



# Shire of Dowerin

## Minutes of Audit Committee Meeting

12 December 2016 at 3pm

Shire of Dowerin Council Chambers

<b>COMMITTEE MEMBERS</b>	<b>REPRESENTING</b>
Cr D.E. Metcalf	Shire of Dowerin
Cr A.J. Metcalf	Shire of Dowerin
Cr R.I Trepp	Shire of Dowerin
Mr Jason Whiteaker	External Advisor to the Audit Committee
<b>OBSERVER</b>	<b>REPRESENTING</b>
Andrea Selvey – CEO	Shire of Dowerin
Sonia King – Finance Manager	Shire of Dowerin
Leanne Oliver – External Auditor	Byfields

## COMMITTEE TERMS OF REFERENCE

1. The Audit Committee is to provide guidance and assistance to Council based on the following *Terms of Reference*:
  - 1.1 To carry out Council's functions in relation to audits carried out under Part 7 (Audit) of the Local Government Act 1995
  - 1.2 To develop a process to be used to select and appoint a person to be an Auditor.
2. The Audit Committee may also provide guidance and assistance to Council as to:
  - 2.1 Matters to be audited;
  - 2.2 The scope of audits;
  - 2.3 Council's functions under Part 6 (Financial Management) of the Local Government Act 1995; and
  - 2.4 The carrying out of Council's functions relating to other audits and other matters relating to financial management.
3. The Audit Committee may evaluate tenders received for the provision of audit services and report to Council with a recommendation for appointment of an auditor for the Shire of Dowerin.
4. Meeting cycle: At least once a year to recommend adoption of Annual Report.

**SHIRE OF DOWERIN**

**AGENDA FOR THE AUDIT COMMITTEE MEETING TO BE HELD ON 12 DECMEBER 2016 at 3pm at the Shire of Dowerin Council Chambers, Cottrell Street, Dowerin**

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**1. DECLARATION OF OPENING**

Chairperson, Cr D. Metcalf opened the meeting at 3:00pm.

**2. ATTENDANCE**

Cr D. Metcalf - Chairperson

Cr R.I. Trepp

Mr J. Whiteaker – phone link

A. Selvey - Chief Executive Officer

S. King – Finance Manager

L. Oliver – Auditor from Byfields

**3. APOLOGIES**

Cr A.J. Metcalf

**4. APPLICATIONS FOR LEAVE OF ABSENCE**

**4. DECLARATION OF INTEREST**

IMPORTANT: Parts of Division 6 Subdivision 1 of the Local Government Act 1995 requires Council members and employees to disclose any direct or indirect financial interest or general interest in any matter listed in this agenda.

The Act also requires the nature of the interest to be disclosed in writing before the meeting or immediately before the matter being discussed.

NB A Council member who makes a disclosure must not preside or participate in, or be present during, any discussion or decision making procedure relating to the disclosed matter unless the procedures set out in Sections 5.68 or 5.69 of the Act have been complied with.

**5. CONFIRMATION OF MINUTES**

OFFICER'S RECOMMENDATION

Moved: Mr J Whiteaker      Seconded: Cr RI. Trepp      Carried: 3/0

That the minutes of the August 2016 meeting of the Shire of Dowerin Audit Committee held on 10 August 2016 be confirmed as a true and correct record of that meeting.

**6. PRESENTATIONS**

The Shire of Dowerin's Auditor, Ms Leanne K Oliver, Director at Byfield's is presenting the 2015/16 annual audit findings.

## 7. AUDIT REPORTS

### 7.1 2015/16 AUDIT AND ANNUAL REPORT

Date:	8 December 2016
File Ref:	
Disclosure of Interest:	Nil
Author:	Sonia King, Finance Manager
Attachments:	<ol style="list-style-type: none"><li>1. 2015/2016 Signed Accounts;</li><li>2. Auditor's Report;</li><li>3. Auditor's Letter.</li></ol>

#### Summary

For Committee to consider and, if acceptable, recommend to Council that Council receives the Annual Report for the year ended 30 June 2016 for the Shire of Dowerin.

#### Background

It is a requirement for Council to receive the Annual Report within two months of the Auditor's Report becoming available and as such the Annual Report is now presented for Committee's consideration and should it be acceptable to the Committee, officers seek a Committee recommendation to Council that they receive the 2015/16 Annual Report – see Attached.

Should the 2015/2016 Annual Report be recommended by the Committee and subsequently received by Council, it is intended seek Council authorisation to call the Annual Electors Meeting on Tuesday 7 February 2017 at 6.00pm.

#### Comment

The Auditor's report shows that the Shire's Financial Statements are compliant with the Local Government Act (1995) and the Local Government Financial Regulations (1996); were prepared in accordance with Australian Accounting Standards; and are a fair and true view of the Shire's financial position as of 30 June 2016. See attached Auditor's Report and accompanying letter.

#### Consultation

Council is required to hold an Annual Electors Meeting within 56 days of acceptance of the Annual Report. Pending the Committee recommendation and Council's adoption of the Annual Report, the Annual Electors Meeting has been scheduled to take place on Tuesday 7 February 2017 at 6.00pm in the Town Hall (Lesser Hall).

The Annual Electors Meeting will be advertised as follows:

- Dowerin Despatch – 22 December 2016 and 2 February 2017;
- Notices will also be placed on Shire and Community Notice Boards, Facebook and the Shire of Dowerin website.

#### Financial Implications

- The cost of the Audit was met within current budget allocation for the Shire Auditors.
- The cost of production of the Annual Report was negligible and met with current resource allocations.

Policy Implications

Nil

Statutory Implications

It is a statutory requirement under the Local Government Act 1995 Section 5.53 & 5.54 for Local Governments to receive an Annual Report.

Strategic Implications

Aligns with the Strategic Community Plan Theme 4 – Local Government Leadership

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**COMMITTEE AND OFFICER RECOMMENDATION – ITEM 7.1**

Moved: Cr Rl. Trepp

Seconded: Cr DE. Metcalf

Carried: 3/0

**THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL THAT COUNCIL RESOLVES TO:**

- 1. ACCEPT THE REPORT PROVIDED BY THE SHIRE AUDITOR MS LEANNE K. OLIVER OF BYFIELDS.**
- 2. RECEIVE THE SHIRE OF DOWERIN ANNUAL REPORT WHICH INCLUDES THE SIGNED FINANCIAL ACCOUNTS FOR THE 2015/2016 FINANCIAL YEAR; AND**
- 3. PROCEED WITH THE ANNUAL ELECTORS GENERAL MEETING ON TUESDAY 7 FEBRUARY 2017 AT 6.00PM IN THE TOWN HALL - LESSER HALL.**

**QUESTIONS TO AUDITOR**

President – Comparison of WDV, Fair Value in relation to sale of Assets.

Mr Whiteaker – Bank Reconciliation anomalies found as part of the Audit process be presented at the next meeting of Audit Committee.

Cr R. Trepp –

- Ratios explanation. Cr Trepp requested further information on ratios and notation in the Financial Statements.
- Percentage of Rates and Annual Charges – overdue status is due to Rates being raised at beginning of year and is based on the percentage of outstanding rates still due to Council at year end. Recommend that ‘outstanding’ wording be included for increased clarification

Mr Whiteaker –

- Ratios concern in relation to thresholds for Current Ratio. Reserve transfers were not undertaken and in future it is recommended that any budgeted transfers should be made regardless of estimated financial position. Include in priorities for LTFP and Asset Management Plans.
- Cash and Cash Equivalents in deficit due to overdrawing for creditor payments.
- Asset Consumption Ratio – has increased significantly in last two years. CEO to investigate and review implications.
- Spare Current Provision 1 – Leanne to provide reconciliation of figures to Audit Committee.
- Removal of reference of ex-CEO by name in note 2A.

- Other Payables (Pg. 46) –Leanne to provide break down of amounts.

**AUDITOR RECOMMENDATIONS ON FINANCIAL TRACING**

- Recommendation that the level of control for purchasing to be undertaken by Management at an internal procedural level.
- Segregation of duties – addition of CEO as fourth signatory and reviewer.
- Cheque paperwork to be improved and cover sheet developed.
- Purchase Orders – need to be signed properly, quotes and relevant document to be included, estimated amount. Co-member of staff to sign off on small amounts as well as large. Management to review through “spot checks” on regular basis.

**COMMENTS TO AUDIT COMMITTEE**

Mr J Whiteaker -

- Consider updating Council’s Purchasing Policy in relation to thresholds, quotation requirements and Tender threshold in accordance with updated Department legislation.
- Concern relating to the small cheque book (MUNI and TRUST) use and recommendation that the use of small cheques be phased out.

## 7.2 COMPLIANCE CALENDAR

Date:	10 December 2017
Applicant:	The Shire of Dowerin
Location:	N/A
File Ref:	
Disclosure of Interest:	Nil
Author:	Andrea Selvey, CEO
Attachment:	4. Compliance Calendar

### Summary

This item progresses Recommendation 51 from Reg 5 Review conducted by RJ Back and Associates in March 2016 which was for the Audit Committee to establish a timetable for the CEO's reviews on compliance, risk and internal controls.

### Background

In March 2016, Mr Ron Back provided Council with a report from his review of the Shire's Financial Management. The report provided recommendations to improve governance and compliance within the Shire. One of the high priority recommendations was for the Audit Committee to establish a timetable for the CEO's reviews on compliance, risk and internal controls.

### Comment

The attached draft schedule has been based on templates from WALGA and other Shires and is presented for consideration by the Audit Committee. It aims to provide a corporate calendar for all compliance requirements over the course of a year, including the next due date where an item is not carried out at least once per year.

### Consultation

Department of Local Government and Communities

WALGA

### Financial Implications

Council made a provision of \$50,000 for compliance in the 2016/17 Budget. Many of the compliance items listed in the attached calendar are being progressed in-house in order to limit the financial impact on the budget ; therefore it is anticipated that the cost will be managed within the 2016/17 budget allocation.

### Policy Implications

Nil

### Statutory Implications

All the compliance requirements have a statutory implication under the Local Government Act, various regulations under the Act or other pieces of legislation such as the Bush Fires Act, Emergency Management Act and the Health Act. The legislative imperative for each action is noted in the attached calendar.

### Strategic Implications

Strategic Community Plan - Theme 4 – Local Government Leadership



**COMMITTEE AND OFFICER RECOMMENDATION – ITEM 7.2**

Moved: Cr RI Trepp

Seconded: J. Whiteaker

Carried: 3/0

**THAT THE AUDIT COMMITTEE NOTES THE COMPLIANCE CALENDAR FOR CEO'S REVIEWS ON COMPLIANCE, RISK AND INTERNAL CONTROLS AND SEEKS AN UPDATE FROM THE CEO AT THE NEXT MEETING OF THE AUDIT COMMITTEE.**

### 7.3 THE LOCAL GOVERNMENT (AUDIT) REGULATION 1996, REGULATION 17 REVIEW

Date:	10 December 2017
Applicant:	The Shire of Dowerin
Location:	N/A
File Ref:	
Disclosure of Interest:	Nil
Author:	Andrea Selvey, CEO
Attachment:	5. Local Government (Audit) Regulation 1996, Regulation 17 Review WITH FIVE APPENDICES AS FOLLOWS: 5.1 Risk Management Framework; 5.2 Dashboard; 5.3 Probity Compliance Audit Review 5.4 Financial Management Review (Reg 5) Progress update 5.5 Compliance Calendar.

#### Summary

This item presents The Local Government (Audit) Regulation 1996, Regulation 17 Review to the Audit Committee for consideration.

#### Background

This report has been developed to comply with Regulations that requires the CEO 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.

The regulations require the review to be conducted at least every two years and for the CEO to report on the review to the audit committee. The regulations require the Audit Committee to report to Council on the results of the review and give a copy of the CEO's report to Council. Whilst these amendments to the Local Government (Audit) Regulations 1996 were gazetted and came into effect 9<sup>th</sup> February 2013 and required that the first review be completed and reported to Council by 31 December 2014, this report is the first review conducted under Regulation 17 for the Shire of Dowerin.

#### Comment

Over the past 12 months, the Shire of Dowerin has had a number of reviews conducted by external organisations on governance, policy and processes. This review collates the reviews of the past 12 months to provide a coherent report to Council on the three areas required under Regulation 17. The findings of these various audits and reviews and the implementation plans developed by staff to progress recommendations are presented in the attached report.

The primary tool used for the Review is the Risk Management Framework. This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the Shire along with existing time, resource and workload pressures. It provides the policy and procedures along with Risk Assessment and Acceptance Criteria and Risk Profile Templates.

The Framework provides a tool to assess the Shire's operations under the following 15 themes:

1. Asset Sustainability Practices

2. Business & Community Disruption
3. Failure to Fulfil Compliance Requirements
4. Document Management Processes
5. Employment Practices
6. Engagement Practices
7. Environment Management
8. Errors, Omissions, Delays
9. External Theft & Fraud (Incl. Cyber Crime)
10. Management of Facilities / Venues / Events
11. IT & Communications Systems and Infrastructure
12. Misconduct
13. Project / Change Management
14. Safety And Security Practices
15. Supplier / Contract Management

Key staff are currently reviewing each theme for potential causes and controls and assessing the consequence and likelihood to provide a risk rating. The review also includes indicators that a risk is emerging and actions to mitigate or manage the risk. To date, 5 of the 15 themes have been reviewed and 31 prioritised actions to manage identified risks within those 5 themes have been developed. The Review has confirmed that there gaps and inadequacies in current risk management approach at the Shire and significant effort will be required to make the improvements required. The first step of raising awareness of the nature of risks in all areas of the Shire's operations has begun and the actions to make the necessary improvements are in the process of being developed and implemented.

#### Consultation

The Review has been conducted in-house by the CEO, Finance Manager, Assets and Works Manager, Coordinator Governance and Organisational Development and the Asset Management Officer. LGIS has provided assistance with the framework and in carrying out the Review.

The CEO has also consulted with the Department of Local Government and Communities and WALGA in preparing the attached report.

#### Financial Implications

There has been no direct financial implication in carrying out the review ; however many of the actions required to manage the risks identified will require resourcing. Council approved \$50,000 in the 2016/17 budget for compliance and many of the actions arising from the review are being progressed within that budget allocation. Additional budget requirements will be presented for Council consideration as part of the annual budget process.

Policy Implications

Nil

Statutory Implications

The Local Government (Audit) Regulation 1996, Regulation 17, requires the following:

- 1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
  - (d) risk management; and
  - (e) internal control; and
  - (f) legislative compliance.*
- 2) *The review may relate to any or all of the matters referred to in sub regulation (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.*

Strategic Implications

Strategic Community Plan - Theme 4 – Local Government Leadership

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**COMMITTEE AND OFFICER'S RECOMMENDATION – ITEM 7.3**

Moved: J Whiteaker

Seconded: Cr DE Metcalf

Carried: 3/0

**THAT THE AUDIT COMMITTEE,**

- 1. PURSUANT TO THE LOCAL GOVERNMENT (AUDIT) REGULATION 1996 REGULATION 17, RECEIVES THE LOCAL GOVERNMENT (AUDIT) REGULATION 1996, REGULATION 17 REVIEW;**
- 2. REPORT ON THIS REVIEW TO COUNCIL; AND PROVIDE COUNCIL WITH A COPY OF THIS REVIEW; AND**
- 3. ACKNOWLEDGE THAT RISK MANAGEMENT AND INTERNAL CONTROLS ARE BEING DEVELOPED AND THAT A LEGISLATIVE COMPLIANCE PROCESS IS IN PLACE AND NEEDS TO BE MONITORED FOR USE AND EFFECTIVENES OVER NEXT TWELVE MONTHS.**

#### 7.4 ROLE OF THE CEO AND STAFF IN ADVISING THE AUDIT COMMITTEE

Date:	10 December 2017
Applicant:	The Shire of Dowerin
Location:	N/A
File Ref:	
Disclosure of Interest:	Nil
Author:	Andrea Selvey, CEO
Attachment:	6. Email from Jenni Law, Director, Local Government Regulation and Support, Department of Local Government and Communities; 7. Revised Terms of Reference (DRAFT)

##### Summary

This report seeks to clarify the role of the CEO and Finance Manager in assisting the Audit Committee.

##### Background

The CCC Public Hearing in Dowerin in July 2016 raised queries regarding the role of the CEO and staff in assisting the Audit Committee. The view of the CCC appeared to be that the CEO and staff should not attend Audit Committee meetings. To ensure the Shire of Dowerin is compliant with legislation, the CEO sought clarification from Jenni Law, Director, Local Government Regulation and Support Department of Local Government and Communities.

##### Comment

Ms Law stated that while she noted the CCC's view, one of the key roles for the CEO is as Council's key advisor and that role needs to be balanced. Ms Law advised that the Terms of Reference should be amended so that the CEO and Finance Manager are not named as ex-officio as it could be seen to be giving the CEO and the Finance Manager greater rights than attending the Committee in an advisory capacity.

Ms Law also advised that the secretarial function (if at all possible) is undertaken by another officer, not the CEO or the Finance Manager and the terms of reference, state that the CEO and the Finance Manager will attend in an advisory role only as needed which should include being available at any time the committee meets.

This view was supported by WALGA.

See attached email trail.

##### Consultation

- Department of Local Government and Communities
- WALGA

##### Financial Implications

Nil

##### Policy Implications

Nil

##### Statutory Implications

Local Government 1995 and Local Government [Audit] Regulations 1996.

Strategic Implications

Strategic Community Plan - Theme 4 – Local Government Leadership

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**COMMITTEE AND OFFICER'S RECOMMENDATION – ITEM 7.4**

Moved: Cr DE Metcalf

Seconded: J Whiteaker

Carried: 3/0

**THAT THE AUDIT COMMITTEE NOTES THE ADVICE FROM THE DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITIES AND RECOMMENDS THAT COUNCIL APPROVES THE AMENDED TERMS OF REFERENCE THAT DOES NOT NAME THE CEO, FINANCE MANAGER OR ANY OTHER STAFF MEMBER AS EX-OFFICIO MEMBERS OF THE COMMITTEE STATING INSTEAD THAT THE CEO AND FINANCE MANAGER WILL ATTEND IN AN ADVISORY CAPACITY TO THE COMMITTEE ONLY.**

**8. QUESTIONS FROM MEMBERS**

**9. URGENT BUSINESS**

**10. DATE OF NEXT MEETING**

Date: TBA Third week of February.

Items for next meeting: Compliance Audit Return

**11. CLOSURE OF MEETING**

The presiding member closed the meeting at 5:10 pm.