



SHIRE OF
MERREDIN
INNOVATING THE WHEATBELT

MINUTES

Audit Committee Meeting

Held in Council Chambers
Corner King & Barrack Street's, Merredin
Tuesday 15 March 2016



Common Acronyms Used in this Document

WEROC	Wheatbelt East Regional Organisation of Councils
GECZ	Great Eastern Country Zone
WALGA	Western Australian Local Government Association
CEACA	Central East Aged Care Alliance
CEO	Chief Executive Officer
DCEO	Deputy CEO
EMDS	Executive Manager of Development Services
EMES	Executive Manager of Engineering Services
EMCS	Executive Manager of Corporate Services
EA	Executive Assistant to CEO
LPS	Local Planning Scheme
LGIS	Local Government Insurance Services
AMP	Asset Management Plan
LTFP	Long Term Financial Plan
CBP	Corporate Business Plan
CSP	Community Strategic Plan
MRCLC	Merredin Regional Community and Leisure Centre
CWVC	Central Wheatbelt Visitors Centre
UCL	Unallocated Crown Land
MoU	Memorandum of Understanding
LHAG	Local Health Advisory Group
NEWROC	North Eastern Wheatbelt Regional Organisation of Councils
LoA	Leave of Absence

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6. Officer’s Reports – Corporate Services

6.1 Compliance Audit Return (CAR) 2015

<h2 style="margin: 0;">Corporate Services</h2> 	
Responsible Officer:	Greg Powell, CEO
Author:	Vanessa Green, EA to CEO
Legislation:	<i>Local Government Act 1995; Local Government (Audit) Regulations 1996</i>
File Reference:	GR/17/19
Disclosure of Interest:	Nil
Attachments:	Attachment 6.1A – CAR & Report
Maps / Diagrams:	Nil

Purpose of Report

- Executive Decision
 Legislative Requirement

Background

Each year every local government is required to carry out a compliance audit in relation to the period 1 January to 31 December against the requirements of the CAR.

After the CAR has been reviewed by the Audit Committee and a report presented to Council, a certified copy of the CAR along with the relevant section of the minutes and any additional information explaining or qualifying the CAR is to be submitted to the Department of Local Government and Communities (DLGC) by 31 March.

In a break from previous years, this year the CAR was conducted independently. This gives the CEO the opportunity to be “at arm’s length” from the results submitted to Council. Given that for some CEOs the successful completion of the CAR is part of their performance review it enables Council to have an added level of confidence in the outcomes.

Having the CAR completed independently also releases staff to undertake the many other tasks that are required to be completed at this time of the year including the half yearly budget review and the commencement of the annual budget process.

After seeking quotations, BHW Consulting (BHW) was appointed to conduct the CAR and attended on site on 17-18 February 2016. Their subsequent report is contained within the attachment.

Comment

BHW's report contains 5 recommendations:

1. *“That the CEO conduct:*
 - a. *a review of Delegation 1.8 – Local Laws to establish whether the details included in the delegation are in compliance with the Act;*
 - b. *a review of Delegation 4.1 and Policy 3.12 – Purchasing Policy to ensure that they are aligned; and*
 - c. *a review of Delegation 5.2 to amend the delegation to comply with the requirements of section 17(10) of the Bush Fire Act 1954.*
2. *That action be taken to develop an appropriate register of the exercise of a delegated power or duty, ensuring that it complies fully with the Act and regulation.*
3. *That the Audit Committee reconsider the 2014/2015 Auditor’s Management Letter and ensure action is taken to comply with the requirements of the Act.*
4. *That the CEO consider undertaking a detailed review of the Shire’s procurement practices (including tenders and expressions of interest) for procuring goods or services through direct purchasing where the value is expected to be less than \$150,000 and for public tenders where the value is expected to exceed \$150,000.*
5. *That if a detailed of the review of the procurement practices is not undertaken then the CEO should initiate a review of Policy 3.12 - Purchasing Policy to align the threshold limit with the current legislation and regulations.”*

Comment on the above recommendations follows:

Recommendation	Officer’s Comment
1A	<p><i>The Local Government Act 1995 prescribes the powers which can and cannot be delegated to the CEO. S5.43(a) states that items requiring a 75% majority or absolute majority decision of Council cannot be delegated. While an absolute majority decision of Council is required to make (adopt) a local law, Delegation 1.8 relates to the administrative procedure to be followed in making a local law, not the power to make a local law itself. Therefore it is proposed to retain Delegation 1.8 – Local Laws in its current form.</i></p>
1B	<p><i>The Local Government (Functions and General) Regulations 1996 were amended in September 2015 to increase the tender threshold from \$100,000 to \$150,000. The Delegations Register was adopted at Council’s November 2015 meeting (CMRef 81690). Work on amending Policy 3.12 – Purchasing Policy began in December 2015 when WALGA released a model policy template. Since that time queries have arisen in relation to the timeline the tender thresholds are relevant for. Clarification was sought from WALGA and the DLGC and is being included in the proposed policy. It is anticipated that the final draft policy will be presented to Council at its April 2016 meeting.</i></p>

1C	S17(10) of the <i>Bush Fires Act 1956</i> allows a local government to delegate to its President and Chief Bush Fire Control Officer, not the Chief Executive Officer as mentioned in Delegation 5.2. Therefore it is recommended the delegation be amended to reflect the legislative requirement.
2	The Shire recently acquired the Attain software, a cloud-based platform for managing returns, gifts and delegations. The software contains a module specifically related to recording the exercise of a delegated power or duty. Relevant staff have been informed of its availability and trained on its use.
3	The 2014/15 Auditor's Management Letter, although it was tabled and discussed at the Council meeting, was not presented to the Audit Committee and therefore, Council. This is an oversight on the Administrations' behalf. Refer to the following item 6.2 for the consideration of the Management Letter.
4	In conjunction with the review of Policy 3.12 – Purchasing Policy mentioned at 1B above, new procedures and administrative processes will be included to address the concerns raised.
5	Refer to 1B and 4 above

Policy Implications

Nil

Statutory Implications

The *Local Government Act 1995* and *Local Government (Audit) Regulations 1996* apply.

Strategic Implications

Service Area: 5.2 Strategic Advice, General Management and Governance
 Activities: Compliance Return
 Link to Vision: Developing
 Link to Strategic Priorities: Civic Leadership
 Service Levels: Compliance return submitted by 31 December
 Service Level Change: Nil

Sustainability Implications

➤ [Asset Management Plan](#)

Nil

➤ [Long Term Financial Plan](#)

Nil

➤ [Workforce Plan](#)

Nil

Risk Implications

Council would be contravening the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996* if this item was not presented to Council.

Financial Implications

Costs of \$2,500 were incurred for the independent completion of the CAR with consultancy funds allocated in the 2015/16 Budget for this purpose.

Voting Requirements

Simple Majority

Absolute Majority

Officer's Recommendation / Resolution

Moved: Cr Young

Seconded: Cr Anderson

81744 That the Audit Committee:

1. receives the Compliance Audit Report completed by BHW Consulting, and the Compliance Audit Return 2015; and
2. recommends to Council that:
 1. the Compliance Audit Return 2015 be endorsed and submitted to the Department of Local Government and Communities; and
 2. Delegation 5.2 be amended to comply with the requirements of Section 17(10) of the *Bush Fires Act 1956*.

CARRIED BY ABSOLUTE MAJORITY 4/0

6.2 2014/15 Auditor's Management Letter

Corporate Services



Responsible Officer:	Charlie Brown, EMCS
Author:	Vanessa Green, EA to CEO
Legislation:	<i>Local Government Act 1995; Local Government (Audit) Regulations 1996</i>
File Reference:	FM/2/1
Disclosure of Interest:	Nil
Attachments:	Attachment 6.2A – Auditor's Management Letter
Maps / Diagrams:	Nil

Purpose of Report

Executive Decision

Legislative Requirement

Background

Section 10(4) of the *Local Government (Audit) Regulations 1996* states:

“Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.”

Council's auditors, Butler Settineri (Audit) Pty Ltd, provided a management report in conjunction with its audit report for the year ended 30 June 2015.

The 2014/15 management report was not presented to the Audit Committee and this oversight was identified during the completion of the Compliance Audit Return 2015 (refer to the previous item 6.1).

The management report is therefore presented here.

Comment

The management report raises 5 matters for consideration. These matters and the actions taken to rectify the matters is detailed below.

Matter	Officer's Comment
Segregation of duties	With reference to the comments noted at points 1B and 4 in Item 6.1, the financial administrative processes are under review and will be amended accordingly following adoption of the purchasing policy and associated procedures.

Matter	Officer's Comment
Asset renewal funding ratio	The auditor's comments are noted, however no further data on the ratio could be obtained at the time.
Employee entitlements – hours accumulated	It is acknowledged that some staff have large amounts of accumulated annual and long service leave. Steps are being taken to encourage staff to take leave at the time of it falling due.
Year-end expense cut off	As mentioned above, financial administrative processes are being reviewed and will be implemented for year end 30 June 2016.
Deferred pensioner rates	Staff have undertaken a review of the required documentation and processes implemented for ongoing annual review.

Policy Implications

Nil

Statutory Implications

The *Local Government Act 1995* and *Local Government (Audit) Regulations 1996* apply.

Strategic Implications

Service Area: 5.2 Strategic Advice, General Management and Governance

Activities: Link to Vision: Developing

Link to Strategic Priorities: Civic Leadership

Service Levels:

Service Level Change: Nil

Sustainability Implications

➤ [Asset Management Plan](#)

Nil

➤ [Long Term Financial Plan](#)

Nil

➤ [Workforce Plan](#)

Nil

Risk Implications

Council could be contravening the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996* if this item was not presented to Council.

Financial Implications

Nil

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation / Resolution

Moved: Cr Anderson

Seconded: Cr Flockart

81745 That the Audit Committee:

1. receives the 2014/15 Auditor's Management Letter;
2. notes the actions taken to address the matters raised in the Letter; and
3. recommends to Council that it be endorsed.

CARRIED 4/0

6.3 2015 Financial Management (FM) Review

<h1>Corporate Services</h1>		 SHIRE OF MERREDIN INNOVATING THE WHEATBELT
Responsible Officer:	Charlie Brown, EMCS	
Author:	As above	
Legislation:	<i>Local Government Act 1995; Local Government (Audit) Regulations 1996</i>	
File Reference:	FM/10/5	
Disclosure of Interest:	Nil	
Attachments:	Attachment 6.3A - FM Review & Updated Review with Comments	
Maps / Diagrams:	Nil	

Purpose of Report



Executive Decision



Legislative Requirement

Background

Section 17 of the *Local Government (Audit) Regulations 1996* 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 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."

Council's auditors, Butler Settineri (Audit) Pty Ltd, conducted a FM review in November 2015 of items referred to in 1(b) above, their report is attached.

Comment

The report also allowed management to comment on each item at the time of the review and included in the attachment is an update to the original comments made.

It is intended that this report be presented to the next Audit Committee meeting with further updates.

Policy Implications

Nil

Statutory Implications

The *Local Government Act 1995* and *Local Government (Audit) Regulations 1996* apply.

Strategic Implications

Service Area: 5.2 Strategic Advice, General Management and Governance

Activities: Link to Vision: Developing

Link to Strategic Priorities: Civic Leadership

Service Levels: Nil

Service Level Change: Nil

Sustainability Implications

➤ Asset Management Plan

Nil

➤ Long Term Financial Plan

Nil

➤ Workforce Plan

Nil

Risk Implications

Council could be contravening the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996* if this item was not presented to Council.

Financial Implications

Nil

Voting Requirements



Simple Majority



Absolute Majority

Officer's Recommendation / Resolution

Moved: Cr Young

Seconded: Cr Anderson

81746 That the Audit Committee:

1. receives the 2015 Financial Management Review;
2. notes the actions taken to address the matters raised in the Letter;
3. requests this Management Review be presented to the next Audit Committee with updates; and
4. recommends to Council that it be endorsed.

CARRIED 4/0

7. Closure

There being no further business the Chair thanked all those in attendance and closed the meeting at 9.49am.