



MINUTES

AUDIT COMMITTEE

MEETING

Held

18 July 2018

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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COMMITTEE MEMBERSHIP:

AUDIT COMMITTEE

- 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 18 JULY 2018, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.15PM.****1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

Chairperson, Cr. P Robinson declared the meeting open at 2.15pm, 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.

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. James Lee | - | Elected Member |
| Cr. Tyrrell Gardiner | - | Elected Member |
| Cr. Janice Dow | - | Elected Member |

Non-voting

| | | |
|---------------------|---|---|
| Mr Mark Chester | - | Chief Executive Officer |
| Mr Phil Anastasakis | - | Director Corporate & Community Services |
| Mrs Natalie Hopkins | - | Manager Financial Services |
| Ms Cathy Lee | - | Manager Governance & HR [2.16PM] |

2.2 Apologies

None.

3. PETITIONS/DEPUTATIONS/PRESENTATIONS

None.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING4.1 Audit Committee Meeting Held 7 March 2018**OFFICER RECOMMENDED RESOLUTION
& AUDIT COMMITTEE RESOLUTION**

AUD 04-18 MOVED - Cr. J Dow SECONDED - Cr. M T Bennett

THAT the Minutes of the Audit Committee Meeting held on 7 March 2018, be confirmed as true and correct subject to no corrections.

CARRIED

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: 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 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

Strategic Outcome 1.3.6 of the Strategic Community Plan.

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 Reg 17 Review Actions was presented to the previous Audit Committee meeting on the 7 March 2018.

Budget Implications

The annual budget provides sufficient expenditure allocation for consultancies to cover the cost of the next review report due in September 2019.

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 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 | Pending |
| 1.4 – Emergency Risk Management | 30/6/2018 | | Completed |
| 1.5 – Risk Management Policies and Procedures | 30/6/2018 | 26/7/2018 | Pending |
| 1.6 – Outdated Policies | 30/6/2018 | 26/7/2018 | Pending |
| 2. Internal Controls | Original Proposed Completion Date | Revised Completion Date | Status |
| 2.1 – Information Technology | 31/12/2017 | 30/6/2019 | Pending |
| 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 | Pending |

1. RISK MANAGEMENT

1.1 RISK MANAGEMENT FRAMEWORK

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 Corporate Excellence & 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 Feb / March 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 Corporate Excellence & Compliance Officer in January 2019. | |

1.2 BUSINESS CONTINUITY PLAN

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

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 addition of a Procurement Officer position in the 2018/19 budget will enable these tasks to be completed.

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

1.4 EMERGENCY RISK MANAGEMENT

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

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 will be presented to Council as part of the regular review of policies that is scheduled to occur at the Special Council meeting on the 26 July 2018.

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

1.6 OUTDATED POLICIES

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 is scheduled to be reviewed as part of the implementation of the Human Resources Framework & Action Plan 2017-2021.

These policies will be reviewed and presented to Council as part of the regular policy review process scheduled to occur at the Special Council meeting on the 26 July 2018.

| Responsible Officer | Proposed Completion Date |
|-------------------------|--------------------------|
| Manager Governance & HR | 26 July 2018 |
| Status | |
| Action pending. | |

2. INTERNAL CONTROLS

2.1 INFORMATION TECHNOLOGY

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 to 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. HR 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 planned to be a task of the new Procurement Officer position, scheduled for July 2018.

(Action pending)

| Responsible Officer | Proposed Completion Date |
|---|--------------------------|
| Manager Information Services | 30 June 2019 |
| Status | |
| Action pending - 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

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

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 pending. | |

2.4 FINANCIAL MANAGEMENT SYSTEMS REVIEW

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, the policy will be amended as part of the Special Policy Review meeting scheduled for 26 July 2018.
(Action pending)

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, the policy will be amended as part of the Special Policy Review meeting scheduled for 26 July 2018.
(Action pending)

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 pending. | |

3. LEGISLATIVE COMPLIANCE

3.1 TENDER REGISTER

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 will enable 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

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 Corporate Excellence & 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 Corporate Excellence & 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

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

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 Corporate Excellence & 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

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 scheduled for July 2018 it is proposed to increase the Petty Cash threshold to \$50 maximum.

| Responsible Officer | Proposed Completion Date |
|--|--------------------------|
| Manager Financial Services | 26 July 2018 |
| Status | |
| Action pending. Change to the petty cash threshold involves a change to policy. The recommended Policy changes will be implemented during the review scheduled for 26 July 2018. | |

Council Role - Review.

Voting Requirements - Simple Majority.

Discussion:

Director Corporate & Community Services, Mr Phil Anastasakis provided the committee with background to the report.

Cr. M T Bennett referred to page 12 of the report and clarified that the Shire has two credit cards.

Mr P Anastasakis confirmed that the Shire now has two credit cards.

The committee spoke about the role of Corporate Excellence & Compliance Officer, which is expected to be filled in January 2019. Mr P Anastasakis advised that this will be a full time position with a three-fold purpose to develop the Shire's compliance manual, reinvigorate the Shire's risk management framework and formalise the process of regular monitoring and reporting to improve internal controls. Mr P Anastasakis emphasised that the intent of this role is to strengthen the systems that are already in place.

Cr. P Robinson queried the skills that the incumbent would require.

Mr P Anastasakis replied that the candidate would need to possess a strong understanding of Local Government and its processes, practical experience in a similar role and ideally some finance or auditing knowledge.

The committee went on to discuss the availability of such candidates and how the position would be advertised.

The Chairperson asked if there were any further questions on this item.

Cr. J Dow asked for clarification on the amount that the CEO is authorised to accept for tenders.

Chief Executive Officer, Mr Mark Chester confirmed that the CEO is delegated authority to accept tenders up to \$200,000, and under legislation tenders are required for purchases greater than \$150,000.

Cr. M T Bennett asked if any feedback has been received on the breach mentioned in page 13 of the report.

Mr M Chester responded that nothing had been received to this point however, Personal Assistant to the CEO, Mrs Gaylene Godfrey was following this up.

Mr P Anastasakis advised the committee that in view of the breach, a thorough review of the last five years was conducted internally and no other issues were identified.

Change to Officer Recommendation - No Change.

Recommended Resolution:

**OFFICER RECOMMENDED RESOLUTION
& AUDIT COMMITTEE RESOLUTION**

AUD 05-18 MOVED - Cr. M T Bennett SECONDED - Cr. J Dow

THAT the Audit Committee receive the July 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

8.2 Title: Update on the Local Government Auditing Reforms

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 recent changes to the *Local Government (Financial Management) Regulations 1996* and *Local Government (Auditing) Regulations 1996* which impact the Audit Committee.

Background

The *Local Government Amendment (Auditing) Act 2017* was assented on the 1 September 2017, giving the State Government's Office of the Auditor General (OAG) the responsibility for conducting local government audits.

There will be a staged transition approach for financial audits to allow for existing contracts to expire, however by 2020/21 all local governments will be audited by the Office of the Auditor General.

The Shire of Dardanup currently utilise the services of Perth based Chartered Accounting firm "Butler Settineri (Audit) Pty Ltd" as its auditor, with the current 5 year audit contract due to expire at the end of the 2018/19 financial year.

The Department of Local Government, Sport & Cultural Industries released on the 28 June 2018 *Circular 02-2018 – Guide to Local Government Auditing Reforms* (Appendix AUD: 8.2).

This Circular identifies a number of key changes resulting from recent changes to the *Local Government (Auditing) Regulations 1996* and *Local Government (Financial Management) Regulation 1996* :

1. *From 1 July 2018, the asset recognition threshold is to increase to \$5,000.*
2. *From 27 June 2018, local governments will be required to conduct a review of their audit systems and procedures, and their financial management systems no less than every three years.*
3. *From 27 June 2018, local governments will be required to revalue an asset whenever the local government is of the opinion that the fair value is materially different to its carrying amount – within a period of at least 3 years but not more than 5 years.*
4. *From 27 June 2018, the role of the audit committee has been strengthened to assist the CEO to carry out the reviews of audit systems and financial management systems reviews.*

This report is provided to the Audit Committee meeting as an update on these legislative changes.

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.

s7.6. Term of office of auditor

(1) The appointment of a local government's auditor is to have effect in respect of the audit of the accounts and annual financial report of the local government for a term of not more than 5 financial years, but an auditor is eligible for re appointment.

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.*

Strategic Plan

Strategic Outcome 1.1.2 of the Strategic Community Plan.

Environment - None.

Precedents

At the 13 December 2017 Audit Committee meeting, a report was presented advising of the proposed new *Local Government Amendment (Auditing) Act 2017*, where the State Government's Office of the Auditor General (OAG) the responsibility for conducting local government audits.

Budget Implications

The 2018/19 budget provides an allocation of \$9,162 for the conduct of the annual audit, with this budget provision increasing to \$20,000 in 2020/21.

It is anticipated that this budget provision may need to be increased to at least \$20,000 from 2019/20 to fund the audit through the Office of the Auditor General (OAG). The OAG have advised that based on experience in other states, they expect some audit fees to be considerably higher than they currently are. This is primarily because they will be conducting a much broader financial audit than currently received by most local governments.

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.

Officer Comment

The Office of the Auditor General has advised that they plan to contract out the majority of local government financial audits to accredited audit firms with the remaining to be conducted by OAG staff.

For those audits that the OAG outsource, they plan to appoint the audit firm whose contract has expired to perform the audit for the first year if it meets certain quality criteria. In the second year, the audit will go to tender and all tendering firms must be accredited with the OAG.

The OAG have also advised that they plan to conduct Performance Audits on certain local governments, which may examine the economy, efficiency and effectiveness of any aspect of local government operations. These Performance Audits are paid by the OAG, not local government. The findings and recommendations of these Performance Audits are applicable to all local governments and not just those who are audited.

Circular 02-2018 identifies a number of key changes resulting from recent changes to the *Local Government (Auditing) Regulations 1996* and *Local Government (Financial Management) Regulation 1996* :

1. From 1 July 2018, the asset recognition threshold is to increase to \$5,000.

The current Shire of Dardanup asset capitalisation threshold is:

| | |
|------------------------|----------|
| • Land | \$0 |
| • Buildings | \$15,000 |
| • Furniture & Fittings | \$3,000 |
| • Plant & Equipment | \$3,000 |
| • Vehicles | \$3,000 |
| • Infrastructure | \$15,000 |

It is proposed to introduce a formal "Non-consumable Portable and Attractive Items Asset Register" to record the details of those assets purchase which have a value below the capitalisation threshold and a useful life of more than 1 year.

2. From 27 June 2018, local governments will be required to conduct a review of their audit systems and procedures (Reg 17 review), and their financial management systems no less than every three years.

This change enables the Reg 17 review to be conducted every 3 years, instead of the current 2 years. It also changes the requirement for a Financial Management Systems Review to be conducted every 3 years, compared to the current period of 4 years.

This change will enable the 2 reviews to be run concurrently and provide regular cost effective reviews.

3. From 27 June 2018, local governments will be required to revalue an asset whenever the local government is of the opinion that the fair value is materially different to its carrying amount – within a period of at least 3 years but not more than 5 years.

This will enable Council's current fair value asset revaluation cycle to extend from 3 years to 5 years where applicable. This will improve efficiency and reduce costs around this financial reporting requirement.

4. From 27 June 2018, the role of the audit committee has been strengthened to assist the CEO to carry out the reviews of audit systems and financial management systems reviews.

The Audit Committee will also support the auditor as required and have functions to oversee the implementation of audit recommendations made by the auditor, which have been accepted by Council; and accepted recommendations arising from reviews of local government systems and procedures.

Council Role - Legislative.

Voting Requirements - Simple Majority.

Discussion:

The Committee discussed the Local Government Auditing Reforms.

Cr. P Robinson queried how much will this will cost.

Mr P Anastasakis advised that it will likely be double if not more than what the Shire is currently paying, however this will be for a more comprehensive systems and procedures audit.

Cr. J Dow queried whether Council have any control over the price.

Mr P Anastasakis advised that they do not.

Cr. P Robinson asked if the audit will be longer in duration now that the audit process is changing.

Mr P Anastasakis advised that he would expect the audit to take place over three or four days and that Finance staff will assist auditors with any queries.

Change to Officer Recommendation - No Change.

**OFFICER RECOMMENDED RESOLUTION
& AUDIT COMMITTEE RESOLUTION**

AUD 06-18 MOVED - Cr. M T Bennett SECONDED - Cr. T G Gardiner

THAT the Audit Committee receive the information relating to recent changes to the *Local Government (Auditing) Regulations 1996* and *Local Government (Financial Management) Regulation 1996* outlined in *Department of Local Government, Sport & Cultural Industries Circular 02-2018*.

CARRIED

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 next meeting of the Audit Committee is to be advised.

There being no further business the Chairperson declared the meeting closed at 2.39pm.