEW
PROPONENT:	FINANCE & AUDIT COMMITTEE
SITE:	COUNCIL CHAMBERS
FILE REFERENCE:	411.01
PREVIOUS REFERENCE:	MINUTE REF: 06/14-12
DATE:	10th FEBRUARY 2017
AUTHOR:	MAURICE BATTILANA

DISCLOSURE OF INTEREST

Nil

BACKGROUND

The State Government introduced legislation under the Local Government (Audit) Audit Regulations, 1996, to stipulate it is a legal requirement for a local government Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- a) Risk management,
- b) Internal controls; and
- c) Legislative compliance.

This is known as LG (Audit) Regulation 17.

Council adopted the *Risk Management Policy (CP-017)* at the June 2014 OCM. This Policy is complemented by the *Risk Management Procedure (CMP-028)*.

COMMENT

Procedures are an internal operational document and though a copy has been provided under separate cover for Council information there is no legal requirement for Committee or Council to adopt or endorse amendments these documents. This is an internal document the CEO and staff use to undertake the necessary analysis and review of risk management as required under legislation.

Therefore, the purpose of this item is to simply inform the Committee of the review undertaken by staff of *Risk Management Procedure (CMP-028)*. There are no changes recommended to the existing Procedure. However; the Risk Management Report has been updated to incorporate items completed and to be undertaken by staff. Council do not need to consider the changes to the Report as this is an internal operational document only.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations, 1996

17. 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 at least once every 2 calendar years.
 - (3) The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

POLICY IMPLICATIONS

Risk Management Policy (CP-017). This Policy is complemented by the *Risk Management Procedure (CMP-028)*.

FINANCIAL IMPLICATIONS

Nil affect.

• **Long Term Financial Plan (LTFP):**

No effect on the LFTP

STRATEGIC IMPLICATIONS

It is a legal requirement to have Risk Management Policies and Procedures in place to address risk issues within the organisation.

• **Strategic Community Plan/Corporate Business Plan:**

Objective	Strategy	Actions
We want a representation and governance model that reflects our community’s unique attributes	The President and Councillors to be representative of the community and provide strong leadership	Develop Council appropriate policies that enable good: governance, development, services and growth

VOTING REQUIREMENTS

Simple Majority

COMMITTEE / STAFF RECOMMENDATION

MOVED: CR FORRESTER

SECONDED: CR WOOD

The Committee receives the unchanged *Risk Management Procedure (CMP-028)* and the *updated Risk Management Report* as presented for information only.

CARRIED
Voting 3/0
Minute Reference FAC 02/17- 6

10.0 Urgent Business Approved by the Presiding Member or by Decision of the Committee

Nil

11.0 Closure

The Chairman thanked Elected Members and Staff for their attendance and closed the meeting at 3.08pm.