

The logo for the Shire of Dardanup features a stylized, flowing line in shades of green and blue, resembling a landscape feature like a hill or a wave.

Shire of Dardanup

MINUTES

AUDIT COMMITTEE MEETING

Held

12 December 2018

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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COMMITTEE MEMBERSHIP:

- CR. P ROBINSON - CHAIRPERSON
- CR. J DOW - DEPUTY CHAIRPERSON
- CR. T G GARDINER
- CR. M T BENNETT
- CR. J LEE

COUNCIL ROLE

Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government / body /agency.
Executive/Strategic	The substantial direction setting and oversight role of the Council eg. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
Legislative	Includes adopting local laws, town planning schemes and policies.
Review	When Council reviews decisions made by Officers.
Quasi-Judicial	<p>When Council determines an application/matter that directly affects a person's rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice.</p> <p>Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</p>

DISCLAIMER

"Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire's decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person's knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request."

SHIRE OF DARDANUP

MINUTES OF THE SHIRE OF DARDANUP AUDIT COMMITTEE MEETING HELD ON WEDNESDAY 12 DECEMBER 2018, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.00PM.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

Chairperson, Cr. P S Robinson declared the meeting open at 2.00pm, welcomed those in attendance and referred to the Acknowledgement of Country; Emergency Procedures, the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

Acknowledgement of Country

The Shire of Dardanup wishes to acknowledge that this meeting is being held on the traditional lands of the Noongar people. In doing this, we recognise and respect their continuing culture and the contribution they make to the life of this region by recognising the strength, resilience and capacity of Wardandi people in this land.

Affirmation of Civic Duty and Responsibility

Councillors and Officers of the Shire of Dardanup collectively declare that we will duly, faithfully, honestly and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the Shire's Code of Conduct and Standing Orders to ensure efficient, effective and orderly decision making within this forum.

Committee members acknowledge that only the Chief Executive Officer or a member of the Shire of Dardanup staff appointed by the Chief Executive Officer is to have contact with consultants and suppliers that are appointed under contract to undertake the development and implementation of projects.

The exception to this Policy is when there is a meeting of the committee or working group with the consultant and the Chief Executive Officer or the Chief Executive Officer's representative is present.

Members of committees acknowledge that a breach of this Policy may result in a request to Council to have them removed from the committee.

Emergency Procedure

In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, please proceed to the Assembly Area points located to the western side of the front office car park near the skate park and gazebo where we will meet (and complete a roll call).

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED

2.1 Attendance

Voting

Cr. Peter Robinson	-	Elected Member - Chairperson
Cr. Michael Bennett	-	Shire President
Cr. Janice Dow	-	Elected Member
Cr. Tyrrell Gardiner	-	Elected Member [2.06PM]

Non-voting

Mr Mark Chester	-	Chief Executive Officer
Mr Phil Anastasakis	-	Director Corporate & Community Services
Mr Luke Botica	-	Director Engineering & Development Services
Mrs Natalie Hopkins	-	Manager Financial Services
Ms Cathy Lee	-	Manager Governance & HR
Miss Ella Geluk-Howarth	-	Governance Officer

Auditor

Mr Marius Van Der Merwe	-	Butler Settineri
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2.2 Apologies

Cr. James Lee	-	Elected Member
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3. PETITIONS/DEPUTATIONS/PRESENTATIONS

None.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

4.1 Audit Committee Meeting Held 18 July 2018

OFFICER RECOMMENDED RESOLUTION & AUDIT COMMITTEE RESOLUTION

AUD 07-18 MOVED - Cr. M T Bennett SECONDED - Cr. J Dow

**THAT the Minutes of the Audit Committee Meeting held on 18 July 2018,
be confirmed as true and correct subject to no corrections.**

CARRIED
3/0

5. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

None.

6. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

7. DECLARATION OF INTEREST

Discussion:

Chairperson, Cr. P Robinson asked Councillors and staff if there were any Declarations of Interest to be made.

There were no Declarations of Interest made.

8. REPORTS OF OFFICERS

8.1 Title: Annual Meeting - 2017/18 Audit Report

Reporting Department: Corporate & Community Services

Reporting Officer: Mr Phil Anastasakis – Director Corporate & Community Services

Legislation: Local Government Act 1995

Overview

This report presents the Audit Report for the 2017/18 Annual Financial Statements to Council for consideration and adoption.

Background

On the recommendation of its Audit Committee, Council is required to appoint an auditor per s7.3 of the Local Government Act 1995 (LGA). The LGA also requires that the Local Government meet annually with the auditor.

Council's auditors are a Perth based Chartered Accounting firm "Butler Settineri (Audit) Pty Ltd", who are currently engaged under a 5 year audit contract which extends through to the end of the 2018/19 financial year.

The annual audit was conducted by Butler Setterini on 30 October 2018, with completion of the annual financial statements and audit report in the ensuing weeks.

The Audit Committee meeting is scheduled to be held on Wednesday 12 December 2018. This provides the opportunity for the Audit Committee to meet in person with the partner of Butler Settineri, Marius van der Merwe and consider the annual audit report.

Legal Implications

Local Government Act 1995

s7.2. Audit

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

7.3. Appointment of auditors

- (1) *Subject to subsection (1A), a local government is to, from time to time whenever such an appointment is necessary or expedient, appoint* a person, on the recommendation of the audit committee, to be its auditor.*

* Absolute majority required.

7.9. Audit to be conducted

- (1) *An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —*
- (a) *the mayor or president; and*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*
- (2) *Without limiting the generality of subsection (1), where the auditor considers that —*
- (a) *there is any error or deficiency in an account or financial report submitted for audit; or*
 - (b) *any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or*
 - (c) *there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,*

details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.

7.12AB. Conducting a financial audit

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

7.12AD. Reporting on a financial audit

- (1) *The auditor must prepare and sign a report on a financial audit.*
- (2) *The auditor must give the report to —*
- (a) *the mayor, president or chairperson of the local government; and*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*

7.12A. Duties of local government with respect to audits

- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government must —*
- (aa) *examine an audit report received by the local government; and*

- (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
- (b) *ensure that appropriate action is taken in respect of those matters.*

Strategic Community Plan

Strategy 1.3.1 Implement the Integrated Planning and Reporting Framework including the Long Term Financial Plan, Workforce Plan, Asset Management Plans and Corporate Business Plan. (Service Priority: High).

Strategy 1.3.2 Monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

Environment - None.

Precedents

The Audit Committee has in previous years met with the Auditor to consider the audit of the Annual Financial Statements and financial position of Council.

Budget Implications

The 2018/19 budget provides an allocation for the conduct of the annual audit.

The Annual Financial Report presents the financial performance for the past financial year and is scrutinised by an independent auditor to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Rate Setting Statement.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None.

Risk Assessment - Low.

Officer Comment

Butler Setterini visited the Council offices on the 30 October 2018 to conduct the annual audit, with three audit staff attending.

Council staff had prepared the draft annual financial statements, together with all of the working files and audit material provided to the auditors during their visit. Council staff subsequently worked with the auditors to finalise the annual financial statements.

The audit did not identify any areas of concern and the auditors have provided an unqualified audit report. The Audit Report (Appendix AUD: 8.1) advises that the financial report of the Shire of Dardanup gives a true and fair view of the Shire's financial position as at the 30 June 2018 and of its performance during the year, and complies with Australian Accounting Standards.

Council Role - Executive.

Voting Requirements - Simple Majority.

Discussion:

Director Corporate & Community Services, Mr Phil Anastasakis introduced Auditor Mr Marius Van Der Merwe of Butler Settineri.

Mr Van Der Merwe advised Council that Butler Settineri are engaged to perform Council's audits up until the end of next year when the Auditor General will take over the process.

Mr Van Der Merwe gave the Committee an overview on the focus areas of the audit.

Note: Cr. T G Gardiner joined the meeting [2.06pm].

Mr Van Der Merwe advised the Committee that the auditors have not found any non compliance of any regulations. There were also no indications of fraud found.

The committee discussed the audit process and the ratios at length.

Change to Officer Recommendation - No Change.

**OFFICER RECOMMENDED RESOLUTION
& AUDIT COMMITTEE RESOLUTION**

AUD 08-18 MOVED - Cr. M T Bennett SECONDED - Cr. J Dow

THAT the Shire of Dardanup Audit Committee recommends Council accept the Auditor's Report (Appendix AUD: 8.1) by Butler Settineri (Audit) Pty Ltd of the Annual Financial Statements for the 2017-18 financial year.

CARRIED
4/0

8.2 Title: 2017/18 Annual Financial Report

Reporting Department: Corporate & Community Services

Reporting Officer: Mr Phil Anastasakis – Director Corporate & Community Services
Mrs Natalie Hopkins – Manager Financial Services

Legislation: Local Government Act 1995

Overview

This report presents the Annual Financial Report for the 2017/18 financial year to the Audit Committee and Council for consideration and adoption. (Appendix AUD: 8.2).

Background

Section 6.4 of the *Local Government Act 1995* requires a Local Government to prepare an Annual Financial Report each financial year. This report has been audited and is provided under separate cover.

The Annual Financial Report has been prepared in accordance with the *Local Government (Financial Management) Regulations 1996* and includes the following:

- Statement by the Chief Executive Officer;
- Statement of Comprehensive Income (by Nature or Type);
- Statement of Comprehensive Income (by Program);
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Rate Setting Statement;
- Notes to and forming Part of the Financial Statements; and
- Auditor Report.

In accordance with section 5.53 of the *Local Government Act 1995*, the 2017/18 Annual Financial Report forms part of the Annual Report.

The adoption of the Annual Financial Report by Council allows for the adoption of the Annual Report and the holding of the Annual Electors Meeting which is proposed for Wednesday 23 January 2019, commencing at 6.00pm in the Eaton Council Chambers, following the completion of the monthly Council meeting.

Legal Implications*Local Government Act 1995*5.53. *Annual Reports*

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain —*
 - (f) *the financial report for the financial year; and*

6.4. *Financial Report*

- (1) *A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*

- (2) *The financial report is to —*
- (a) *be prepared and presented in the manner and form prescribed; and*
 - (b) *contain the prescribed information.*
- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —*
- (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
 - (b) *the annual financial report of the local government for the preceding financial year.*

Local Government (Financial Management) Regulations 1996

R36. Annual financial report, content of (Act s. 6.4(2))

- (1) *The annual financial report is to include —*
- (a) *a statement setting out all movements of money to and from reserve accounts which has not been included in the income statement but which has been included in the rate setting statement; and*
 - (b) *if the net current assets carried forward from the previous financial year for the purpose of the budget of the financial year to which the report relates is different from the net current assets shown in the audited annual financial report for the previous financial year, the amount of that difference; and*
- [(c), (d) deleted]*
- (e) *in relation to the disposal of a class of assets —*
 - (i) *the net book value of that class of assets; and*
 - (ii) *the sale price of that class of assets; and*
 - (iii) *the profit or loss on the sale of that class of assets; and*
 - (f) *notes or statements containing the information set forth in regulations 37 to 50.*
- (2) *The annual financial report is to include the following —*
- (a) *the rate setting statement included under regulation 22(1)(d) in the annual budget for the year to which the report relates;*
 - (b) *adjacent to each item in that rate setting statement that states an amount, the end-of-year amount for the item;*
 - (c) *adjacent to each item in the income statement that states an end-of-year amount, the original or amended budget estimate for the item;*
 - (d) *adjacent to each item that states an end-of-year amount required by a provision of these regulations listed in the Table to this subregulation, the original or amended budget estimate for the item.*

- R37. *Trust fund, information about in annual financial report*
- R38. *Reserve accounts, information about in annual financial report*
- R39. *Rates, information about in annual financial report*
- R40. *Service charges, information about in annual financial report*
- R41. *Fees and charges, information about in annual financial report*
- R42. *Discounts for early payment etc., information about in annual financial report*
- R43. *Interest charges etc., information about in annual financial report*
- R44. *Fees etc. to council members, information about in annual financial report*
- R45. *Trading undertakings, information about in annual financial report*
- R46. *Major land transactions, information about in annual financial report*

- R47. Completed major land transactions, information about in annual financial report
 R48. Borrowings, information about in annual financial report
 R49. Invested money, information about in annual financial report
 R50. Financial ratios to be included in annual financial report
 R51. Annual financial report to be signed etc. by CEO and given to Department

Strategic Community Plan

Strategy 1.3.1 Implement the Integrated Planning and Reporting Framework including the Long Term Financial Plan, Workforce Plan, Asset Management Plans and Corporate Business Plan. (Service Priority: High)

Strategy 1.3.2 Monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

Environment - None.

Precedents - None.

Budget Implications

The Annual Financial Report is produced internally and the preparation and printing costs are incorporated within the staffing, printing and stationery budgets. The Annual Financial Report presents the financial performance for the past financial year and is scrutinised by an independent auditor to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Rate Setting Statement.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None.

Risk Assessment - Low.

Officer Comment

Council's Auditors have issued an unqualified Audit Report (Appendix AUD: 8.1). The Audit Report is also shown on page 54 of the Annual Financial Report that forms part of the Annual Report.

Council is in sound financial health and this is reflected in its statutory financial ratios that require reporting in the Annual Financial Report.

It is important to note that statutory financial ratios are not intended to be the only factor to consider in assessing Council's overall performance. Other factors include the range of services offered, the efficiency of services delivered and overall community satisfaction.

Current Ratio

Formulae

$$\frac{(\text{Current Assets MINUS Restricted Assets})}{(\text{Current Liabilities MINUS Liabilities Associated with Restricted Assets})}$$

30 June 18 = 0.991 or 99.1%

Department Standard = Standard Not Met

Department of Local Government Description & Benchmark:

This is a modified commercial ratio designed to focus on the liquidity position of a local government that has arisen from past year's transactions.

The standard is not met if the ratio is lower than 1:1 (less than 100%).

Achieving Standard is met if the ratio is greater than 1:1 (100% or greater).

A ratio less than 1:1 means that a local government does not have sufficient assets that can be quickly converted into cash to meet its immediate cash commitments.

This may arise from a budget deficit from the past year, a Council decision to operate an overdraft or a decision to fund leave entitlements from next year's revenues.

Officer Comment

The Current Ratio, as adopted by the Department of Local Government is modified from the standard commercial calculation of the Current Ratio. The Department requires "Restricted Assets" (cash backed reserve funds) from being included in the calculation.

The Current Ratio is calculated in the commercial world as follows;

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

While the Shire does not meet the required Department benchmark, if the standard commercial calculation of the Current Ratio was made, the Shire's Current Ratio as at 30 June 2018 would be calculated at 623.6%, meaning the Shire has a multiple of 6.236 in liquid Current Assets to meet its Current Liabilities.

- **Asset Sustainability Ratio (ASR)**

Formulae

$$\frac{\text{Capital renewal and replacement expenditure}}{\text{Depreciation expense}}$$

30 June 18 = 1.129 or 112.9%

Department Standard = Standard Improving

Department of Local Government Description & Benchmark:

This ratio indicates whether a local government is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.

Achieving Standard is met if the ratio data can be calculated and ratio is 90% (0.90)

Standard Improving is met if the ratio is between 90% and 110% (or 0.90 and 1.10)

Capital / Renewal Expenditure means expenditure to renew or replace existing assets. In other words, it is expenditure on an existing asset to return the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure. As it reinstates existing service potential it may reduce operating and maintenance costs.

Officer Comment

Council's asset management planning process has identified and is rectifying the existing infrastructure renewal backlog. Council has acknowledged this backlog and has committed funding to renew its asset base for a number of years. The ratio result for 30 June 2018 is reflective of this commitment.

- **Debt Service Cover Ratio**

30 June 18 = 1.512

Department Standard = Standard Not Met

Formulae

$$\frac{\text{Annual operating surplus before interest and depreciation}}{\text{Principal and interest}}$$

Department of Local Government Description & Benchmark:

This ratio is the measurement of a local government's ability to repay its debt including lease payments. The higher the ratio is, the easier it is for a local government to obtain a loan.

Achieving Standard is met if the ratio is greater than or equal to 2.

Advanced Standard is met at a higher level if this ratio is greater than 5.

Officer Comment

This ratio measures the Shire's ability to service debt out of its uncommitted or general purpose fund available for its operations. The 2017/18 Debt Service Cover Ratio of 1.512 is skewed due to operating expenditure of \$2,292,000 on the Treendale Millbridge Bridge during 2017/18 financial year, funded by the Collie River Bridge Reserve (Joint Town Planning Scheme). Removing the expenditure of \$2,292,000 from the ratio would result in an 'Advanced Standard' ratio of 5.638.

The Shire's integrated financial process has led to a significant reduction in reliance in borrowing requirements.

Since the commencement of Council's Asset Management & Integrated Financial Planning process in 2005, the reduced reliance on borrowings has been a key demonstrable benefit. Borrowings are planned through Council's Debt Management Plan rather than used to meet immediate funding requirements.

The benefit of such a process is evident by borrowing related financial ratios. Despite sustained population and fiscal demand upon Council's budget, these ratios demonstrate a sustained improving trend.

Borrowings are planned for future projects; the structured process to borrowing planning ensures these projects are able to be undertaken with affordable debt levels.

- **Operating Surplus Ratio**

30 June 18 = -0.263

Department Standard = Standard Not Met

Formulae

$$\frac{\text{Operating Revenue MINUS Operating Expense}}{\text{Own Source Operating Revenue}}$$

Department of Local Government Description & Benchmark:

This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.

Achieving Standard is met if the operating surplus ratio is between 0% and 15% (0 and 0.15).

Advanced Standard is met if the operating surplus ratio is greater than 15% (>0.15).

"Operating Revenue" Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.

"Operating Expense" Means the expense that is operating expense for the purposes of the AAS.

"Own Source Operating Revenue" Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

Officer Comment

Meeting this standard is dependent upon achieving an Operating Surplus as defined by the Department. Operating Surplus is ordinarily calculated as Operating Revenue minus Operating Expenditure. The Department requires the exclusion of grants and contribution revenue for the development of assets from the calculation.

Council's Operating Surplus as at 30 June 2018 = -\$4,194,174.

This ratio demonstrates the ability to service its day to day operational costs, including asset depreciation from its revenue base. If a local government consistently achieves a positive operating surplus ratio and has sound long term financial plans showing that it can continue to do so in the future, having regard to asset management and the community's service level needs, then it is considered financially sustainable.

The inclusion depreciation expense (a non-cash expense) as part of this calculation provides a challenge to meet this ratio into the future as Council asset base increases the ratio has an expectation to meet annual deprecation expenditure from revenue.

Own Source Revenue Coverage Ratio

30 June 18 = 0.727

Department Standard = Achieving Standard

Formulae

$$\frac{\text{Own Source Operating Revenue}}{\text{Operating Expense}}$$

Department of Local Government Description & Benchmark:

This ratio is the measurement of a local government's ability to cover its costs through its own revenue efforts. Different standards have been established to recognise the varying revenue raising capacities across the sector, where some rural and remote local governments have limited rate bases and revenue raising capacity, whereas others such as major metropolitan and regional local governments have significant rate bases and other own source revenues.

Achieving Standard is met if the ratio is between 40% and 90% (or 0.4 and 0.9)

Advanced Standard is met if the ratio is greater than 90% (or > 0.9)

"Own Source Operating Revenue"

Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

Officer Comment

The ratio measures Council's ability to cover operating expenses from own source revenue (ie revenue, excluding grants). The higher the ratio, the more self-reliant a local government is.

This ratio is maximised by:

- a) Greater reliance upon user pay services.
- b) Reduced Operating Expenditure.
- c) Ongoing commitment to fund Council's asset base from its own source funds.

- **Asset Consumption Ratio (ACR)**

30 June 18 = 0.652 (65.2%)

Department Standard = Standard Improving

Formulae

$$\frac{\text{Depreciated Replacement Cost of Depreciable Assets}}{\text{Current Replacement Cost of Depreciable Assets}}$$

Department of Local Government Description & Benchmark:

This ratio measures the extent to which depreciable assets have been consumed, by comparing their written down value to their replacement cost.

Achieving Standard is met if the ratio data can be identified and ratio is 50% or greater (0.50 or >).

Standard Improving is met if the ratio is between 60% and 75% (0.60 and 0.75).

Officer Comment

This ratio essentially measures the depreciated state of Council's asset base. 100% would mean all brand new assets, 0% would mean all the assets have reached the end of their life.

The result of 65.2% indicates that Council Assets are at 65.2% of their useful life. This ratio is improved by a sustained program of renewing assets.

Council's current asset management planning process is currently addressing the backlog of infrastructure renewal. Ongoing commitment to funding this process is required to improve performance in this area.

- **Asset Renewal Funding Ratio**

30 June 18 = 1.029 (102.9%)

Department Standard = Standard Improving

Formulae

$$\frac{\text{Net Present Value of Planned Capital Renewals over 10 years}}{\text{Net Present Value of Required Capital Expenditure over 10 years}}$$

This ratio is a measure of the ability of a local government to fund its identified asset renewal / replacement requirements over a period of 10 years.

Department of Local Government Description & Benchmark:

This ratio is a measure of the ability of a local government to fund its projected asset renewal / replacements in the future.

The ratio is calculated from information included in the local government's Long Term Financial Plan and Asset Management Plan; not the Annual Financial Report. For the ratio to be meaningful, a consistent discount rate should generally be applied in NPV calculations.

Achieving Standard is met if the ratio is between 75% and 95% (or 0.75 and 0.95)

Standard Improving is met if the ratio is between 95% and 105% (or 0.95 and 1.05), and

the Asset Sustainability Ratio falls within the range 90% to 110%, and

Asset Consumption Ratio falls within the range 50% to 75%

Officer Comment

The Asset Renewal Funding Ratio should be read in conjunction with Asset Consumption Ratio (ACR) and the Asset Sustainability Ratio (ASR).

This ratio measures asset renewal works identified as being required against actual planned asset renews expenditure.

To meet the standard this ratio must be met in addition to the Asset Consumption Ratio (ACR) and the Asset Sustainability Ratio (ASR).

For the year ended 30 June 2018 the Shire has met the 3 required ratio standards to achieve the standards required.

Council's commitment to its integrated financial planning process and addressing its infrastructure backlog from own sourced funds, has been integral to achieving the benchmark standard.

- *Financial Summary*

As at 30 June 2018 Council's Equity (Total Assets *minus* Total Liabilities) decreased by \$762,529 from \$182,479,546 to \$181,717,017. The reduction in Total Equity is partly due to a decrease in Council's Revaluation Surplus resulting from Infrastructure Assets Valuations which were required to be revalued at fair value during the 2017/18 financial year.

Council's carry forward surplus at 30 June 2018 is \$303,456. This was against the forecast budgeted carry forward funds in the 2018/19 budget of \$126,116. The favourable variance of \$177,340 will be included in the budget review for consideration. The total carry forward surplus amount equates to less than 1% of total budgeted expenditure for 2017/18.

In summary, the Shire is in sound financial position.

This result is directly attributed to;

1. Comprehensive integrated financial planning model;
2. Commitment to investment in infrastructure asset renewal;
3. Cash backed funding model for future asset obligations; and
4. Structured planning for all borrowings.

I would like to take the opportunity to thank all Corporate & Community Services staff for their efforts and high service standard during the year under review.

Council is requested to consider and receive the audited Annual Financial Statements for the 2017/18 financial year.

Council Role - Executive.

Voting Requirements - Simple Majority.

Change to Officer Recommendation - No Change.

**OFFICER RECOMMENDED RESOLUTION
& AUDIT COMMITTEE RESOLUTION**

AUD 09-18 MOVED - Cr. M T Bennett SECONDED - Cr. T G Gardiner

THAT the Shire of Dardanup Audit Committee recommends that Council receive the Shire of Dardanup 2017/18 audited Annual Financial Statements (Appendix AUD: 8.2) for the financial year ended 30 June 2018.

CARRIED
4/0

8.3 Title: Update on the Implementation of the Reg. 17 Review Actions

Reporting Department: Executive
 Reporting Officer: Mr Phil Anastasakis – Director Corporate & Community Services
 Legislation: Local Government Act 1995 and Local Government (Audit) Regulations

Overview

This report provides the Audit Committee with an update on the implementation of the Regulation 17 Review Actions.

Background

Regulation 17 of the Local Government (Audit) Regulations 1996 requires the Chief Executive Officer (CEO) to review the appropriateness and effectiveness of a Local Government's systems and procedures at least once in every three (previously two) years and report to the Audit Committee the results of that review.

This review was undertaken by AMD Chartered Accountants and the report along with the CEO's and management's comments were presented to the Audit Committee meeting held on the 13 December 2017.

At the Audit Committee Meeting and subsequent Council meeting, the following was resolved [334-17]:

THAT Council:

1. *Receives the Chief Executive Officer and Director Corporate & Community Services' Report that incorporates the review and findings of AMD Chartered Accountants (dated 17 November 2017) on the Local Government systems and procedures under Regulation 17 of the Local Government (Audit) Regulations 1996.*
2. *Request that the Chief Executive Officer provide an update of the actions required from the findings of the Regulation 17 Audit to each future Audit Committee meeting.*

This report is provided to the Audit Committee meeting as an update by management on the implementation of the report findings and recommendations.

Legal Implications

*Local Government Act 1995
 Local Government (Audit) Regulations 1996 (as Amended):*

Reg 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 at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

The Shire's Risk Management Policy AP023 guides the approach to Strategic Risk Management.

Strategic Plan

Strategy 1.3.6 Establish a Risk Management Governance Framework for the Shire of Dardanup. (Service Priority: High)

Environment - None.

Precedents

The previous (and first) review was performed internally by Shire of Dardanup staff and presented by the CEO to the Audit Committee on 26 November 2014. The scope of the previous review included all 3 areas of (a) Risk Management; (b) Internal Controls; and (c) Legislative Compliance.

An update report on the Regulation 17 Review Actions was presented to the previous Audit Committee meeting on the 18 July 2018.

Budget Implications

The annual budget provides sufficient expenditure allocation for consultancies to cover the cost of the next review report due in September 2020.

Budget – Whole of Life Cost

As no assets/infrastructure are being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

The review of the Regulation 17 requirements complies with Council Risk Management Policy. The Regulation 17 review is a precursor for a complete review of the Shire of Dardanup Risk Management Framework policies and procedures.

Risk Assessment - Low.

The Regulation 17 review is designed to reduce and minimize risk. As the review has been completed by an independent professional third party recognised accounting firm the Risk Assessment for this report is low.

Officer Comment

Local Government (Audit) Regulation 17 is a relatively new regulation requiring the CEO to review the appropriateness and effectiveness of a Local Government's systems and procedures in relation to:

- (a) risk management;
- (b) internal control; and
- (c) legislative compliance.

The review is to be undertaken at least every three (previously two) years as required by Regulation 17 (2) which was gazetted in February 2013.

The CEO is to report to the Audit Committee the results of a review. The Audit Committee under Regulation 16(c) is to review the report and report to Council the results of the review.

A Terms of Reference was developed to define the scope of the review. This Terms of Reference was based on previous reviews and the Local Government Operational Guidelines No.9 – Audit in Local Government.

AMD Chartered Accountants were appointed in September 2017 to undertake the review, and attended the 13 December 2017 Audit Committee meeting to present and discuss their report.

Listed below are the Findings noted in the Regulation 17 Review Report, and an update on the implementation of recommended actions:

- *Summary Table*

1. Risk Management	Original Proposed Completion Date	Revised Completion Date	Status
1.1 – Risk Management Framework	30/6/2018	30/6/2019	Pending
1.2 – Business Continuity Plan	1/11/2017		Completed
1.3 – Projects and Procurement	30/6/2018	30/6/2019	Commenced
1.4 – Emergency Risk Management	30/6/2018		Completed
1.5 – Risk Management Policies and Procedures	30/6/2018	26/7/2018	Completed
1.6 – Outdated Policies	30/6/2018	26/7/2018	Completed
2. Internal Controls	Original Proposed Completion Date	Revised Completion Date	Status
2.1 – Information Technology	31/12/2017	30/6/2019	Partially Completed
2.2 – Independent Review	31/12/2017		Completed
2.3 – Signature Specimen	31/12/2017		Completed
2.4 – Financial Management Systems Review	30/6/2018		Completed
3. Legislative Compliance	Original Proposed Completion Date	Revised Completion Date	Status
3.1 – Tender Register	31/12/2017		Completed
3.2 – Compliance Calendar	30/6/2018	30/6/2019	Pending
3.3 – Audit Committee	30/6/2018		Completed
3.4 – Internal Audit	30/6/2018		Completed
3.5 – Petty Cash	31/12/2017	26/7/2018	Completed

1. RISK MANAGEMENT

1.1 RISK MANAGEMENT FRAMEWORK

Auditor Recommendation:

We recommend the Shire develop an organisational risk register. This should include conducting a comprehensive risk identification process to identify potential Shire risks within each business unit and incorporates the following categories:

- Operational;
- Strategic;
- Finance;
- Technological; and
- Compliance risks.

The risk register should identify the risk, analyse the risk by determining the likelihood, consequence and current controls in respect to each identified risk; evaluate the risk by deciding whether the risk is to be treated/controlled, reassessed or accepted and determine the action to be taken to treat or control each risk.

The risk register should also be monitored and reviewed on a regular basis to ensure up to date and integrates with existing Shire's Risk Management Framework policies and procedures.

Furthermore, once the organisational risk register is developed, we recommend this register is tabled at the Audit Committee meeting and subsequent Council meetings on a periodic basis.

Management Comment

It is currently proposed that LGIS (Local Government Insurance Services) facilitate the updating of the Risk Management Governance Framework introduced to the Shire of Dardanup in 2014. The Framework document includes the Risk Management Policy and Risk Management Procedures established to support the introduction, utilisation, monitoring and ongoing reporting around the Framework.

The Risk Management Governance Framework document will include a risk register which will identify all potential Shire risks (Operational, Strategic, etc), analyse the risk by determining the likelihood, consequence and current controls in respect to each identified risk; and evaluate the risk by deciding whether the risk is to be treated/controlled, reassessed or accepted with any action to be taken to treat or control each risk.

The draft Risk Management Governance Framework document identifies the Corporate Excellence & Compliance Officer (previously part-time Business Excellence Officer) as the person who will be responsible for the ongoing monitoring and reporting of Risk under the framework.

Under the Framework, a (Dashboard) Risk Report will be produced every quarter and a full Risk Summary Report (incorporating the Dashboard) will be produced every six months. This is reported to the Senior Managers (every three months) and Audit Committee (every six months).

Originally this task was proposed to be completed by 30 June 2018. With the resignation of the Business Excellence Officer in early April 2018, this task has been put on hold until the Compliance Officer is appointed, which due to budget constraints, is now not anticipated until January 2019.

The Audit Committee have received a report on the Risk Management Governance Framework. It is planned for staff to participate in a workshop facilitated by LGIS on the Risk Management Governance Framework in March/April 2019, which is later than originally anticipated.

Responsible Officer	Proposed Completion Date
Director Corporate & Community Services	30 June 2019
Status	
Action pending the appointment of the Compliance Officer in January 2019.	

1.2 BUSINESS CONTINUITY PLAN

Auditor Recommendation:

We recommend the Shire finalise their incident management and business continuity plan. In addition, we recommend the incident management and business continuity plan is tested on a regular basis to ensure that in the event of a disaster, appropriate action(s) can be taken.

Management Comment

Council considered and adopted the Shire of Dardanup Incident Management and Business Continuity Response Plan at the 1 November 2017 (resolution 286-17) Council meeting. The Coordinator Emergency & Ranger Service's is responsible for implementing, monitoring and updating the plan.

Responsible Officer	Proposed Completion Date
Coordinator Emergency & Ranger Services	1 November 2017
Status	
Action completed.	

1.3 PROJECTS AND PROCUREMENT

Auditor Recommendation:

We suggest the Shire further enhance the already robust procurement process by developing and implementing the following:

- Documented comprehensive project / tender risk assessment and reporting process for all major projects and tenders. Determine instances/thresholds where a risk assessment is to be conducted for those tenders / projects that are deemed high risk to the Shire (i.e. monetary value, reputational impact, culturally sensitive etc.); and
- Formal post tender review process, identifying both positive and negative findings with a view of continuous improvement of the tender / quotation process the Shire has in place.

Management Comment

The draft Risk Management Governance Framework document includes all potential Shire risks (Operational, Strategic, etc) which are categories under 16 Themes (or Profiles) common to most local governments.

The draft document identifies a “*Supplier / Contract Management*” Theme, which enables the risk assessment, reporting and management of risks relating to contracts, tenders and procurement. A second Theme related to “*Adequate Project/Change Management*” provides a similar assessment and management of risks for projects.

The review recommendations are noted and will be considered in conjunction with the implementation of the Risk Management Governance Framework.

The appointment of a Procurement Officer position in July 2018 has enabled these tasks to be initiated.

Responsible Officer	Proposed Completion Date
Director Corporate & Community Services	30 June 2019
Status	
Action commenced.	

1.4 EMERGENCY RISK MANAGEMENT

Auditor Recommendation:

We recommend a bushfire recovery plan be prepared and adopted by Council. Once the plan has been adopted and implemented the plan should be monitored on a regular basis including testing the appropriate sections of the plan to ensure that in the event of a disaster, appropriate actions can be taken.

Management Comment

The review recommendation is noted and supported. A Shire of Dardanup Bushfire Response Plan was adopted by Council in November 2014. The related Local Emergency Management & Recovery Arrangement Plan was also adopted by Council on the 6 April 2016, which outlines the bushfire recovery arrangements of Council. The Coordinator Emergency & Ranger Services monitors and updates this plan, with a practical exercise held late last year to test the plan.

The Business Continuity Plan adopted by Council on the 1 November 2017 addresses recovery processes for critical business processes.

Through these two Plans being established and maintained, a separate Bushfire Recovery Plan is not considered necessary.

Responsible Officer	Proposed Completion Date
Coordinator Emergency & Ranger Services	30 June 2018
Status	
Action completed.	

1.5 RISK MANAGEMENT POLICIES AND PROCEDURES

Auditor Recommendation:

We recommend a litigation/claims and fraud/misconduct policy be prepared and adopted by the Shire.

Management Comment

The review recommendation is noted and supported.

These new policies have been prepared and were adopted by Council at the 26 July 2018 Special Council Meeting as part of the regular review of policies.

Responsible Officer	Proposed Completion Date
Director Corporate & Community Services	26 July 2018
Status	
Action completed.	

1.6 OUTDATED POLICIES*Auditor Recommendation:*

We recommend the code of conduct be reviewed and the next required review date be specified.

Furthermore, we recommend all policies be reviewed in accordance with their stated review dates.

Management Comment

The review recommendation is noted and supported.

The Code of Conduct has recently been reviewed and subsequently discussed in conjunction with a Governance Workshop conducted by WALGA staff on the 21 November 2018. Due to the impending changes to the Local Government Regulations related to the Rules of Conduct, further changes to the Code of Conduct will occur after this legislative change has been enacted.

Existing policies have been reviewed and were adopted by Council at the 26 July 2018 Special Council Meeting as part of the regular review of policies.

Responsible Officer	Proposed Completion Date
Manager Governance & HR	26 July 2018
Status	
Action completed.	

2. INTERNAL CONTROLS**2.1 INFORMATION TECHNOLOGY***Auditor Recommendation:*

We recommend the following:

- Customer service operators use their own unique username and password;
- Employee access to Shire of Dardanup systems be suspended when an employee is on extended leave;
- Formal KPI's be implemented in respect of IT; and
- A formal review of vendor performance be completed following contract completion.

Management Comment

The review recommendations are noted and supported.

The Information Services department has reviewed the audit recommendations and believe they can meet most requirements.

1. Customer Service operators to use their own Credentials – not shared. This will either require each staff member to sign on/off as they move or from the front counter PC. This does create some practical issues due to the multiple batch sessions required and the time to sign on/off, potentially creating frustrated customers.

The implemented solution is for a virtual Synergy session to be running which any staff can access. When there is a change to staff, that person will also change the receipting officer so the transactions are logged against the right person.

(Action completed)

2. Suspension of access to system services when staff are on extended leave. Human Resources are to advise IT of extended leave and IT will suspend the credentials for the user until alternate advice is received.

(Action completed)

3. Formal KPI's to be implemented for IT. ICT are collectively looking at a new service framework that is the basis for meaningful KPI generation. Anticipate a decision on the best approach by December 2018.

(Action pending)

4. Formal review of Vendor Performance. This is a scheduled task of the new Procurement Officer position who commenced in July 2018.

(Action pending)

Responsible Officer	Proposed Completion Date
Manager Information Services	30 June 2019
Status	
Action partially completed - This topic is multifaceted and is not as straight forward as originally anticipated. Some areas have progressed to completion or close to completion, but others will take some time to address.	

2.2 INDEPENDENT REVIEW

Auditor Recommendation:

We recommend the following:

- The Manager of Financial Services sign general journals raised as evidence of independent review, for journals raised by the Manager of Financial Services we recommend the Director of Corporate and Community Services review these journals. We understand journals are prepared in excel format and thereby electronic signatures may be required to evidence this review occurring;
- Credit card statements once signed by the cardholder be reviewed and signed by the Director Corporate and Community Services to evidence review occurring;

- End of day cash reconciliation be signed by preparer and a second employee to evidence review prior to monies being banked; and
- A periodic review (e.g. quarterly) of Synergy master file changes reports be completed.

Management Comment

The review recommendations are noted and supported.

An updated Monthly Journal Form has been prepared which requires manual signature by the Manager Financial Services and electronic signature by the Director Corporate and Community Services. The batch number has also been included on this Form to verify entry into Synergy.

An updated Credit Card payment approval process has been implemented which requires signature by the Director Corporate and Community Services.

End of day cash reconciliation process have been updated to require a second employee signature. The bank deposit form produced by Synergy was updated in February 2018, which enables a second employee to review. Cash is not recounted as any discrepancies are corrected by the bank.

(Actions completed)

A process to monitor Synergy master file Creditor changes has been implemented as part of the monthly reconciliation process for the Finance Officer.

(Action completed)

Responsible Officer	Proposed Completion Date
Manager Information Services	30 June 2018
Status	
Action completed.	

2.3 SIGNATURE SPECIMEN

Auditor Recommendation:

We recommend a signature specimen be prepared and signed by all delegated authorities.

Management Comment

The review recommendation is noted and supported.

The specimen signature form has been created and all specimen signatures obtained.

Responsible Officer	Proposed Completion Date
Manager Financial Services	30 June 2018
Status	
Action completed.	

2.4 FINANCIAL MANAGEMENT SYSTEMS REVIEW

Auditor Recommendation:

We recommend the above recommendations be implemented.

Management Comment

The review recommendation is noted and supported. The relevant recommendations in the FMSR are:

5 – Purchase/Expense

- Rating: Low
- Findings: The Shire's payment of accounts policy states that the Council staff shall settle accounts due and payable each fortnight. The review noted that the payment of accounts occurs every Friday. The policy and practice appear to be inconsistent.
- Recommendation: That the Shire's payment of accounts policy be amended to reflect the actual process.
- Management comment: While no material risk is deemed associated with this practice, Policy CP035 was amended as part of the Special Policy Review meeting held for 26 July 2018.
(Action completed)

6 – Purchase/Expense

- Rating: Low
- Findings – The Shire's payment of accounts policy includes the Customer Service Officer in Dardanup as a responsible officer for delegated petty cash. From their enquiry the Dardanup CSO no longer has petty cash.
- Recommendation: That the Shire's payment of accounts policy be updated accordingly.
- Management comment: Agreed. While no material risk is deemed associated with this practice, Policy CP035 was amended as part of the Special Policy Review meeting held for 26 July 2018.
(Action completed)

10 – Credit Card

- Rating: Low
- Findings: In the use of the corporate credit card policy, they noted the following clause: *Failure to comply with this policy may incur disciplinary action at the discretion of the CEO.* It was noted that the CEO is the only person that has a Shire credit card.
- Recommendation: That the policy be adjusted to refer any non-compliance issues to Council.

- Management comment: The policy will be amended to require any non-compliance be reported to the CEO, the Director Corporate & Community Services and Council.

The recommended Policy changes will be implemented to ensure consistency between policy and practice during the review scheduled for 26 July 2018.

Responsible Officer	Proposed Completion Date
Director Corporate & Community Services	26 July 2018
Status	
Action completed.	

3. LEGISLATIVE COMPLIANCE

3.1 TENDER REGISTER

Auditor Recommendation:

The following should be included within the tender register:

- The name of any successful tenderer; and
- For each invitation to tender the amount of the consideration or a summary of the amount of the consideration sought in the tender accepted by the local government.

We also recommend:

- The name of any successful tenderer; and
- For each invitation to tender the amount of the consideration or a summary of the amount of the consideration sought in the tender accepted by the local government.

Management Comment

The review recommendations are noted and supported. Action will occur as a priority to implement the recommended changes to the tender register.

In reviewing the tender register a breach of Regulation 17 of the Local Government (Functions & General) Regulations 1996 was identified by staff. The breach being that the goods provided exceeded the Delegated Authority to the CEO to accept tenders up to \$150,000, and the Request for Tender prices were not referred to Council for consideration. Therefore the Council resolution number was not able to be recorded in the tender register.

The breach was not identified when the January to December 2016 Annual Compliance Return was presented to Council. The breach has been reported to the Department of Local Government and Communities on the 28 March 2018, with no further response or correspondence received on the matter.

A thorough internal audit of the tender register has been completed for transactions over the last 5 years, with no other non-compliant matters identified. This has ensured that there is full compliance with the Regulations and recommended practice for the 2017 Compliance Audit Return.

(Action completed)

The creation of a new position of Procurement Officer in July 2018 has enabled the development of a Procurement and Tender Manual, which will assist in the ongoing implementation and monitoring of procurement and tender improvements.

Responsible Officer:	Proposed Completion Date:
Director Corporate & Community Services	30 June 2018
Status:	
This was commenced in December 2017. Action completed.	

Local Government (Functions & General) Regulations 1996

17. Tenders register

- (1) *The CEO is responsible for keeping the tenders register and making it available for public inspection.*
- (2) *The tenders register is to include, for each invitation to tender —*
 - (a) *a brief description of the goods or services required; and*
 - [(b) deleted]*
 - (c) *particulars of —*
 - (i) *any notice by which expressions of interests from prospective tenderers was sought; and*
 - (ii) *any person who submitted an expression of interest; and*
 - (iii) *any list of acceptable tenderers that was prepared under regulation 23(4);*

and

 - (d) *a copy of the notice of the invitation to tender; and*
 - (e) *the name of each tenderer whose tender has been opened; and*
 - (f) *the name of any successful tenderer.*
- (3) *The tenders register is to include for each invitation to tender the amount of the consideration or a summary of the amount of the consideration sought in the tender accepted by the local government.*

3.2 COMPLIANCE CALENDAR

Auditor Recommendation:

We recommend consideration be given to completing and implementing a compliance manual linked to each business unit risk assessment.

We would expect the manual to be divided into each business unit section (as identified within the organisation structure) and to:

- Identify relevant legislation to that business unit (for example the Health Act 1911 or the Planning and Development Act 2005 or the Dog Act 1976);
- Identify key relevant sections within each legislation and note within the compliance manual;
- Who is responsible for ensuring controls in place to ensure compliance with each identified legislation section;

- The mechanism in place to ensure compliance, for example a policy or procedure (this component of the compliance manual would link each relevant section of legislation to a policy, procedure, person or other control).
- Regular testing of compliance, for example if the mechanism for compliance is a policy, regular review and spot checking (internal audit) of that policy; and
- Key milestone / reporting dates applicable to that legislative section and how compliance is met.

Once the compliance calendar is implemented, we recommend a standing agenda item be added to the Audit Committee / Council meeting agenda to assess the effectiveness of compliance through the review and assessment of the compliance calendar.

Management Comment

The review recommendations are noted and supported.

The template Compliance Manual, incorporating and Compliance Calendar, can be updated and tailored to be an effective compliance tool for the Shire of Dardanup. It is proposed that the Compliance Officer be given this ongoing monitoring and reporting responsibility.

Originally this task was proposed to be completed by 30 June 2018. With the resignation of the Business Excellence Officer in early April 2018, this task has been put on hold until the Compliance Officer is appointed, which due to budget constraints, is now not anticipated until January 2019.

Responsible Officer	Proposed Completion Date
Director Corporate & Community Services	30 June 2019
Status	
Action pending.	

3.3 AUDIT COMMITTEE

Auditor Recommendation:

We recommend a review of the audit committee 'Instrument of Appointment and Terms of Reference' be completed and audit committee meetings be held at least quarterly as recommended by the Department of Local Government Sport And Cultural Industries, operational guideline Number 09.

Management Comment

The review recommendations are noted and supported. These audit committee changes are also proposed and supported as part of the Risk Management Governance Framework.

The Audit Committee Terms of Reference have been updated and adopted by Council.

Responsible Officer	Proposed Completion Date
Director Corporate & Community Services	30 June 2018
Status	
Action completed.	

3.4 INTERNAL AUDIT

Auditor Recommendation:

In accordance with Department of Local Government Sport And Cultural Industries best practice operational guidelines, we recommend an internal audit function be established incorporating an internal audit program which is re-assessed annually.

Should Shire of Dardanup consider an internal audit function not be required, we suggest the Audit Committee formally document they have considered the best practice guideline and the reasons they feel it is not necessary.

Management Comment

The review recommendations are noted and supported. The Business Excellence Officer currently performs ad-hoc internal audits for specific functions and areas, which could be developed into a formal internal audit schedule over time and based on available resources.

An Internal Audit Plan has now been created and allocated as a function of the Compliance Officer. Due to budget constraints, this position is now not anticipated to be filled until January 2019.

Responsible Officer	Proposed Completion Date
Director Corporate & Community Services	30 June 2018
Status	
Action completed.	

3.5 PETTY CASH

Auditor Recommendation:

We recommend petty cash purchases do not exceed \$20 and where purchases are required above this threshold they are made through the Shire's creditors system. Alternatively it may be appropriate and practical to increase the \$20 threshold within the 'Payment of Accounts' policy.

Management Comment

The review recommendation is noted and supported. As part of the Policy review in July 2018, there was an increase in the Petty Cash threshold to \$50 maximum.

Responsible Officer	Proposed Completion Date
Manager Financial Services	26 July 2018
Status	
Action completed.	

Council Role - Review.

Voting Requirements - Simple Majority.

Change to Officer Recommendation - No Change.

**OFFICER RECOMMENDED RESOLUTION
& AUDIT COMMITTEE RESOLUTION**

AUD 10-18 MOVED - Cr. P S Robinson SECONDED - Cr. M T Bennett

THAT the Audit Committee receive the December 2018 update report on the implementation of actions required from the findings of the December 2017 Regulation 17 review of Risk Management, Internal Controls and Compliance.

CARRIED
4/0

9. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

None.

10. NEW BUSINESS OF AN URGENT NATURE

None.

11. MATTERS BEHIND CLOSED DOORS

None.

12. CLOSURE OF MEETING.

The Chairperson advises that the date of the next Audit Committee Meeting is to be advised.

There being no further business the Chairperson declared the meeting closed at 2.43pm.