

SHIRE OF  
**MERREDIN**  
INNOVATING THE WHEATBELT

# MINUTES

## Audit Committee Meeting

Held in Council Chambers  
Corner King & Barrack Street's, Merredin  
Tuesday 19 December 2017



### 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
SRP	Strategic Resource Plan
CBP	Corporate Business Plan
CSP	Community Strategic Plan
MRCLC	Merredin Regional Community and Leisure Centre
CWVC	Central Wheatbelt Visitors Centre
MoU	Memorandum of Understanding

## Table of Contents



<b>1.</b>	<b>Official Opening</b>
<b>2.</b>	<b>Record of Attendance / Apologies and Leave of Absence</b>
<b>3.</b>	<b>Public Question Time</b>
<b>4.</b>	<b>Disclosure of Interest</b>
<b>5.</b>	<b>Confirmation of Minutes of the Previous Meeting</b>
5.1	<a href="#"><u>Audit Committee Meeting held on 19 September 2017</u></a>
<b>6.</b>	<b>Officer's Reports – Corporate Services</b>
6.1	<a href="#"><u>CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework</u></a>
6.2	<a href="#"><u>Local Government Auditing Reforms</u></a>
<b>7.</b>	<b>Closure</b>

**Shire of Merredin**  
**Audit Committee Meeting**  
**Tuesday 19 December 2017**



<b>1.</b>	<b>Official Opening</b>																								
	The President welcomed all those in attendance and declared the meeting open at 12.53pm.																								
<b>2.</b>	<b>Record of Attendance / Apologies and Leave of Absence</b>																								
	<p><b>Councillors:</b></p> <table style="width: 100%; border: none;"> <tr><td style="padding-left: 40px;">Cr KA Hooper</td><td>President (Member)</td></tr> <tr><td style="padding-left: 40px;">Cr MD Willis</td><td>Observer</td></tr> <tr><td style="padding-left: 40px;">Cr BJ Anderson</td><td>Member</td></tr> <tr><td style="padding-left: 40px;">Cr LN Boehme</td><td>Observer</td></tr> <tr><td style="padding-left: 40px;">Cr RM Crees</td><td>Observer (from 1.00pm)</td></tr> <tr><td style="padding-left: 40px;">Cr MA Crisafio</td><td>Observer</td></tr> <tr><td style="padding-left: 40px;">Cr JR Flockart</td><td>Member</td></tr> <tr><td style="padding-left: 40px;">Cr PR Patroni</td><td>Member</td></tr> </table> <p><b>Staff:</b></p> <table style="width: 100%; border: none;"> <tr><td style="padding-left: 40px;">G Powell</td><td>CEO</td></tr> <tr><td style="padding-left: 40px;">R McCall</td><td>DCEO</td></tr> <tr><td style="padding-left: 40px;">C Brown</td><td>EMCS (from 12.55pm)</td></tr> <tr><td style="padding-left: 40px;">V Green</td><td>EA to CEO</td></tr> </table> <p><b>Members of the Public:</b> Nil</p> <p><b>Apologies:</b> Nil</p> <p><b>Approved Leave of Absence:</b> Nil</p>	Cr KA Hooper	President (Member)	Cr MD Willis	Observer	Cr BJ Anderson	Member	Cr LN Boehme	Observer	Cr RM Crees	Observer (from 1.00pm)	Cr MA Crisafio	Observer	Cr JR Flockart	Member	Cr PR Patroni	Member	G Powell	CEO	R McCall	DCEO	C Brown	EMCS (from 12.55pm)	V Green	EA to CEO
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	Nil																								
<b>4.</b>	<b>Disclosure of Interest</b>																								
	Nil																								

**5. Confirmation of Minutes of the Previous Meeting**

5.1 Audit Committee Meeting held on 19 September 2017  
[Attachment 5.1A](#)

**Voting Requirements**

Simple Majority

Absolute Majority

**Officer's Recommendation / Resolution**

**Moved:** Cr Anderson

**Seconded:** Cr Flockart

**82085** That the minutes of the Audit Committee Meeting held on 19 September 2017 be confirmed as a true and accurate record of proceedings.

**CARRIED 4/0**

**6. Officer's Reports – Corporate Services**

**6.1 CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Governance Framework**

<h2 style="color: #0056b3;">Corporate Services</h2> 	
<b>Responsible Officer:</b>	Rebecca McCall, DCEO
<b>Author:</b>	As above
<b>Legislation:</b>	<i>Local Government (Audit) Regulations 1996</i>
<b>File Reference:</b>	CM/20/1
<b>Disclosure of Interest:</b>	Nil
<b>Attachments:</b>	<p><a href="#"><b>Attachment 6.1A</b></a> - CEO's Review of Risk Management, Internal Control and Legislative Compliance</p> <p><a href="#"><b>Attachment 6.1B</b></a> - Shire of Merredin Risk Profile Summary</p>

**Purpose of Report**

- Executive Decision
  Legislative Requirement

**Background**

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of the local government systems and procedures in relation to risk management, internal control and legislation compliance.

The review may relate to any or all of the matters referred to the 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.

The CEO is to report to the Audit Committee the results of that review.

**Comment**

To assist with the review process the Shire of Merredin has a Risk Management Governance Framework which includes a policy and procedure. The following statements outline the outcome of the review:

## **Risk Management**

1. *Does the local government have an effective risk management system?*

### **Comment**

The Shire of Merredin is working towards developing an effective risk management system with a number of strategies put in place to assist the Shire of Merredin in managing risks. Actions since the December 2016 review include:

- Adoption of the Business Continuity Plan;
- Compliance Audit Return submitted;
- External Auditor Review conducted;
- Financial Statements Financial;
- Implementation of the Agreements, Contracts and Tenders Synergy module;
- Review of Strategic Resource Plan;
- Review of Data Back-Up Systems;
- Review of Code of Conduct;
- Review of Delegations;
- Review of Safety and Security; and
- Risk Report Profile Report - undertaken March, July and December 2017

(Risk Report Profile for December 2017 included in Attachment)

The Risk Management Framework is to be reviewed for appropriateness and effectiveness at least every two years.

2. *Are material operating risks to the local government being appropriately considered?*

### **Comment**

The Shire of Merredin maintains the adopted “Three Lines of Defence” model for the management of risk. This model ensures responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. Operating within the approved risk appetite and framework, Council, Executive Management and the community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate and Operational Plans.

The major risk themes recognised for assessment include:

- Misconduct;
- External Theft & Fraud;
- Business Disruption;
- Damage to Physical Assets;

- Errors, Omissions & Delays;
  - Failure of IT &/or Communications Systems and Infrastructure;;
  - Failure to fulfil Statutory, Regulatory or Compliance Requirements
  - Providing Inaccurate Advice/Information;
  - Inadequate Change Management;
  - Inadequate Organisation and Community Emergency Management;
  - Inadequate Document Management Processes;
  - Inadequate Employee and Visitor Safety & Security;
  - Inadequate Engagement of Community/ Stakeholders/ Elected Members;
  - Inadequate Procurement, Disposal or Tender Practices;
  - Inadequate Asset Management;
  - Inadequate Stock Management;
  - Inadequate Supplier/Contract Management;
  - Ineffective People Management;
  - Ineffective People Management; and
  - Not Meeting Community Expectations.
3. *Does the local government have a current and effective business continuity plan (including disaster recovery) which is tested from time to time?*

**Comment**

The Shire of Merredin adopted the Business Continuity Plan in January 2017. The Shire's risk profile for business disruption is identified as a moderate risk with adequate controls. The Plan will be reviewed annually.

4. *How effective are the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas:*
- a. *Potential non-compliance with legislation, regulations and standards and the local government's policies;*
  - b. *Important accounting judgements or estimates that prove to be wrong;*
  - c. *Litigation and claims;*
  - d. *Misconduct, fraud and theft; and*
  - e. *Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety and how they are managed by the local government.*



**Comment**

The Shire of Merredin's Risk Management Governance Framework, Risk Management Policy and relevant Procedures clearly identify the risks associated with the internal processes identified above.

Appendix C – Risk Theme Definitions documents in detail all such risks and the Shire is currently refining processes and structures to mitigate/minimise potential adverse effects, both financial and other.

Council's insurers provide Professional Indemnity cover which assists the Shire to minimise financial exposure.

The organisations' Corporate Calendar assists the Executive Management and staff to quickly identify due dates for all statutory, legislation and compliance requirements.

The Shire of Merredin's Code of Conduct outlines guidelines for an acceptable standard of professional conduct. The Code of Conduct observes statutory requirements of the *Local Government Act 1995* (S 5.103 – Codes of Conduct) and *Local Government (Administration) Regulations 1996* (Regs 34B and 34C). Activities, behaviour and statutory compliance obligations may be scrutinised in accordance with prescribed rules of conduct as described in the *Local Government Act 1995* and *Local Government (Rules of Conduct) Regulations 2007*.

5. *Are regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, provided to ensure that identified risks are monitored and new risks are identified, mitigated and reported.*

**Comment**

The Risk Management Governance Framework outlines reporting requirements:

- Risk Profiles are formally reviewed and updated, quarterly or when there has been a material restructure, change in risk ownership or change in the external environment;
- Quarterly Risk Reporting for the CEO and Executive Management Team – contains an overview of the Risk Summary for the Shire; and
- Annual Compliance Audit Return completion and lodgement.

All engineering work sites are risk assessed and documented by staff and contractors utilising the Shire's risk assessment suite of tools. Risk assessment tools are reviewed and monitored throughout the identified works and signed off upon completion.

6. *Are the local government's processes to manage insurable risks adequate? How adequate is insurance cover, and if applicable, the level of self-insurance?*

**Comment**

The Shire of Merredin has comprehensive insurance cover through Council's insurance broker, LGIS. The insurance policies are reviewed annually, including the provision of external and/or in-house valuations based on fair values and adjusted accordingly.

Council's plant and equipment portfolios were re-valued in 2016. The land and buildings assets were re-valued in 30 June 2017. Infrastructure and Roads valuations will take place in 2018.

The organisation consults with LGIS to discuss matters on an ongoing basis and professional consultation is readily available. Through LGIS resources and procedures are provided to assist processing the management of insurable risks.

7. *Has the effectiveness of the local government's internal control system been reviewed with management and the internal and external auditors?*

**Comment**

The Shire's internal control systems are reviewed and tested at regular intervals by the Executive Management Team and annually by Council's External Auditors.

No anomalies are currently apparent, albeit that the Executive Management Team has identified that some in-house documented procedures need updating and strengthening.

8. *Does management have controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk?*

**Comment**

Robust Delegations and sign-off procedures are in force to mitigate potential risks for these types of transactions.

9. *How effective and robust is the local government's procurement framework, with a focus on the probity and transparency of policies and procedures/processes? Are these procedure/processes being applied?*

**Comment**

The Shire of Merredin is committed to delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance. The purchasing policy ensures that:

- Best practice policies and procedures are followed in relation to internal purchasing for the Shire of Merredin;
- Compliance with the *Local Government Act 1995* and the *Local Government Act (Functions and General) Regulations 1996*;

- Compliance with the *State Records Act 2000* and associated record management practices and procedures of the Shire of Merredin;
- Purchasing processes are followed to ensure value for money for the Shire of Merredin, delivering the most advantageous outcome possible;
- Openness, transparency, fairness and equity through the purchasing process to all potential suppliers; and
- Efficient and consistent purchasing processes are implemented and maintained across the organisation.

The Shire of Merredin also utilises the services of WALGA's Preferred Supplier Panel in conjunction with the WALGA eQuotes system thus negating the requirement to call tenders notwithstanding the transaction value.

Council's Purchasing Policy (3.12) is reviewed on a regular basis (last reviewed July 2017). The Policy includes value thresholds, processes and requirements.

10. *Should the need arise, does the Audit Committee meet periodically with key management, internal and external auditors and compliance staff to understand and discuss any changes in the local government's control environment?*

**Comment**

The Audit Committee consists of 4 Councillors with all other Councillors appointed as Deputies and meets as required. At a minimum the Audit Committee meets to consider:

- Audit Committee Regulation Changes;
  - Budget Review;
  - Compliance Audit Return;
  - External Audit Services;
  - Interim Audit Results & Report; and
  - Audited Financial Statements.
11. *Have fraud and misconduct risks have been identified, analysed and evaluated? Has an appropriate treatment plan been implemented, communicated and monitored? Is there regular reporting and ongoing management of fraud and misconduct risks?*

**Comment**

Risk profiles have been prepared for both "Misconduct" and "External Theft and Fraud" as part of the Shire's Risk Management Framework. Misconduct is identified as being a 'low' risk and External Theft as a 'moderate risk'. Although controls are considered to be adequate, further actions will be considered for implementation into the future. Such actions will necessitate the review of existing processes, together with the continued development of formal staff induction processes.

To date there have not been any reported cases of fraud since the CEO's appointment in January 2010. As at December 2017 there are two misconduct reports under investigation.

### **Internal Control**

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- Delegation of authority;
- Documented policies and procedures;
- Trained and qualified employees;
- System controls;
- Effective policy and process review;
- Regular internal audits;
- Documentation of risk identification and assessment; and
- Regular liaison with auditor and legal advisers.

### **Comment**

- *Delegation of authority*

Council has a very effective delegation process. The Shire's Delegation Register was reviewed in November 2017 and will continue to be reviewed on an annual basis in accordance with the requirements of the *Local Government Act 1995*.

All employees in positions with delegated authority are required to complete a Primary Return and an Annual Return for each year thereafter that they remain in the position.

- *Documented policies and procedures*

Council has an established Policy Manual which is reviewed on a regular basis. Individual departments and positions currently have procedures relating to their own areas of responsibility and the development of a Corporate Procedures Manual has commenced.

- *Trained and qualified employees*

The ongoing development of position descriptions for each employee position will assist in ensuring that staff members are appropriately qualified for the position to which they are appointed. Staff training is provided as required.

The Shire of Merredin's Workforce Plan was reviewed in April 2016. The Workforce Plan is monitored and evaluated annually and with emphasis analyses on staff retention, attraction protocols and succession planning.

The Human Resource module through Synergy will enable the Shire of Merredin to record and maintain human resource data to include training and qualifications. The information will assist to develop a staff training plan as part of the overarching Workforce Plan.

- *Effective policy and process review*

Council requires its Policy Manual to be reviewed in its entirety once every two years. However, a review appropriate to the subject is applied to each individual policy if required. Procedures, as they are compiled and added to the proposed Corporate Procedures Manual, will also be required to include a specific review timeframe.

- *Regular internal audits*

The Shire of Merredin does not currently employ the services an internal auditor. However, the *Local Government Act 1995* requires that a Compliance Audit Return be completed on an annual basis. The Return must be presented to the Audit Committee and to Council prior to submission to the Department of Local Government.

- *Documentation of risk identification and assessment*

In 2014, Council adopted a Risk Management Policy, which is supported by a Risk Management Procedure. A number of risk profiles have also been prepared which are tools for identifying, assessing and reviewing risks to which the Shire may be exposed. Collectively, these documents form the Shire's Risk Management Framework.

- *Regular liaison with auditor and legal advisers*

Auditors attend Audit Committee meetings as required. The Administration is in frequent communication with both auditors and legal advisers on a wide range of issues.

The following are examples of controls that are typically reviewed:

1. *Separation of roles and functions processing and authorisation;*

**Comment**

Appropriate separation of roles and functions for processing and authorisation include:

- Debtors and Creditors;
- Payroll;
- Receipting;
- Rates;
- Banking;
- Electronic payments and transfers;
- Heath;
- Planning; and

- Building.

2. *Control of approval of documents, letters and financial records;*

**Comment**

The Shire of Merredin reviewed its Recordkeeping Plan (RKP) in September 2015. The objectives of the Shire of Merredin RKP are to ensure:

- Compliance with Section 28 of the *State Records Act 2000*;
- Recordkeeping within the Shire of Merredin is moving towards compliance with the State Records Commission Standards and Records Management Standard AS ISO 15489;
- Processes are in place to facilitate the complete and accurate record of business transaction and decisions;
- Recorded information can be retrieved quickly, accurately and cheaply when required; and
- Protection and preservation of the Shire of Merredin's records.

The Shire of Merredin maintains a digital records system, utilising SynergySoft Records Management software which is designed to accommodate all statutory and industry requirements for superior recordkeeping.

The Shire of Merredin's Communications Plan, adopted in September 2015 is reviewed biennially.

All financial transactions are traceable and recorded through Council's application software suite, SynergySoft. Monthly statutory financial reports are provided to Council.

3. *Comparison of internal data with other or external sources of information;*

**Comment**

The Shire of Merredin does not have a formal policy or procedure in place in this regard, and in practicality there are many areas of the Shire's operations where external sources of information for the purposes of comparison are not available. However, appropriate action is taken whenever the opportunity or requirement for such comparisons exist. For instance, grant acquittals are subject to scrutiny by the Shire's external auditors, road data must be provided to Main Roads Australia on an annual basis, and maintenance of the Shire's property register necessitates the comparison of property records held by the Shire with external sources such as Landgate and the WA Electoral Commission.

No major issues of concern have been identified to date in respect to the Shire's internal data is considered to be an indication that current practices are adequate at this point of time.

4. *Limit of direct physical access to assets and records;*

**Comment**

Access to assets is controlled via a key system. Officers are issued with keys which are not allowed access to areas of plant unrelated to their duties.

An external provider is engaged to manage the data files and IT system. A service level agreement is in place to manage this arrangement.

Electronic files/data are backed-up daily to an internal and external hard drive. Back-up of electronic files is adequate and the organisation has implemented a wireless link between all sites to accommodate back up replication.

Restrictions have been placed on the level of access each staff member can have, generally only to allow them to perform their specific functions. For example, some staff only have the ability to view records and have no ability to enter any data/information into the system.

A ITC reserve fund was established in July 2017. The development of an IT Site Plan and procedure will be completed by June 2018. Reviews of data back up across the organisation occurs on a regular basis.

5. *Control of computer applications and information system standards;*

**Comment**

Refer to Point 4.

6. *Limit access to make changes in data files and systems;*

**Comment**

Refer to Point 4.

7. *Regular maintenance and review of financial control accounts and trial balances;*

**Comment**

Financial Control Accounts, including Trial Balances for all Funds are reviewed and balanced on a monthly basis.

8. *Comparison and analysis of financial results with budgeted amounts;*

**Comment**

Each month an assessment of the budget variances is undertaken and reported to Council in accordance with Regulation 34 of the *Local Government (Financial Management) Regulations 1996*.

9. *The arithmetical accuracy and content of records;*

**Comment**

Records are monitored through the Budget Review process and payment sign-off procedures, as well as the List of Accounts Paid is presented to Council for approval at each Ordinary Meeting.

10. *Report, review and approval of financial payments and reconciliations;*

**Comment**

Undertaken, as required, by the Executive Manager of Corporate Services.

11. *Comparison of the result of physical cash and inventory counts with accounting records.*

**Comment**

A record of physical cash holdings is maintained on a daily basis. Petty cash and fuel stocks are reconciled on a monthly basis.

**Legislative Compliance**

The Audit Committee should:

1. *Monitor compliance with legislation and regulations.*

**Comment**

The Audit Committee reviews the annual Compliance Audit Return and audited Financial Statements and makes recommendations on both to Council. The Committee will also be responsible for considering and making recommendations to Council in relation to the Chief Executive Officer's Review of Risk Management, Internal Control and Legislative Compliance.

2. *Review the annual Compliance Audit Return and reporting to Council of the results of that review.*

**Comment**

The annual Compliance Audit Return is presented to the Audit Committee for review and recommendation to Council within the required timeframe.

3. *Review how management is monitoring the effectiveness of its compliance and make recommendations for change as necessary.*

**Comment**

The Audit Committee has the ability to make recommendations to Council with respect to any issue which it believes requires attention.

4. *Review whether the local government has procedures to receive, retain and treat complaints, including confidential and anonymous employee complaints.*

**Comment**

Council has adequate policies and procedures that deal with such matters, which are reviewed on a regular basis.

5. *Obtain assurance that adverse trends are identified and review management's plans to deal with these.*

**Comment**

In accordance to the Shire's Risk Management Framework, the Audit Committee is provided with a Risk Report at each Committee meeting.



6. *Review management disclosures in financial reports of the effect of significant compliance issues.*

**Comment**

The Audit Committee reviews the annual Audit and Management Reports provided by the Shire's external Auditor.

7. *Review whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee.*

**Comment**

The Shire of Merredin does not have an internal auditor at this point in time. The audit function has recently been assigned through legislation to the Auditor General. The implications of this are yet to be determined.

8. *Consider the internal auditor's role in assessing compliance and ethics risks in their plan.*

**Comment**

Not relevant at this point of time.

9. *Monitor the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements.*

**Comment**

The Shire of Merredin's Risk Management Governance Framework was developed in July 2014. The corporate calendar highlights an annual review. The Audit Committee reviews and makes recommendations to Council with respect to the annual Compliance Audit Return.

10. *Compliance with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.*

**Comment**

Audit Regulation changes are brought to the attention of the Audit Committee as they arise. Audit Committee members are aware of their obligations in this regard.

The Shire of Merredin's Code of Conduct outlines guidelines for an acceptable standard of professional conduct. The Code of Conduct observes statutory requirements of the *Local Government Act 1995* (S 5.103 – Codes of Conduct) and *Local Government (Administration) Regulations 1996* (Regs 34B and 34C). Activities, behaviour and statutory compliance obligations may be scrutinised in accordance with prescribed rules of conduct as described in the *Local Government Act 1995* and *Local Government (Rules of Conduct) Regulations 2007*. The Code of Conduct clearly states the guidelines for conflict, disclosure of interest and personal benefit.

### Policy Implications

Policy 3.24 – Risk Management applies.

### Statutory Implications

Regulation 17 of the *Local Government (Audit) Regulations 1996* applies.

### Strategic Implications

#### ➤ Strategic Community Plan

Vision Element: Developing  
Strategic Goal: The population and economic base is expanding sustainably  
Key Priority: Governance

#### ➤ Corporate Business Plan

Strategy: SP.D4.1  
Action #: 1  
Action: Ensure policies, procedures and practices are effective, transparent and aligned with program delivery  
Directorate: Corporate and Financial Services  
Timeline: Ongoing

### Sustainability Implications

#### ➤ Strategic Resource Plan

Nil

#### ➤ Workforce Plan

Directorate: Nil  
Activity: Nil  
Current Staff: Nil  
Focus Area: Nil  
Strategy Code: Nil  
Strategy: Nil  
Implications: Nil

### Risk Implications

The Shire of Merredin has a Risk Management Governance Framework which includes a policy and procedure. The framework provides tools that monitor the Shire's risk profile on a quarterly basis. Due to regularly monitoring and review risk implications are low.

### Financial Implications

Nil

### Voting Requirements

Simple Majority

Absolute Majority

### Officer's Recommendation / Resolution

**Moved:** Cr Flockart

**Seconded:** Cr Patroni


**82086 That the Audit Committee:**

1. receives the CEO's review of risk management, internal control and legislative compliance and notes the Shire of Merredin Profile Summary;
2. recommends adoption of the CEO's review of risk management, internal control and legislative compliance and the Shire of Merredin Risk Profile Summary by Council; and
3. engages the services of LGIS to assist with the review of the Risk Management Framework prior to the review.

C Brown, EMCS, entered the meeting at 12.55pm.

**CARRIED BY ABSOLUTE MAJORITY 4/0**

## 6.2 Local Government Auditing Reforms

<h1>Corporate Services</h1>		 SHIRE OF <b>MERREDIN</b> INNOVATING THE WHEATBELT
<b>Responsible Officer:</b>	Charlie Brown, EMCS	
<b>Author:</b>	Vanessa Green, EA to CEO	
<b>Legislation:</b>	<i>Local Government Act 1995; Local Government (Audit) Regulations 1996; Local Government (Financial Management) Regulations 1996</i>	
<b>File Reference:</b>	FM/2/1	
<b>Disclosure of Interest:</b>	Nil	
<b>Attachments:</b>	<a href="#"><b>Attachment 6.2A</b></a> – Guide to Local Government Auditing Reforms	

### Purpose of Report



Executive Decision



Legislative Requirement

### Background

On 24 August 2017 amendments to the *Local Government Act 1995* were passed by State Parliament enabling the Auditor General to audit local government finances and performance. The Act received Royal Assent on 1 September 2017.

To enable local governments to familiarise themselves with the changes to the legislation and its implications, the Department of Local Government, Sport and Cultural Industries has prepared a guide to inform local governments and auditors about the recent reforms to the conduct of local government audits. The Guide is included as an attachment.

### Comment

Following the passage of this legislation, a transitional period for local government auditing commences whereby the Auditor General will assume responsibility for financial audits as existing contracts expire. All local governments will be audited by the Auditor General by 2020-21.

The contract with Council's current auditor, Butler Settineri (Audit) Pty Ltd, expires on 30 June 2018.

Under the legislation, local governments will be required to publish their annual report, including the annual financial report and auditor's report on their websites.

Performance audits, examining the economy, efficiency and effectiveness of programs and organisations, including compliance with legislative provisions and internal policies, were also introduced and will be paid for by the State Government.

Liaison on the transition with local governments and the Auditor General commenced in October. The Shire of Merredin has been notified it has been selected as one of 10 local governments across the State to participate in a Local Government Focus Audit centred on timely payment of suppliers. The dates and timeframe of the audit are not known at the time of writing this item.

While the Guide explains what will occur as a result of the legislation changes in some instances, particularly around the revised role of the Audit Committee, it does not provide specific information on what those changes will mean at a practical level.

Therefore, the purpose of this item is to make the Audit Committee, and subsequently Council, aware of the changes and the potential implications. It is proposed that further information be presented to both the Audit Committee and Council once it is known.

Of note in the Guide is:

1. the amendment to Regulation 5 (*Timeframe for review of financial management systems*) which reduces the timeframe from not less than once in every four financial years, to not less than once in every three financial years;
2. the amendment to Regulation 17A (*Assets valued under \$5,000*) which will exclude assets valued at less than \$5,000 from being included in the annual financial report. However, local governments will be required to develop and maintain a register of assets valued at under \$5,000 which are considered portable and attractive items susceptible to theft or loss. Staff will commence work on identifying assets required to be included on the register; and
3. the amendment to Regulation 17A(4)(b) (*Timeframe for local governments to revalue assets*) which aligns the timeframe for asset revaluation to the Australian Accounting Standards Board standard 116: Property, Plant and Equipment to between three and five years. Council will need to determine whether it will conduct its revaluation every three, four or five years. This will be done by way of Policy. Staff will develop a policy for consideration of the Audit Committee (and Council).

#### **Policy Implications**

Nil

#### **Statutory Implications**

As listed in the Guide.

### Strategic Implications

#### ➤ Strategic Community Plan

Vision Element: Developing  
Strategic Goal: The population and economic base is expanding sustainably  
Key Priority: Governance

#### ➤ Corporate Business Plan

Strategy: SP.D4.4 – Practice prudent management of financial resources  
Action #: 2  
Action: Continue to provide prudent financial controls and compliance systems  
Directorate: Corporate Services  
Timeline: Ongoing

### Sustainability Implications

#### ➤ Strategic Resource Plan

Nil

#### ➤ Workforce Plan

Directorate: Nil  
Activity: Nil  
Current Staff: Nil  
Focus Area: Nil  
Strategy Code: Nil  
Strategy: Nil  
Implications: Nil

### Risk Implications

Nil at this time.

### Financial Implications

Not known at this time, however it is anticipated that the costs for conducting Council's financial audit will increase. As mentioned above, the State Government will be responsible for the costs of conducting the performance audits.

### Voting Requirements



Simple Majority



Absolute Majority

Councillor Crees entered the meeting at 1.00pm.

## Officer's Recommendation / Resolution

**Moved:** Cr Flockart

**Seconded:** Cr Anderson

**82087** That:

1. the information on the changes to the *Local Government Act 1995*, *Local Government (Audit) Regulations 1996* and *Local Government (Financial Management) Regulations 1996* in relation to the Auditor General conducting local government financial and performance audits as contained in the Department of Local Government, Sport and Cultural Industries' Guide to Local Government Auditing Reforms, be noted;
2. staff develop a policy for consideration by Council on the timeframe to revalue assets, and identify assets under the value of \$5,000 for inclusion on the register; and
3. this matter be considered again once more information is available from either the Department of Local Government, Sport and Cultural Industries or the Office of the Auditor General.

**CARRIED 4/0**

## 7. Closure

There being no further business the President thanked all those in attendance and declared the meeting closed at 1.02pm.