

Shire of Tammin

AUDIT COMMITTEE MEETING

CONFIRMED MINUTES



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The meeting of the Audit Committee of the Shire of Tammin was held on Thursday 19 December 2019 in the Council Chambers, 1 Donnan Street Tammin, commencing at **3:33pm**.

Neville Hale
CHIEF EXECUTIVE OFFICER

CHARTER

The role of the Audit Committee is to provide an independent oversight of the financial systems of a local government on behalf of Council. The Council (unless delegated to the Audit Committee) is required to meet a minimum of once per year with the Auditor (which may be by video or telephone).

Members of the Audit Committee are Cr's, M. Greenwood, G Batchelor, N. Caffell and T Daniels. Please note that other members of Council are welcome to attend.

ORDER OF BUSINESS & TABLE OF CONTENTS

1. Declaration of opening
2. Record of attendance
3. Response to Previous Questions taken on Notice
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- 5** Declarations of Interest
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- 7.2 Annual Audit Report 2018/19 Financial Year
8. Closure of meeting

1. DECLARATION OF OPENING

The Chairperson declared the meeting open at 3:33pm.

2. RECORD OF ATTENDANCE

Present:

Cr M Greenwood	Chairperson
Cr G Batchelor	Member
Cr N Caffell	Member
Cr T Daniels	Member

In Attendance:

Cr T Nicholls	Councillor
Neville Hale	Chief Executive Officer
Morgan Ware	Manager Finance & Administration
Fabian Houbrechts	Manager of Works & Services

Leave of Absence:

Apologies:

Cr Thomson	Councillor
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3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

Nil

5. DECLARATIONS OF INTEREST

Nil

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

Minutes of the previous Audit Committee meeting, held on 11 December 2019 are included as an attachment to this Agenda.

6.1 Audit Committee Meeting Minutes – 11 December 2019

STATUTORY IMPLICATIONS

Section 5.22 (2) of the *Local Government Act 1995* Section 5.22 (2) requires minutes of all council and committee meetings to be submitted to the next meeting of the council or the committee, as the case requires, for confirmation

TAC 12/19 MOTION

That the minutes of the Audit Committee meeting held on 11 December 2019 be confirmed.

Moved: Cr Daniels

Seconded: Cr Caffell

Vote: Simple Majority

Carried/Lost: 4/0

7. AGENDA ITEMS

7.1 Review of Risk Management, Internal Control and Legislative Compliance – Risk Management Governance Framework – *Local Government (Audit) Regulations 1996 - eg. 17*

Location:	Shire of Tammin
Applicant:	Council
Date:	12 December 2019
Author:	Neville Hale
Item Approved by:	Chief Executive Officer
Disclosure of Interest:	Nil
File Reference:	Nil
Attachment/s:	Attachment Item 7.1 – SOTA Risk Profile Reporting Tool

Proposal / Summary

For Council to note the results of the Risk Dashboard Review of the *Risk Management Governance Framework as prepared by LGIS and adopted by Council in December 2014 in response to the introduction of Reg 17 of the Local Government (Audit) Regulations 1996.*

Background

The Framework is a comprehensive overview of identified risks likely to impact the operations of the Shire and reflects the appropriateness and effectiveness of the Shire's systems in regard to risk management, internal control and legislative compliance.

The Risk Framework was first adopted by Council in October 2014 and was the subject of a desk-top review in August 2015. A further review was undertaken in February 2019.

The *Local Government (Audit) Regulations 1996* prescribe the requirements for local governments in relation to the engagement of auditors, the annual compliance Audit Return and the functions of the Audit Committee.

The amendments extend the responsibilities of the Audit Committee and Chief Executive Officer of local governments in relation to the reviewing and reporting of the local government's systems and procedures in regard to risk management, internal control and legislative compliance.

The Risk Management Governance Framework, developed by LGIS, is in response to the requirements of Reg.17 of the Local Government (Audit) Regulations, 1996 and encapsulates those requirements.

Comment

The Chief Executive Officer has reviewed the Shire's systems in relation to risk management, internal control and legislative compliance and considers that they are appropriate and effective with the exception of those identified on the attached Dashboard Report. The details of the review are outlined below.

Furthermore, consideration was to be given to the introduction of an appropriate framework for controls in relation to Fraud and Corruption as per AS8001-2008. Council, at its October 2019 Ordinary Meeting adopted a Fraud and Corruption Plan and associated Policy.

Informing / Guiding Documents

Risk Management Framework

Council adopted the *Risk Management Governance Framework* ("the Framework") at its October 2014 Meeting. The Framework describes the principles of risk management and details the roles and responsibilities of risk management from the Audit Committee to individual employees. The Framework includes a risk level matrix and criteria for assessing risks in terms of likelihood and consequences. The Chief Executive Officer, Manager of Corporate Services and Finance and Manager Works & Services are to regularly review the Framework with assistance from Council Staff to ensure it is current and reflects the latest Australian Standards.

Risk Management Policy

The Shire has previously developed a *Risk Management Policy* which states the objectives for, and commitment to, risk management. The policy is designed to align with this and make a statement on the Shire's objectives, approach and commitment to effective risk management across all its operations. The policy includes the following statement:

"It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public."

This Framework, in support of Council's Risk Management Policy, is subject to six monthly review. The previous review was undertaken in February 2019. This current review was completed in September 2019 and held over until the Fraud and Corruption Plan and Policy had been adopted by Council and finalisation of the October 2019 Elections.

Emergency Management Risk Register

Local government has statutory obligations for emergency management and the risk register which is currently being updated following a recent workshop in September 2019 held in Kellerberrin. The process is essential to identify risks, their severity and to identify the agencies responsible for mitigation of the risk. Council's Emergency Management Arrangements are overseen by the Kellerberrin- Tammin Local Emergency Management Committee chaired by the Kellerberrin Shire President.

The Risk Framework identifies a number of areas of emergency management to be reviewed on a regular basis

Bush Fires Act 1954

In accordance with the requirements of the Bush Fires Act, 1954 (BFA) the Shire is required to appoint a Chief Bush Fire Control Officer and a Deputy Chief Bush Fire Control Officer. Regrettably, no members of the Community have come forward to take up these positions. Accordingly, it has been necessary for the Chief Executive Officer and CESM Simon Bell to, in accordance with the BFA, approach the Commissioner Fire and Emergency Services, to appoint an Officer of the Department to the vacant CBFCO position. This is a situation that has not previously arisen within the State and will set a precedent of as yet unknown consequence.

Purchasing Policy

Council reviewed and adopted its *Purchasing Policy* at the Ordinary Meeting of Council held 28 June 2018. The Policy identifies purchasing protocols that ensure that goods and services are procured in an equitable and transparent manner that complies with legislative requirements and delivers value for money.

The Purchasing Policy was the subject of Audit qualification in 2019 and subsequent staff training and revised procedures has been undertaken.

Audits / Reviews / Assessments

Financial Management Review

Pursuant to Regulation 5(2)(c) of the Local Government Financial Management Regulations, Council engaged Billy–Joe Thomas of Auditors Anderson Munroe Wyllie to undertake the “Financial Management Review” and the resultant Report was received by Council at its Ordinary Meeting on 21nd August 2018.

Compliance Audit Return

The Return focuses on key areas of legislation and the Shire has consistently demonstrated a high level of compliance. Council’s latest Return for the Period ended 31st December 2018 was considered by both the Audit Committee and Council Meetings held on the 28th March 2019 and subsequently forwarded to the Department of Local Government.

External Audit Services

The Local Government Amendment (Auditing) Act 2017, giving the Auditor General a mandate to audit local governments, was assented to on 1 September 2017. On 14 March 2019 the Auditor General’s Office advised the Shire that it had appointed RSM as OAG’s contract Auditor for the year ended 30 June 2019. It is noted that under the contract arrangement with OAG RSM may not seek or undertake any other work for the Shire during the term of the contract without the prior written consent of the Auditor General.

The Auditors are currently completing their Audit of the Annual Financial Statements for the year ended 30th June 2019 and the Audit Report and Management Letter will be considered by this Audit Committee and forwarded on to today’s Council meeting.

RISK MANAGEMENT CONSIDERATIONS – The amendments to the *Local Government (Audit) Regulations 1996* will enhance the reporting of the Shire’s approach to risk management, internal controls and legislative compliance with increased transparency and involvement for the Elected Members.

CHIEF EXECUTIVE OFFICER’S OVERVIEW – I consider that with the Measures and Systems in place, that Council’s Risk Management, Internal Control and Legislative Compliance is appropriate and effective notwithstanding areas identified in need of improvement as outlined within the attached Dashboard Report.

Consultation

Chief Executive Officer	Neville Hale
Manager Corporate Services & Finance	Morgan Ware
Manager of Works and Services	Fabian Houbrechts

Legislative Requirements

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 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

Policy 2.5 Administration/Organisation Risk Management

This Framework sets out the areas of risk that have been identified and the actions necessary and or taken to mitigate those risks.

Financial Implications

Nil

Strategic Implications

Tammin Community Strategic Plan

Civic Leadership

Outcome 6.1 Strong governance and leadership, demonstrating fair and equitable community values

6.1.1 Deliver sustainable governance through transparent and robust policy and processes

TAC 13/19 MOTION

For Council's Audit Committee to receive the results of the Local Government (Audit) Regulations, 1996 -Regulation 17, Management, Internal Control and Legislative Compliance and Risk Review as at October 2019(and present to Council.

Moved: Cr Greenwood

Seconded: Cr Batchelor

Vote: Simple Majority

Carried/Lost: 4/0

7.2 Annual Audit Report 2018/19 Financial Year

Location:	Shire of Tammin
Applicant:	Manager of Finance and Administration
Date:	12 th December 2019
Author:	Morgan Ware
Item Approved by:	Chief Executive Officer
Disclosure of Interest:	Nil
File Reference:	Nil
Attachments:	Attachment Item 7.2 – Audit Report – 30 June 2019 Attachment Item 7.2 - Annual Financial Statement – 30 June 2019 Attachment Item 7.2 - Management Letter to President – 30 June 2019 Attachment Item 7.2 – Management Letter to President Attachment – 30 June 2019 Attachment Item 7.2 – Opinion – 30 June 2019 Attachment Item 7.2 – Annual Report 30 June 2019

PROPOSAL / SUMMARY

The Audit Committee review and makes recommendation to Council to adopt the:

1. 2018/19 Annual Financial Statements;
2. 2018/19 Annual Report inclusive of the Auditors Report; and,
3. The accompanying Management Letter.

BACKGROUND

Section 7.12A, clause 2, of the *Local Government Act 1995* requires that a local government is to meet with the auditor as least once in each financial year.

The draft 2018/19 Financial Report and Audit Closing Report for the 2018/19 financial year have been circulated to all Council members. The Audit Committee and Councillors met with representatives of RSM and the Office of the Auditor General (OAG) on Wednesday, 11 November 2019 to discuss the Audit Closing Report and Annual Financial Statements.

The Independent Auditors Report has now been prepared and is attached. It is noted that the Auditor General has provided an “unqualified” Report to the Shire for the 2018/19 financial year.

Notwithstanding, the Auditor’s Report noted the following area of non-compliance with the *Local Government Act 1995*:

- 1) The following material matter indicates non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other written law:
 - a) For approximately 57% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations was obtained to test the market and no documentation was available to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement.

- 2) The following material matters indicate significant adverse trends in the financial position or the financial management practices of the Shire and are disclosed in Note 29 of the financial report:
 - a) The asset renewal funding ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the last three years; and,
 - b) The Operating Surplus Ratio has been below the DLGSCI standard for the last three years.

COMMENT

The auditors RSM and representatives of the OAG joined the meeting at 4:00pm via a telephone link up during the 11 December 2019 Audit Committee meeting.

In response to the one area of non-compliance identified in the earlier Interim Audit and listed in the Audit Closing Report, the CEO advises that:

1. The lack of evidence of sufficient number of quotations had been obtained is a matter identified in the Interim Audit and all staff members have been advised of the Council's Purchasing Policy and the requirement to obtain quotations and record evidence to support the purchasing process. The resolution of this matter is noted.

In regard to the various Financial Ratios, the CEO has identified areas of deficiency in regard to Asset Management Plans and, together with the Manager of Works and Services and the Manager of Finance Administration has met with the consultants in November 2019 to initiate changes. It is expected these matters will be resolved in early 2020.

It is noted that matters reported during prior audits have been satisfactorily resolved.

CONSULTATION

Nil

STATUTORY ENVIRONMENT

Local Government Act 1995

5.53. Annual reports

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain —*
 - (a) *a report from the mayor or president; and*
 - (b) *a report from the CEO; and*
 - [(c), (d) deleted]*
 - (e) *an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and*
 - (f) *the financial report for the financial year; and*
 - (g) *such information as may be prescribed in relation to the payments made to employees; and*
 - (h) *the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and*
 - (ha) *a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and*
 - (hb) *details of entries made under section 5.121 during the financial year in the register of complaints, including —*
 - (i) *the number of complaints recorded in the register of complaints; and*

- (ii) *how the recorded complaints were dealt with; and*
- (iii) *any other details that the regulations may require;*
- and*
- (i) *such other information as may be prescribed.*

5.54. Acceptance of annual reports

- (1) *Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.*

** Absolute majority required.*

- (2) *If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.*

5.55. Notice of annual reports

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

5.55A. Publication of annual reports

The CEO is to publish the annual report on the local government's official website within 14 days after the report has been accepted by the local government.

Local Government (Administration) Regulations 1996

19B. Information about numbers of certain employees to be included (Act s. 5.53(2)(g))

For the purposes of section 5.53(2)(g) the annual report of a local government for a financial year is to contain the following information —

- (a) *the number of employees of the local government entitled to an annual salary of \$100 000 or more;*
- (b) *the number of those employees with an annual salary entitlement that falls within each band of \$10 000 over \$100 000.*

5.27. Electors' general meetings

- (1) *A general meeting of the electors of a district is to be held once every financial year.*
- (2) *A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.*
- (3) *The matters to be discussed at general electors' meetings are to be those prescribed.*

Local Government Act 1995

7.1A. Audit committee

- 1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- 2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

** Absolute majority required.*

- 3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- 4) *An employee is not to be a member of an audit committee.*

7.1B. Delegation of some powers and duties to audit committees

- 1) *Despite section 5.16, the only powers and duties that a local government may delegate* to its audit committee are any of its powers and duties under this Part other than this power of delegation.*

***Absolute majority required.**

- 2) *A delegation to an audit committee is not subject to section 5.17.*

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an audit committee is to be made by a simple majority.

7.12A. Duties of local government with respect to audits

- 1) *A local government is to do everything in its power to —*
 - a) *assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and*
 - b) *ensure that audits are conducted successfully and expeditiously.*
- 2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year*

Local Government (Audit) Regulations 1996

16. Audit committee, functions of

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; ...*

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Ni

TAC 14/19 MOTION

That the Audit Committee recommend to Council that it:

1. Adopts the 2018/19 Annual Report inclusive of the audited Financial Statements;
2. receive the “Unqualified” Audit Report and Management Letter from the Office of the Auditor General for the 2018/19 financial year
3. Recognise the significant adverse finding identified in both the 2019 Interim and Final Audit Report for the year ended 30 June 2019 in respect to non-compliance with internal purchasing policy 3.1(b) noting that:
 - a) In accordance with s7.12A(4)(a) of the Local Government Act, 1995 a report on this matter was presented to the 25 July 2019 Audit Committee and 25 July 2019 Council Meetings, wherein the adverse finding was immediately addressed;
 - b) A copy of the Report was forwarded to the Minister in July 2019 in accordance with s7.12A(4)(b) ; and,
 - c) A copy of the Report has been published on the Shire’s website since July 2019 (s7.12A(5)).
4. Authorise the Chief Executive Officer to give local public notice of the availability of the Annual Report; and,
5. Publish the Annual Report on the Shire’s official website.

Moved: Cr Batchelor

Seconded: Cr Daniels

Vote: Absolute Majority

Carried/Lost: 4/0

8. CLOSURE OF MEETING

There being no further business, the Chairperson declared the meeting closed at 3:45pm.