



AUDIT COMMITTEE MINUTES

AUDIT COMMITTEE GENERAL MEETING
WEDNESDAY 19 FEBRUARY 2020



NOTICE OF ORDINARY MEETING OF THE AUDIT COMMITTEE

Dear Elected Member & Community Members,

You are respectfully advised the next Ordinary Audit Committee Meeting of the Shire of Williams will be held on Wednesday 19 February 2020, in the Shire of Williams Council Chambers, 9 Brooking Street, Williams, commencing at 11.30 am.

A handwritten signature in black ink, appearing to read 'Geoff McKeown', is positioned above the printed name.

Geoff McKeown
Chief Executive Officer

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Williams for any act, omission or statement or intimation occurring during Council or Committee meetings. The Shire of Williams 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 or Committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by a member or officer of the Shire of Williams during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Williams. The Shire of Williams warns that anyone who has any application lodged with the Shire of Williams must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attaching to the decision made by the Shire of Williams in respect of the application.

Table of Contents

1.0	Declaration of Opening	3
2.0	Record of Attendance / Apologies / Leave of Absence	3
3.0	Confirmation of Previous Minutes	3
3.1	Audit Committee Meeting Held 12/11/2019	3
4.0	Matters to be discussed	4
4.1	Significant Adverse Trends in the Financial Position	4
4.2	2019 Compliance Audit Return	10
4.3	Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls	24
5.0	Business of Urgent Nature	27
6.0	Closure of Meeting	27

1.0 Declaration of Opening

CEO, Geoff McKeown declared the meeting open at 11.42am, and in the absence of the President, called for the members of the committee to elect a presiding member to chair the meeting.

Committee Decision

Harding/Baker

That Cr Medlen be the presiding member to chair the meeting.

Carried 3/0

Cr Medlen assumed the chair at 11.43am.

2.0 Record of Attendance / Apologies / Leave of Absence

Elected Members

Cr Jarrad Logie – President *from 11.50am*

Cr Simon Harding

Cr Gilbert Medlen

Cr Bob Baker

Staff

Geoff McKeown - Chief Executive Officer

Cara Ryan - Manager of Finance

Apologies - Nil

Leave of Absence – Nil

3.0 Confirmation of Previous Minutes

3.1 Audit Committee Meeting Held 12/11/2019

Officer's Recommendation

That the Minutes of the Audit Committee Meeting held 12/11/2019, as previously circulated, be confirmed as a true and accurate record.

Committee Decision

Harding/Baker

That the Minutes of the Audit Committee Meeting held 12/11/2019, as previously circulated, be confirmed as a true and accurate record.

Carried 3/0

4.0 Matters to be discussed

4.1 Significant Adverse Trends in the Financial Position

File Reference	4.22.00
Statutory Ref.	<i>Local Government Act 1995 and Local Government Amendment (Auditing) Act 2017</i>
Author & Date	Geoff McKeown 24 January 2020
Attachments	Appendix 1 – Independent Auditor's Report

Background

In November 2017, proclamation of the *Local Government Amendment (Auditing) Act 2017* introduced a number of reforms to auditing laws. The legislation requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

The Auditor General's Independent Auditor's Report for 2018-19 identified a significant adverse trend in the financial position of the Shire, see **Appendix 1**. Specifically, that the Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries ("the Department") standard for the past three years.

Local governments must prepare a report addressing the significant matters identified in their audit report, which is to be considered by the local government's audit committee before being adopted by council.

Comment

➤ **Operating Surplus Ratio**

$$\text{Operating Surplus Ratio} = \frac{(\text{Operating Revenue MINUS Operating Expense})}{\text{Own Source Operating Revenue}}$$

The purpose of this ratio is a measure of a local governments' ability to cover its operational costs and have revenues available for capital funding or other purposes. The Department has determined that a ratio below 0.01 (1%) is below the standard required.

The following table highlights the Shire's ratio as calculated for the last four financial years, including the figure for the 2018/19 financial year:

	2015/16	2016/17	2017/18	2018/19
Operating surplus ratio	-0.47 (-47%)	-0.29 (-29%)	-0.20 (-20%)	-0.06 (-6%)

Own source operating revenue is made up of rates, fees and charges, interest income, profit on disposals of assets, reimbursements and recoveries, and other revenue. Small regional local governments are limited in their ability to increase own source revenue and are more reliant on grant funding for renewal of assets.

The Shire of Williams is disadvantaged by the amount it receives from the General Purpose Grant. Although higher than average increases in this grant have benefitted the Shire in recent years, it has come from a low base. Had the Shire received a grant equivalent to similar sized local governments, with comparable services, it would have been in a better position to meet the ratio.

Depreciation expense is a significant factor in this ratio as it is included in operating expenses. The requirement to revalue road assets on a regular basis, and attribute an appropriate level of depreciation, has been a challenge for local governments. This process has matured in recent years and this Shire has systems to more accurately account for road asset depreciation expense.

While taking these factors into consideration, the trend for the Shire of Williams is moving towards achieving a ratio above the minimum standard.

Strategic Implications

This item aligns with the community's vision and aspirations as contained in the Shire of Williams Strategic Community Plan 2017 to 2032. Specifically, it relates to the following strategy(s):

- CL 2.2 Maintain accountability, transparency and financial responsibility.
- CL 2.3 Monitor revenue streams and implement opportunities where appropriate. Consistently review rate income.

Financial Implications

Current trends indicate that the Shire is moving towards achieving a ratio above the minimum standard.

Voting Requirements

Simple Majority

Cr Logie entered the meeting at 11.50am and assumed the chair.

Officer's Recommendation

That it be recommended to Council that it:

1. Notes the significant adverse trends in the financial position of the Shire, as identified in the Auditor General's Independent Auditor's Report for 2018-19, stating that the Operating Surplus Ratio is below the Department of Local Government, Sport and Cultural Industries standard; and
2. Authorises a copy of this report to be forwarded to the Minister for Local Government and be published on the Shire's official website.

Committee Decision

Harding/Medlen

That it be recommended to Council that it:

1. Notes the significant adverse trends in the financial position of the Shire, as identified in the Auditor General's Independent Auditor's Report for 2018-19, stating that the Operating Surplus Ratio is below the Department of Local Government, Sport and Cultural Industries standard; and
2. Authorises a copy of this report to be forwarded to the Minister for Local Government and be published on the Shire's official website.

Carried 4/0

APPENDIX 1



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Williams

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Williams which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Williams:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996, does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of an annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

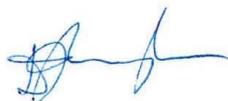
- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the past three years. The financial ratios are reported at Note 29 of the financial report.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 29 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Williams for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
13 November 2019

4.2 2019 Compliance Audit Return

File Reference	4.50.00
Statutory Ref.	<i>Local Government (Audit) Regulations 1996</i>
Author & Date	Geoff McKeown 10 February 2020
Attachments	Appendix 2 – 2019 Compliance Audit Return

Background

The Annual Compliance Audit Return for the period 1 January 2019 to 31 December 2019, is presented for review by Council.

All local governments are required to carry out a Compliance Audit Return (CAR) under the *Local Government (Audit) Regulations 1996* on an annual basis. The CAR contains a checklist of statutory requirements and covers the calendar year.

The CAR is to be:

1. Presented to the Audit Committee for review at a meeting of the Audit Committee;
2. Recommended for Adoption by Council at an Audit Committee Meeting;
3. Presented to the Council at a meeting of Council;
4. Adopted by the Council; and
5. The adoption recorded in the minutes of the meeting at which it is adopted.

Once the CAR has been adopted by Council, a certified copy of the return, along with the relevant section of the minutes and any additional information explaining or qualifying the CAR is to be submitted to the Director General, Department of Local Government, Sport and Cultural Industries by 31 March 2020.

Comment

The audit was carried out internally, sourcing evidence of compliance through the Shire's own records. The audit checklist is determined by the Minister of Local Government.

Some areas of noncompliance are noted in the CAR. These were identified from the Interim Audit process and the recent review of the financial management systems.

Strategic Implications

This item aligns with the community's vision and aspirations as contained in the Shire of Williams Strategic Community Plan 2017 to 2032. Specifically, it relates to the following strategy(s):

- CL 2.2 Maintain accountability, transparency and financial responsibility.
- CL 4.4 Monitor and ensure compliance with regulatory framework for local government business.

Financial Implications

Nil

Voting Requirements

Simple Majority

Officer's Recommendation

That it be recommended to Council that it endorse the 2019 Compliance Audit Return and endorse certification by the Shire President and the Chief Executive Officer for submission to the Department of Local, Sport and Cultural Industries.

Committee Decision

Medlen/Baker

That it be recommended to Council that it endorse the 2019 Compliance Audit Return and endorse certification by the Shire President and the Chief Executive Officer for submission to the Department of Local, Sport and Cultural Industries.

Carried 4/0

APPENDIX 2

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

Williams - Compliance Audit Return 2019

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

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 2019?	N/A		Geoff McKeown
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 2019?	N/A		Geoff McKeown
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 2019?	N/A		Geoff McKeown
4	s3.59(4)	Has the local government complied with public notice and publishing requirements of each proposal to commence a major trading undertaking or enter into a major land transaction for 2019?	N/A		Geoff McKeown
5	s3.59(5)	Did the Council, during 2019, resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Geoff McKeown

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

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	No committees with delegated powers.	Geoff McKeown
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing?	N/A		Geoff McKeown
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17?	N/A		Geoff McKeown
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Geoff McKeown
5	s5.18	Has Council reviewed delegations to its committees in the 2018/2019 financial year?	N/A		Geoff McKeown
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		Geoff McKeown
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority?	Yes		Geoff McKeown
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing?	Yes		Geoff McKeown
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Geoff McKeown
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes		Geoff McKeown
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees?	Yes		Geoff McKeown
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 2018/2019 financial year?	Yes	By resolution of Council on 19 December 2018.	Geoff McKeown
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		Geoff McKeown

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		Geoff McKeown
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		Geoff McKeown

Minutes – Meeting of the Audit Committee held 19/02/2020

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

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		Geoff McKeown
4	s5.73	Where the CEO had an interest relating to a gift under section 5.71A(1), was written notice given to the Council?	N/A	No gift interest to be recorded during the period.	Geoff McKeown
5	s5.73	Where the CEO had an interest relating to a gift in a matter in respect of a report another employee is providing advice on under section 5.71A (3), was the nature of interest disclosed when the advice or report was provided?	N/A	No gift interest to be recorded during the period.	Geoff McKeown
6	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?	Yes		Geoff McKeown
7	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	No new designated employees commenced during the period.	Geoff McKeown
8	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2019?	Yes		Geoff McKeown
9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Yes		Geoff McKeown
10	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?	No	Written acknowledgement of receipt of the CEO's annual return was not given by the President. This has since been rectified.	Geoff McKeown
11	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		Geoff McKeown
12	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		Geoff McKeown
13	s5.89A Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A?	Yes		Geoff McKeown
14	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?	Yes		Geoff McKeown
15	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		Geoff McKeown

3 of 12

Minutes – Meeting of the Audit Committee held 19/02/2020

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
16	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		Geoff McKeown
17	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		Geoff McKeown
18	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		Geoff McKeown
19	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees?	Yes	Included in the Gift Register but does need to include a differentiation for notifiable gifts.	Geoff McKeown

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		Geoff McKeown
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		Geoff McKeown

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1) (2)	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	No disclosure of gift forms received.	Geoff McKeown
2	Elect Reg 30G(3) & (4)	Did the CEO remove any 'disclosure of gifts' forms relating to an unsuccessful candidate or a successful candidate that completed the term of office from the electoral gift register, and retain those forms separately for a period of at least 2 years?	N/A	No disclosure of gift forms received.	Geoff McKeown

4 of 12

Minutes – Meeting of the Audit Committee held 19/02/2020

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

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		Geoff McKeown
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	No powers delegated to the Audit Committee.	Geoff McKeown
3	s7.3(1)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor, a registered company auditor?	N/A	Audit undertaken by the Office of the Auditor General.	Geoff McKeown
4	s7.3(1), 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?	N/A	Audit undertaken by the Office of the Auditor General.	Geoff McKeown
5	Audit Reg 10	Was the Auditor's report(s) for the financial year(s) ended 30 June received by the local government within 30 days of completion of the audit?	Yes		Geoff McKeown
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2019 received by the local government by 31 December 2019?	Yes		Geoff McKeown
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, did the local government, ensure that appropriate action was undertaken in respect of those matters?	Yes		Geoff McKeown
8	S7.12A (4)	Where the auditor identified matters as significant in the auditor's report (prepared under s7.9(1) of the Act), did the local government prepare a report stating what action had been taken or it intended to take with respect to each of the matters and give a copy to the Minister within 3 months after receipt of the audit report?	No	A report on matters relating to adverse trends in the financial position of the local government, concerning two financial ratios, was not completed within 3 months. It was considered by Council after this time period.	Geoff McKeown
9	S7.12A (5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	Yes		Geoff McKeown
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit?	Yes		Geoff McKeown
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit?	Yes		Geoff McKeown

5 of 12

Minutes – Meeting of the Audit Committee held 19/02/2020

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit?	Yes		Geoff McKeown
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		Geoff McKeown
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		Geoff McKeown

Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	Adopted by Council at the Meeting held on the 19 June 2019.	Geoff McKeown
2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year. If Yes, please provide date of Council meeting the review was adopted at?	Yes	Adopted by Council at the Meeting held on the 19 June 2019.	Geoff McKeown
3	s5.56 Admin Reg 19C	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	Adopted by Council at the Meeting held on the 17 May 2017.	Geoff McKeown
4	s5.56 Admin Reg 19C (4)	Has the local government reviewed the current Strategic Community Plan. If Yes, please provide date of most recent review by Council in Comments. Note: If the current Strategic Community Plan was adopted after 1/1/2016, please respond N/A and provide adoption date in Comments?	N/A	Adopted by Council at the Meeting held on the 17 May 2017.	Geoff McKeown
5	S5.56 Admin Reg 19DA (3)	Has the local government developed an Asset Management Plan(s) that covers all asset classes. If Yes, please provide the date of the most recent Plan adopted by Council in Comments?	Yes	Adopted by Council at the Meeting held on the 26 July 2017. It is reviewed annually for inclusion in the Corporate Business Plan.	Geoff McKeown
6	S5.56 Admin Reg 19DA (3)	Has the local government developed a Long Term Financial Plan. If Yes, please provide the adoption date of the most recent Plan in Comments?	Yes	Adopted by Council at the Meeting held on the 26 July 2017. It is reviewed annually for inclusion in the Corporate Business Plan.	Geoff McKeown
7	S5.56 Admin Reg 19DA (3)	Has the local government developed a Workforce Plan. If Yes, please provide adoption date of the most recent Plan in comments?	Yes	Adopted by Council at the Meeting held on the 26 July 2017. It is reviewed annually for inclusion in the Corporate Business Plan.	Geoff McKeown

6 of 12

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

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	Appointment of a CEO did not occur during the period under review.	Geoff McKeown
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		Geoff McKeown
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		Geoff McKeown
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		Geoff McKeown
5	s5.37(2)	Did the CEO inform Council of each proposal to employ or dismiss a designated senior employee?	N/A		Geoff McKeown

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

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		Geoff McKeown
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	No complaints to be recorded to date.	Geoff McKeown
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		Geoff McKeown
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		Geoff McKeown
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		Geoff McKeown
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		Geoff McKeown

Minutes – Meeting of the Audit Committee held 19/02/2020

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

Optional Questions					
No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Local Government (Financial Management) Regulation 5 (2)(c) within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	No	The review is scheduled for February 2020.	Geoff McKeown
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulation 17 within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	No	The review is scheduled for February 2020.	Geoff McKeown
3	Financial Management Reg 5A.	Did the local government provide AASB 124 related party information in its annual report(s) tabled at an electors meeting(s) during calendar year 2019?	Yes		Geoff McKeown
4	S6.4(3)	Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019?	Yes		Geoff McKeown

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		Geoff McKeown
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?	Yes		Geoff McKeown
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice?	Yes		Geoff McKeown
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16?	Yes		Geoff McKeown

9 of 12

Minutes – Meeting of the Audit Committee held 19/02/2020

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
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?	N/A		Geoff McKeown
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	Clarification is required when tenders for disposal of plant is contracted to the WALGA tender service and opening of those tenders is conducted by WALGA Staff.	Geoff McKeown
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?	N/A		Geoff McKeown
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?	N/A		Geoff McKeown
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 and did the CEO make the tenders register available for public inspection?	Yes		Geoff McKeown
10	F&G Reg 19	Did the CEO give each tenderer written notice advising particulars of the successful tender or advising that no tender was accepted?	Yes		Geoff McKeown
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?	N/A	The Shire did not seek expressions of interest during the year.	Geoff McKeown
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?	N/A		Geoff McKeown
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?	N/A		Geoff McKeown
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest, a notice in writing in accordance with Functions & General Regulation 24?	N/A		Geoff McKeown
15	F&G Reg 24AC (1) & (2)	Has the local government established a policy on procurement of goods and services from pre-qualified suppliers in accordance with the regulations?	N/A	The Shire did not establish a panel of pre-qualified suppliers during the year.	Geoff McKeown
16	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice?	N/A		Geoff McKeown

10 of 12

Minutes – Meeting of the Audit Committee held 19/02/2020

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
17	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		Geoff McKeown
18	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		Geoff McKeown
19	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, given notice of the variation?	N/A		Geoff McKeown
20	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		Geoff McKeown
21	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		Geoff McKeown
22	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		Geoff McKeown
23	F&G Reg 24AI	Did the CEO 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		Geoff McKeown
24	F&G Reg 24E	Where the local government gave a regional price preference, did the local government comply with the requirements of F&G Reg 24E including the preparation of a regional price preference policy?	N/A	The Shire has not adopted a regional price preference.	Geoff McKeown
25	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?	N/A		Geoff McKeown
26	F&G Reg 11A	Does the local government have a current purchasing policy that comply with F&G Reg 11A(3) 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		Geoff McKeown

11 of 12

Minutes – Meeting of the Audit Committee held 19/02/2020

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
27	F&G Reg 11A	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract is, or is expected to be \$150,000 or less or worth \$150,000 or less?	No	There were instances where purchase orders were dated after the date of the supplier invoice. This was noted in the Interim Audit for 2018/19.	Geoff McKeown

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, Williams

Signed CEO, Williams

4.3 Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls

File Reference	4.22.00
Statutory Reference	Local Government Act 1995 Local Government (Audit) Regulation 1996 Local Government (Financial Management) Regulations 1996
Author & Date	Cara Ryan 12 February 2020
Attachments	APPENDIX 3 - Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls – by Moore Stephens

Background

It is a requirement under the *Local Government (Audit) Regulations 1996* that the Chief Executive Officer is to review and report on the appropriateness and effectiveness of the risk management, internal control and legislative compliance once in every 3 years. Further, it is also a requirement under the *Local Government (Financial Management) Regulations 1996* that a review of the appropriateness and effectiveness of the financial management systems and procedures are done regularly, but not less than 3 years. As these two reviews are required within the same timeframe, it was decided to undertake them simultaneously.

Moore Stephens were engaged to conduct both reviews at the same time and have provided one report covering topics in Financial Management, Risk Management, Internal Controls and Legislative Compliance. Specifically, the results of the Risk Management, Internal Controls and Legislative Compliance review are to be presented to the Audit Committee and then reported to Council.

Statutory Environment

Local Government (Audit) Regulations 1996 Regulation 17 states:

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.

Local Government (Financial Management) Regulations 1996 Regulation 5 (2)(c) states:

5. CEO's duties as to financial management

(c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

Comments

The report identified improvements in all four areas of Financial Management, Risk Management, Internal Controls and Legislative Compliance. The main theme for improvement in all areas relates to updating or developing certain Policies and Procedures. It was also noted that there were a number of Policies which are considered to be functions of the CEO, rather than a policy of Council. Other notable areas requiring attention are summarised below:

1. Developing an ICT Disaster Recovery Plan, ICT Strategic Plan and improving IT security including information, data and the physical access to hardware.
2. Improving Operation and Financial Procedures, including developing Checklists and Workflow diagrams.
3. Improve risk management practices and implement the risk management framework across shire activities.
4. Undertake a review of Local Laws.
5. Ensure information is published on the Shire's official website as required by section 5.96A of the *Local Government Act 1995*.
6. Review internal controls relating to cash handling, procurement and payroll activities.
7. Enforcing the standard procurement procedures and controls that exist.
8. Processes should be developed on engaging Contractors and records maintained to ensure copies of insurances are held on file.
9. Improve a number of strategic and operational registers.
10. Expanding the internal audit function as recommended by the OAG in their report to parliament on the Audit of Local Government.

The Moore Stephens Report – “Review of Financial Management, Risk Management, Legislative Compliance and Internal Control” provides further detail on the summary above and is attached for information.

Once the Audit Committee has reviewed the report all matters identified and requiring action are to be added to a register. The actions/treatments for these are then prioritised in accordance with the risk rating.

There are some items that are currently being or are addressed. These are:

1. Development and adoption of an Events Policy.
2. Information required to be published is on Local Government website.
3. Removed elected member from bank account authorisation.
4. Plant Operation Overhead costs has now been reviewed and re-calculated.
5. Processes such as Payroll and Creditors now include a documented independent review and authorisation of payments.
6. Payment listing presented to Council now shows only information required by legislation.

Strategic Implications

This item aligns with the community's vision and aspirations as contained in the Shire of Williams Strategic Community Plan 2017 to 2032. Specifically, it relates to the following strategy(s):

- CL 1.3 Maintain, review and ensure relevance of Council's policies, local laws and operational plans
- CL 2.2 Maintain accountability, transparency and financial responsibility
- CL 4.4 Monitor and ensure compliance with regulatory framework for local government business

Financial Implications

Any actions/treatments actioned should not impact on the financial position, as any expenses incurred should be covered by the current 2019-2020 Budget.

Voting Requirements

Simple Majority

Officer's Recommendation

That the Audit Committee recommend to Council that it endorse the "Review of Financial Management, Risk Management, Legislative Compliance and Internal Control" Report.

Committee Decision

Medlen/Harding

That the Audit Committee recommend to Council that it endorse the "Review of Financial Management, Risk Management, Legislative Compliance and Internal Control" Report.

Carried 4/0

5.0 Business of Urgent Nature

6.0 Closure of Meeting

The President, Cr Logie closed the meeting at 12.25pm.