



PART 2

APPENDICES

Items 12.19 - 12.21

ORDINARY COUNCIL MEETING

To Be Held

Wednesday, 30 September 2020

Commencing at 5.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

This document is available in alternative formats such as:

- ~ Large Print
- ~ Electronic Format [disk or emailed]
Upon request.

RISK ASSESSMENT TOOL									
OVERALL RISK EVENT: Failing to monitor the financial performance can increase the risk of a negative impact on the Shire's financial position. Non-compliance with legislative requirement could result in a qualified audit.									
RISK THEME PROFILE: 3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)									
RISK ASSESSMENT CONTEXT: Operational									
CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL			RESIDUAL RISK RATING
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING	
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	Not monitoring ongoing financial performance would increase the risk of a negative impact on the financial position.	Moderate (3)	Unlikely (2)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Non-compliance with the legislative requirements that results in a qualified audit.	Minor (2)	Unlikely (2)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Non-compliance that results in a qualified audit can lead stakeholders to question the Council's ability to manage finances effectively.	Insignificant (1)	Unlikely (2)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.	Not required.



Monthly Financial Report

For the Period

1 July 2020 to 31 August 2020

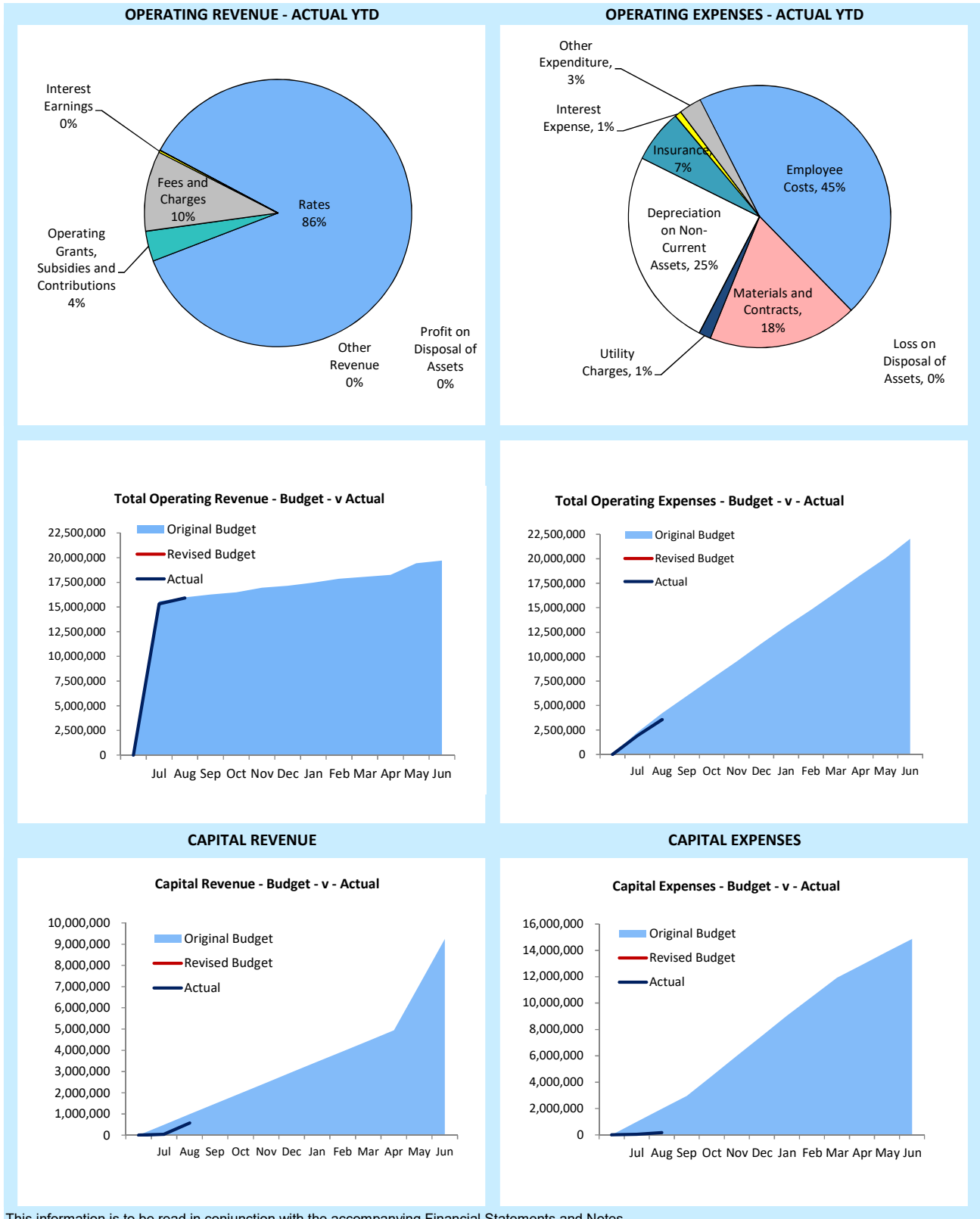
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Monthly Financial Report For the Period Ended 31 August 2020

SUMMARY GRAPHS



This information is to be read in conjunction with the accompanying Financial Statements and Notes



**Statement of Financial Activity by Program
For the Period Ended 31 August 2020
(Covering 2 months or 16.67% of the year)**

	Sch	2020/21 Adopted Budget \$	2020/21 Revised Budget \$	2020/21 Y-T-D Revised Budget \$	2020/21 Y-T-D Actual \$	Variance Y-T-D Actual to Revised Budget \$	Variance Y-T-D Actual to Revised Budget %	2020/21 Forecast \$	2019/20 Last Year Actual \$
OPERATING ACTIVITIES									
Revenue									
Governance	4	28,800	28,800	4,796	1	(4,795)	(100.0%)	28,800	5,720
General Purpose Funding	3	15,659,482	15,659,482	13,704,436	13,634,407	(70,029)	(0.5%)	15,659,482	15,525,481
Law, Order, Public Safety	5	474,905	474,905	241,137	255,650	14,513	6.0%	474,905	596,148
Health	7	2,150	2,150	356	1,610	1,254	352.2%	2,150	27,713
Education and Welfare	8	6,000	6,000	166	0	(166)	(100.0%)	6,000	7,205
Community Amenities	10	1,484,654	1,484,654	1,374,353	1,380,225	5,872	0.4%	1,484,654	1,526,710
Recreation and Culture	11	1,374,782	1,374,782	412,927	445,172	32,245	7.8% ▲	1,374,782	2,439,027
Transport	12	396,841	396,841	163,399	122,710	(40,689)	(24.9%) ▼	396,841	179,535
Economic Services	13	97,348	97,348	26,632	29,579	2,947	11.1%	97,348	93,080
Other Property and Services	14	173,800	173,800	28,960	35,715	6,755	23.3%	173,800	1,387,070
Total Operating Revenue		19,698,762	19,698,762	15,957,162	15,905,070	(52,092)	(0.3%)	19,698,762	21,787,688
Operating Expenses									
Governance	4	(1,210,103)	(1,210,103)	(267,776)	(184,097)	83,679	31.2% ▲	(1,210,103)	(1,186,263)
General Purpose Funding	3	(511,688)	(511,688)	(82,436)	(58,337)	24,099	29.2% ▲	(511,688)	(331,209)
Law, Order, Public Safety	5	(1,619,329)	(1,619,329)	(342,009)	(294,688)	47,321	13.8% ▲	(1,619,329)	(1,710,687)
Health	7	(540,920)	(540,920)	(114,683)	(90,156)	24,527	21.4% ▲	(540,920)	(547,530)
Education and Welfare	8	(784,183)	(784,183)	(175,475)	(162,507)	12,968	7.4%	(834,183)	(749,442)
Community Amenities	10	(2,845,397)	(2,845,397)	(442,751)	(374,012)	68,739	15.5% ▲	(2,845,397)	(2,640,964)
Recreation & Culture	11	(7,597,856)	(7,597,856)	(1,386,457)	(1,206,761)	179,696	13.0% ▲	(7,597,606)	(7,736,669)
Transport	12	(6,218,251)	(6,218,251)	(1,086,152)	(1,136,614)	(50,462)	(4.6%)	(6,218,251)	(5,877,596)
Economic Services	13	(513,473)	(513,473)	(124,151)	(90,796)	33,355	26.9% ▲	(513,473)	(468,810)
Other Property and Services	14	(233,368)	(233,368)	(199,160)	33,832	232,992	117.0% ▲	(233,368)	(237,409)
Total Operating Expenditure		(22,074,568)	(22,074,568)	(4,221,050)	(3,564,137)	656,913	15.6%	(22,124,318)	(21,486,581)
Net Operating Activities		(2,375,806)	(2,375,806)	11,736,112	12,340,933	604,821	(5.2%)	(2,425,556)	301,107

(continued next page)



**Statement of Financial Activity by Program
For the Period Ended 31 August 2020
(Covering 2 months or 16.67% of the year)**

	2020/21 Adopted Budget \$	2020/21 Revised Budget \$	2020/21 Y-T-D Revised Budget \$	2020/21 Y-T-D Actual \$	Variance Y-T-D Actual to Revised Budget \$	Variance Y-T-D Actual to Revised Budget %	2020/21 Forecast \$	2019/20 Last Year Actual \$
Net Operating Activities (from previous page)	(2,375,806)	(2,375,806)	11,736,112	12,340,933	604,821	5.2%	(2,425,556)	301,107
ADJUSTMENTS OF NON CASH ITEMS								
(Profit)/Loss on Asset Disposals	0	0	0	0	0	0.0%	0	(1,048,762)
Accruals	0	0	0	0	0	0.0%	0	41,521
Movement in contract liabilities associated with restricted cash	(2,310,010)	(2,310,010)	0	0	0	0.0%	(2,310,010)	1,970,000
Depreciation on Assets	5,289,647	5,289,647	881,596	881,606	10	0.0%	5,289,647	5,253,788
Adjusted Net Operating Activities	A 603,831	603,831	12,617,708	13,222,539	604,831	4.8%	554,081	6,517,655
INVESTING ACTIVITIES								
Revenue								
Non-operating grants, subsidies & contributions	9,243,071	9,243,071	988,004	575,759	(412,245)	(41.7%) ▼	9,243,071	2,647,334
Proceeds from Disposal of Assets	257,969	257,969	42,992	0	(42,992)	(100.0%) ▼	257,969	1,333,892
Total Capital Revenue	9,501,040	9,501,040	1,030,996	575,759	(455,237)	(44.2%)	9,501,040	3,981,226
Expenditure								
Land & Buildings	(5,430,586)	(5,430,586)	(905,082)	(28,073)	877,009	96.9% ▲	(5,430,586)	(212,472)
Infrastructure Assets - Road / Bridges / Paths	(7,717,902)	(7,717,902)	(779,094)	(51,511)	727,583	93.4% ▲	(7,717,903)	(3,072,051)
Infrastructure Assets - Parks & Gardens	(677,156)	(677,156)	(112,848)	(65,299)	47,549	42.1% ▲	(677,156)	(426,819)
Vehicles	(940,438)	(940,438)	(156,738)	0	156,738	100.0% ▲	(940,438)	(325,321)
Plant & Equipment	0	0	0	0	0	0.0%	0	0
Furniture & Fittings	(112,993)	(112,993)	(18,826)	(28,064)	(9,238)	(49.1%) ▼	(112,993)	(130,794)
Total Capital Expenditure	(14,879,075)	(14,879,075)	(1,972,588)	(172,947)	1,799,641	91.2%	(14,879,076)	(4,167,458)
Net Capital Activities	B (5,378,035)	(5,378,035)	(941,592)	402,812	1,344,404	142.8%	(5,378,036)	(186,232)
FINANCING ACTIVITIES								
Revenue								
Proceeds from New Loans	750,000	750,000	0	0	0	0.0%	750,000	0
Self Supporting Loans - Principal Recoups	0	0	0	0	0	0.0%	0	0
Transfers from Reserves	8,659,832	8,659,832	1,045,306	838,565	(206,741)	(19.8%) ▼	8,709,832	3,793,869
Total Financing Revenue	9,409,832	9,409,832	1,045,306	838,565	(206,741)	19.8%	9,459,832	3,793,869
Expenditure								
Repayment of Loans	(250,116)	(250,116)	(50,487)	(49,410)	1,077	2.1%	(250,116)	(279,748)
Principal element of finance lease payments	(119,658)	(119,658)	(25,365)	(40,699)	(15,334)	(60.5%) ▼	(119,658)	(148,176)
Transfers to Reserves	(4,428,917)	(4,428,917)	0	(111,662)	(111,662)	100.0% ▼	(4,428,917)	(9,621,071)
Total Financing Expenditure	(4,798,691)	(4,798,691)	(75,852)	(201,771)	(125,919)	(166.0%)	(4,798,691)	(10,048,995)
Net Financing Activities	C 4,611,141	4,611,141	969,454	636,794	(332,660)	34.3%	4,661,141	(6,255,126)
FUNDING SOURCES								
Surplus/(Deficit) July 1 B/Fwd	D 382,052	382,052	382,052	481,048	98,996	25.9% ▲	481,048	404,751
CLOSING FUNDS (A+B+C+D)	218,988	218,988	13,027,622	14,743,193	1,715,571	(13.2%)	318,233	481,048

KEY INFORMATION

▲ ▼ Indicates a significant variance between Year-to-Date (YTD) Revised Budget and YTD Actual data as per the adopted materiality threshold.

▲ indicates a positive impact on the surplus/deficit position. ▼ indicates a negative impact on the surplus/deficit position.

Refer to Note 2 for an explanation of the reasons for the variance.

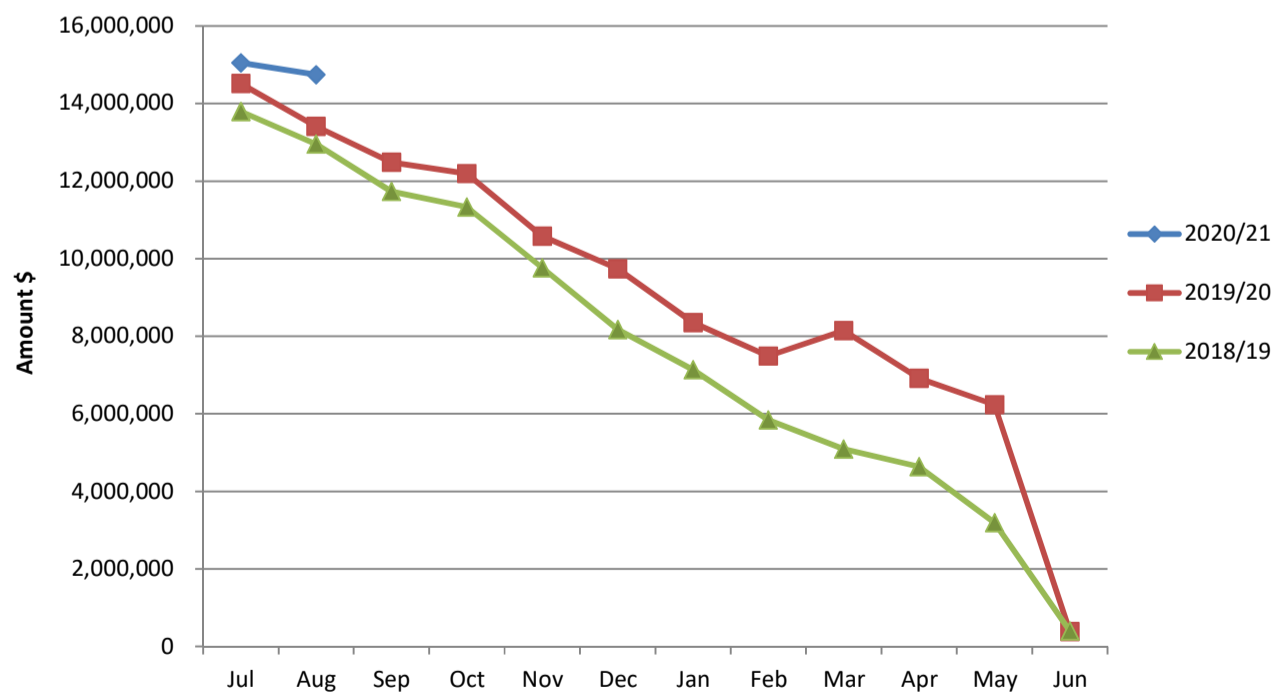
This statement to be read in conjunction with the accompanying Financial Statements and Notes



**Statement of Financial Activity by Program
For the Period Ended 31 August 2020
NET CURRENT ASSETS**

Note	Year to Date Actual 31-Aug-2020 \$	Same Time Last Year Actual 31-Aug-2019	Last Year Closing 30 June 2020 \$
Represented By:			
CURRENT ASSETS			
Cash and Cash Equivalents	27,079,899	15,337,891	25,630,800
Rates Debtors Outstanding	11,708,579	12,003,255	396,109
Pensioner Rates Rebate	251,776	245,942	5,998
Sundry Debtors	139,507	69,472	796,652
Accrued Revenue	7,592	42,527	42,807
Prepaid Expenses	0	0	0
Goods & Services Tax / BAS Refund	74,724	65,507	0
Other Receivables	0	0	0
Inventories - Materials	11,917	5,047	11,917
Inventories- Trading Stock - Recreation Centre	7,310	8,430	7,310
Current Assets	39,281,303	27,778,071	26,891,593
LESS CURRENT LIABILITIES			
Payables:			
Sundry Creditors	(363)	0	(1,049,612)
Goods & Services Tax / BAS Payable	0	0	(159,807)
Other Payables	(684,917)	(700,187)	1,492
Municipal Bonded Liabilities	(747,973)	(797,260)	(741,314)
Contract Liabilities	(4,448,635)	0	(2,478,635)
Prepaid Revenue - Rates / PPL	(128,364)	(53,062)	(651,026)
Accrued Interest on Debentures	(33,404)	(37,523)	(33,404)
Accrued Salaries & Wages	0	0	(96,114)
Other Accrued Expenses	0	0	(10,768)
Borrowings - Debentures	(200,705)	(232,245)	(250,116)
Provisions:			
Staff Leave Provisions	(1,430,786)	(1,272,698)	(1,430,786)
Current Liabilities	(7,675,147)	(3,092,975)	(6,900,088)
Net Current Assets	31,606,156	24,685,096	19,991,505
Less: Restricted Assets / Reserve Funds	4	(21,512,304)	(22,239,207)
Add: Current - Contract Liabilities	4,448,635	(11,510,430)	2,478,635
Add: Current - Borrowings	200,705	232,245	250,116
CLOSING FUNDS / NET CURRENT ASSETS (per previous page)	14,743,193	13,406,911	481,048

Liquidity Over The Year





Statement of Comprehensive Income by Nature or Type
For the Period Ended 31 August 2020
(Covering 2 months or 16.67% of the year)

	2020/21 Adopted Budget \$	2020/21 Revised Budget \$	2020/21 Y-T-D Revised Budget \$	2020/21 Y-T-D Actual \$	Variance Y-T-D Actual to Revised Budget \$	Variance Y-T-D Actual to Revised Budget %	2020/21 Forecast \$	2019/20 Last Year Actual \$
Revenue								
Rates	13,839,284	13,839,284	13,767,497	13,738,614	(28,884)	0.2%	13,839,284	13,716,704
Grants, Subsidies & Contributions	2,680,137	2,680,137	625,674	583,905	(41,769)	6.7%	2,680,137	3,496,488
Fees and Charges	2,730,279	2,730,279	1,508,452	1,540,318	31,866	(2.1%)	2,730,279	2,866,180
Interest Earnings	420,971	420,971	55,539	42,234	(13,305)	24.0%	420,971	512,789
Other Revenue	28,091	28,091	0	0	0	0.0%	28,091	24,685
	<u>19,698,762</u>	<u>19,698,762</u>	<u>15,957,162</u>	<u>15,905,070</u>	<u>(52,092)</u>	<u>0.3%</u>	<u>19,698,762</u>	<u>20,616,846</u>
Expenses								
Employee Costs	(10,505,383)	(10,505,383)	(1,861,064)	(1,610,261)	250,803	13.5%	(10,505,383)	(10,592,989)
Materials and Contracts	(4,881,097)	(4,881,097)	(1,037,105)	(657,378)	379,727	36.6%	(4,880,847)	(4,175,275)
Utility Charges	(552,620)	(552,620)	(92,180)	(52,815)	39,365	42.7%	(552,620)	(574,897)
Depreciation on Non-current Assets	(5,289,647)	(5,289,647)	(881,596)	(881,606)	(10)	(0.0%)	(5,289,647)	(5,253,788)
Interest Expense	(97,965)	(97,965)	(28,628)	(28,775)	(147)	(0.5%)	(97,965)	(117,813)
Insurance	(310,774)	(310,774)	(208,547)	(234,447)	(25,900)	(12.4%)	(310,774)	(316,060)
Other	(403,066)	(403,066)	(106,226)	(98,855)	7,371	6.9%	(453,066)	(333,679)
	<u>(22,040,552)</u>	<u>(22,040,552)</u>	<u>(4,215,346)</u>	<u>(3,564,137)</u>	<u>651,209</u>	<u>15.4%</u>	<u>(22,090,302)</u>	<u>(21,364,501)</u>
Operational Surplus / (Deficit)	(2,341,790)	(2,341,790)	11,741,816	12,340,933	599,117	(5.1%)	(2,391,540)	(747,655)
Grants & Contributions for the Development of Assets	9,243,072	9,243,071	988,004	575,759	(412,245)	(41.7%)	9,243,071	2,647,334
Profit on Asset Disposals	0	0	0	0	0	0.0%	0	1,048,762
Loss on Asset Disposals	0	0	0	0	0	0.0%	0	0
Fair Value Adjustment to Financial Assets	0	0	0	0	0	0.0%	0	0
	<u>9,243,072</u>	<u>9,243,071</u>	<u>988,004</u>	<u>575,759</u>	<u>(412,245)</u>	<u>41.7%</u>	<u>9,243,071</u>	<u>3,696,096</u>
NET RESULT	6,901,282	6,901,281	12,729,820	12,916,692	186,872	(1.5%)	6,851,531	2,948,441
Other Comprehensive Income								
Changes on Revaluation of Non-Current Assets	0	0	0	0	0	0.0%	0	0
TOTAL COMPREHENSIVE INCOME	6,901,282	6,901,281	12,729,820	12,916,692	186,872	(1.5%)	6,851,531	2,948,441



**Notes to the Statement of Financial Activity
For the Period Ended 31 August 2020**

1. PROGRAMS / ACTIVITIES

In order to discharge its responsibilities to the community, the Shire has developed a set of operational and financial objectives. These objectives have been established both on an overall basis, reflected by the Shire's Community Vision and for each of its broad activities/programs.

COMMUNITY VISION

Provide effective leadership in encouraging balanced growth and development of the Shire while recognising the diverse needs of the community.

PROGRAM NAME	OBJECTIVE	ACTIVITIES
GENERAL PURPOSE FUNDING	To collect revenue to allow for the provision of services	Rates, general purpose government grants and interest revenue.
GOVERNANCE	To provide a decision making process for the efficient allocation of scarce resources.	Includes the activities of members of Council and the administration support available to Council for the provision of governance of the District. Other costs relate to the task of assisting elected members and ratepayers on matters which do not concern specific Council services.
LAW, ORDER, PUBLIC SAFETY	To provide services to help ensure a safer and environmentally conscious community.	Supervision and enforcement of various local-laws relating to the fire prevention, animal control and protection of the environment, and other aspects of public safety including emergency services.
HEALTH	To provide services to achieve community and environmental health.	Maternal and infant health facilities, immunisation, meat inspection services, inspection of food outlets, noise control and pest control services.
EDUCATION AND WELFARE	To provide services to children, youth, the elderly and disadvantaged persons.	Pre-school and other education services, child minding facilities, playgroups, senior citizens' centres.
COMMUNITY AMENITIES	To provide services required by the community.	Rubbish collection services, operation of refuse site, litter control, construction and maintenance of urban storm water drains, protection of the environment and administration of town planning schemes, cemeteries and public conveniences.
RECREATION AND CULTURE	To establish and effectively manage infrastructure and resources which help the social well being of the community.	Maintenance of halls, civic buildings, river banks, recreation centre and various sporting facilities. Provision and maintenance of parks, gardens and playgrounds. Operation of library and other cultural facilities.
TRANSPORT	To promote safe, effective and efficient transport services to the community.	Construction and maintenance of streets, roads, bridges, footpaths, cycle ways, parking facilities, traffic control and depot. Cleaning of streets and maintenance of street trees, street lighting, etc.
ECONOMIC SERVICES	To help promote the shire and its economic wellbeing.	Tourism and area promotion, building control, provision of rural services including weed control and vermin control, standpipes.
OTHER PROPERTY & SERVICES	To monitor and control Council's overheads operating accounts.	Private works operations, plant repairs and operations costs, engineering operation costs.

Notes to the Statement of Financial Activity
For the Period Ended 31 August 2020

2. EXPLANATION OF MATERIAL VARIANCES IN THE STATEMENT OF FINANCIAL ACTIVITY BY PROGRAM

The material variances adopted by the Shire of Dardanup for reporting in the 2020/21 year is 5% or \$25,000, whichever is the greater. All variances are between Year-to-Date Actual and Year-to-Date Revised Budget values.

Sch	2020/21 Y-T-D Revised Budget	2020/21 Y-T-D Actual	Variance to		Timing / Permanent	Material Variance - Explanation
			Y-T-D Revised Budget	Y-T-D Revised Budget		
	\$	\$	\$	%		
OPERATING ACTIVITIES						
Revenue						
4	4,796	1	(4,795)	(100.0%)		
3	13,704,436	13,634,407	(70,029)	(0.5%)		
5	241,137	255,650	14,513	6.0%		
7	356	1,610	1,254	352.2%		
8	166	0	(166)	(100.0%)		
10	1,374,353	1,380,225	5,872	0.4%		
11	412,927	445,172	32,245	7.8%	▲	Timing
12	163,399	122,710	(40,689)	(24.9%)	▼	Timing
13	26,632	29,579	2,947	11.1%		
14	28,960	35,715	6,755	23.3%		
	15,957,162	15,905,070	(52,092)	(0.3%)		
Operating Expenses						
4	(267,776)	(184,097)	83,679	31.2%	▲	Timing
3	(82,436)	(58,337)	24,099	29.2%	▲	Timing
5	(342,009)	(294,688)	47,321	13.8%	▲	Timing
7	(114,683)	(90,156)	24,527	21.4%		
8	(175,475)	(162,507)	12,968	7.4%		
10	(442,751)	(374,012)	68,739	15.5%	▲	Timing
11	(1,386,457)	(1,206,761)	179,696	13.0%	▲	Timing
12	(1,086,152)	(1,136,614)	(50,462)	(4.6%)		
13	(124,151)	(90,796)	33,355	26.9%	▲	Timing
14	(199,160)	33,832	232,992	117.0%	▲	Timing
	(4,221,050)	(3,564,137)	656,913	(15.6%)		
	11,736,112	12,340,933	604,821	5.2%		
ADJUSTMENTS OF NON CASH ITEMS						
	0	0	0	0.0%		
	881,596	881,606	10	0.0%		
	12,617,708	13,222,539	604,831	4.8%		

\$6,000 from sporting clubs reimbursement of lease outgoings, \$26,000 increase in revenue from Recreation Centre operations.
\$40,000 lower revenue from developer/user contributions to road maintenance and renewal

\$80,000 lower costs to date for elected members and other governance for legal, consultants and general administration costs
Lower costs to date for bank fees \$3,000 rates valuations \$4,000, general administration \$17,000
Lower costs to date for fire prevention \$32,000, bushfire brigade expenses (ESL) \$30,000, animal control \$25,000 and Other law, order and public safety administration costs \$20,000

Lower operating costs to date for town planning administration \$68,000
Lower operating costs to date for parks and gardens maintenance \$42,000, Eaton Recreation Centre \$68,000, libraries \$36,000, community donations, events & festivals \$34,000.

Lower costs to date for tourism \$8,000, building control \$20,000 and economic development \$8,000
Lower public works overhead costs \$152,000 and plant operating costs \$28,000, accrued wages costs allocated to works but not yet paid \$59,000

(continued next page)

Notes to the Statement of Financial Activity
For the Period Ended 31 August 2020

2. EXPLANATION OF MATERIAL VARIANCES IN THE STATEMENT OF FINANCIAL ACTIVITY BY PROGRAM (continued)

	2020/21 Y-T-D Revised Budget	2020/21 Y-T-D Actual	Variance to Y-T-D Revised Budget	Variance to Y-T-D Revised Budget	Variance to Y-T-D Revised Budget	Timing / Permanent	Material Variance - Explanation
	\$	\$	\$	\$	%		
Adjusted Net Operating Activities (from previous page)	12,617,708	13,222,539	604,831	604,831	4.8%		
INVESTING ACTIVITIES							
Revenue							
Non-operating grants, subsidies & contributions	988,004	575,759	(412,245)	(412,245)	(41.7%)	▼ Timing	Grants and contributions not yet claimed for 2020/21 capital projects - Waterloo fire brigade shed, Eaton jetty upgrade, Roads to Recovery and State Black Spot program, Eaton Drive (JTPS funds), tourism signage
Proceeds from Disposal of Assets	42,992	0	(42,992)	(42,992)	(100.0%)		
Total Capital Revenue	1,030,996	575,759	(455,237)	(455,237)	(44.2%)		
Expenditure							
Land & Buildings	(905,082)	(28,073)	877,009	877,009	96.9%	▲ Timing	Construction not commenced on 2020/21 building projects - BFB stations, skate park, Eaton Bowling Club, Eaton administration/library building, Eaton Oval clubrooms
Infrastructure Assets - Road / Bridges / Paths	(779,094)	(51,511)	727,583	727,583	93.4%	▲ Timing	No significant works commenced to date on road upgrade and renewal projects.
Infrastructure Assets - Parks & Gardens	(112,848)	(65,299)	47,549	47,549	42.1%	▲ Timing	No significant works to date on parks and reserve projects apart from Eaton boat ramp upgrade.
Vehicles	(156,738)	0	156,738	156,738	100.0%	▲ Timing	No vehicles purchased to date.
Plant & Equipment	0	0	0	0	0.0%		
Furniture & Fittings	(18,826)	(28,064)	(9,238)	(9,238)	(49.1%)		
Total Capital Expenditure	(1,972,588)	(172,947)	1,799,641	1,799,641	(91.2%)		
Net Capital Activities	(941,592)	402,812	1,344,404	1,344,404	(142.8%)		
FINANCING ACTIVITIES							
Revenue							
Proceeds from New Loans	0	0	0	0	0.0%		
Self Supporting Loans - Principal Reimbursement	0	0	0	0	0.0%		
Transfers from Reserves	1,045,306	838,565	(206,741)	(206,741)	(19.8%)	▼ Timing	Funds for heritage walk trail on Collie River foreshore to be transferred at completion of project
Total Financing Revenue	1,045,306	838,565	(206,741)	(206,741)	(19.8%)		
Expenditure							
Repayment of Loans	(50,487)	(49,410)	1,077	1,077	2.1%		
Transfers to Reserves	0	(111,662)	(111,662)	(111,662)	(100.0%)	▼ Timing	Interest earned on Reserve investments, developer contributions to works received from new subdivision approvals (offset by corresponding revenue).
Total Financing Expenditure	(75,852)	(201,771)	(125,919)	(125,919)	166.0%		
Net Financing Activities	969,454	636,794	(332,660)	(332,660)	(34.3%)		
FUNDING SOURCES							
Surplus/(Deficit) July 1 B/Fwd	382,052	481,048	98,996	98,996	25.9%	▲ Permanent	Improved financial position after draft financial statements for 2019/20 completed. Surplus amount is subject to a audit review.
CLOSING FUNDS (A+B+C+D)	13,027,622	14,743,193	1,715,571	1,715,571	13.2%		

(Appendix ORD: 12.19B)



Notes to the Statement of Financial Activity For the Period Ended 31 August 2020

3. TRUST FUNDS

Funds held at reporting date over which the Shire has no control and which are not included in the financial statements are as follows:

NAME	BALANCE 1 JULY	RECEIPTS	INTEREST	PAYMENTS	ADJUSTMENTS (TRANSFERS)	CLOSING BALANCE
	\$	\$	\$	\$	\$	\$
Tourism WA for Ferguson Valley Project	172,736.03	0.00	0.00	0.00	0.00	172,736.03
Public Open Space	786,192.56	0.00	0.00	0.00	0.00	786,192.56
Accrued Interest	0.00	0.00	89.92	0.00	0.00	89.92
Plus: Outstanding Creditors	0.00	0.00	0.00	0.00	0.00	0.00
Less: Outstanding Debtors	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	958,928.59	0.00	89.92	0.00	0.00	959,018.51

4. CASH BACKED RESERVES

NAME	BALANCE 1 JULY	RECEIPTS	INTEREST	PAYMENTS	ADJUSTMENTS (TRANSFERS)	CLOSING BALANCE
	\$	\$	\$	\$	\$	\$
Un-Restricted						
Executive & Compliance Vehicles Reserve	243,184.02	0.00	0.00	0.00	0.00	243,184.02
Plant & Engineering Equipment Reserve	924,036.04	0.00	0.00	0.00	0.00	924,036.04
Eaton Recreation Centre - Equipment Reserve	280,102.25	0.00	0.00	0.00	0.00	280,102.25
Building Maintenance Reserve	1,811,170.12	0.00	0.00	0.00	0.00	1,811,170.12
Employee Relief Reserve	234,383.81	0.00	0.00	0.00	0.00	234,383.81
Employee Leave Entitlements Reserve	21,186.62	0.00	0.00	0.00	0.00	21,186.62
Refuse Site Environmental Works Reserve	83,833.42	0.00	0.00	0.00	0.00	83,833.42
Information Technology Reserve	504,179.04	0.00	0.00	0.00	0.00	504,179.04
Roadwork Construction & Major Maintenance Reserve	593,570.55	0.00	0.00	0.00	0.00	593,570.55
Accrued Salaries Reserve	433,352.06	0.00	0.00	0.00	0.00	433,352.06
Tourism Reserve	11,718.35	0.00	0.00	0.00	0.00	11,718.35
Recycling Education Reserve	61,264.57	0.00	0.00	0.00	0.00	61,264.57
Road Safety Programs Reserve	26,644.63	0.00	0.00	0.00	0.00	26,644.63
Council Land Development Reserve	21,057.89	0.00	0.00	0.00	0.00	21,057.89
Carried Forward Projects Reserve	3,702,819.81	0.00	0.00	0.00	0.00	3,702,819.81
Election Expenses Reserve	7,017.23	0.00	0.00	0.00	0.00	7,017.23
Town Planning Consultancy Reserve	97,705.92	0.00	0.00	0.00	0.00	97,705.92
Parks & Reserves Upgrades Reserve	676,804.61	0.00	0.00	0.00	0.00	676,804.61
Strategic Planning Studies Reserve	128,885.07	0.00	0.00	0.00	0.00	128,885.07
Pathways Reserve	315,889.37	0.00	0.00	0.00	0.00	315,889.37
Asset / Rates Revaluation Reserve	328,666.34	0.00	0.00	0.00	0.00	328,666.34
Refuse & Recycling Bin Replacement Reserve	54,644.89	0.00	0.00	0.00	0.00	54,644.89
Sale of Land Reserve	4,566,488.23	0.00	0.00	0.00	0.00	4,566,488.23
Storm Water Reserve	157,848.01	0.00	0.00	0.00	0.00	157,848.01
	15,286,452.85	0.00	0.00	0.00	0.00	15,286,452.85
Restricted						
Contribution to Works Reserve	670,642.44	22,120.00	0.00	0.00	0.00	692,762.44
Eaton Drive - Access Construction Reserve	154,824.78	10,406.05	0.00	0.00	0.00	165,230.83
Eaton Drive - Scheme Construction Reserve	914,153.40	7,993.65	0.00	0.00	0.00	922,147.05
Fire Control Reserve	11,535.50	0.00	0.00	0.00	0.00	11,535.50
Collie River (Eaton Drive) Bridge Construction Reserve	1,564,304.17	3,738.91	0.00	0.00	0.00	1,568,043.08
Unspent Grants Reserve	3,383,816.83	0.00	0.00	838,564.75	0.00	2,545,252.08
Swimming Pool Inspection Reserve	4,488.00	0.00	0.00	0.00	0.00	4,488.00
Unspent Specified Area Rate - Bulk Waste Collection Reserve	80,609.91	0.00	0.00	0.00	0.00	80,609.91
Unspent Specified Area Rate - Eaton Landscaping Reserve	127,172.20	0.00	0.00	0.00	0.00	127,172.20
Wanju Developer Contribution Plan Unspent Loan Reserve	0.00	0.00	0.00	0.00	0.00	0.00
Dardanup Expansion Developer Contribution Plan Reserve	41,206.57	0.00	0.00	0.00	0.00	41,206.57
	6,952,753.80	44,258.61	0.00	838,564.75	0.00	6,158,447.66
Interest	0.00	0.00	67,403.02	0.00	0.00	67,403.02
Less: Outstanding Debtors	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	22,239,206.65	44,258.61	67,403.02	838,564.75	0.00	21,512,303.53

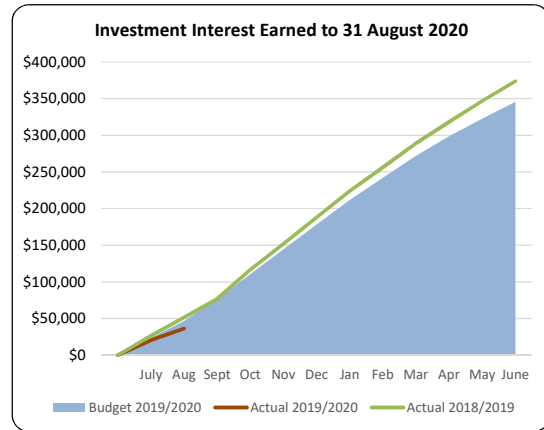
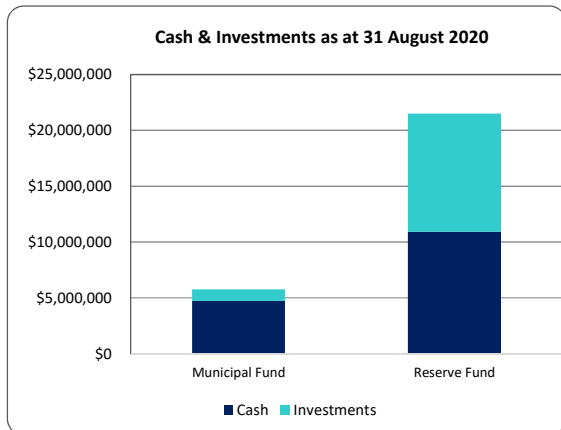
(Appendix ORD: 12.19B)



Notes to the Statement of Financial Activity For the Period Ended 31 August 2020

5. STATEMENT OF INVESTMENTS

BANK	TYPE	AMOUNT	RATE	DAYS	COMMENCEMENT	MATURITY	ESTIMATED INTEREST	INTEREST CREDITED 2020-2021
MUNICIPAL FUND								
CBA	Municipal Fund Bank Account	\$ 4,740,152.15	0.02%				\$79.00	\$440.96
NAB	Term Deposit	\$ 1,000,000.00	0.90%	92	6/2020	9/2020	\$2,268.49	
		<u>\$ 5,740,152.15</u>					<u>\$2,347.50</u>	<u>\$440.96</u>
TRUST FUND								
CBA	Trust Fund Bank Account	\$ 959,018.51	0.02%				\$15.98	\$89.92
		<u>\$ 959,018.51</u>					<u>\$15.98</u>	<u>\$89.92</u>
RESERVE FUND								
CBA	Reserve Bank Account	\$ 10,912,303.53	0.02%				\$181.87	\$360.14
AMP	Term Deposit	\$ 1,100,000.00	0.80%	365	8/2020	8/2021	\$8,800.00	\$17,709.04
NAB	Term Deposit	\$ 1,500,000.00	0.40%	30	8/2020	9/2020	\$493.15	\$11,465.75
NAB	Term Deposit	\$ 1,000,000.00	0.86%	83	6/2020	9/2020	\$1,955.62	
Macquarie	Term Deposit	\$ 1,000,000.00	0.85%	91	6/2020	9/2020	\$2,119.18	
Macquarie	Term Deposit	\$ 1,000,000.00	0.85%	91	3/2020	6/2020	\$2,119.18	
WBC	Tailored Term Deposit	\$ 4,000,000.00	0.80%	365	8/2020	8/2021	\$32,000.00	
WBC	Term Deposit	\$ 1,000,000.00	0.70%	184	8/2020	2/2021	\$3,528.77	
		<u>\$ 21,512,303.53</u>					<u>\$15,669.00</u>	<u>\$29,534.93</u>
Total Interest Received								<u><u>\$30,065.81</u></u>





Notes to the Statement of Financial Activity
For the Period Ended 31 August 2020

5. STATEMENT OF INVESTMENTS (continued)

Total Funds Invested

Total Funds Invested as at Reporting Date -

Municipal Fund Investment Portfolio	\$ 1,000,000.00
Trust Fund Investment Portfolio	\$ -
Reserve Fund Investment Portfolio	\$ 10,600,000.00
	<u>\$ 11,600,000.00</u>

Investment Policy - Portfolio Risk Exposure

Council's investment policy provides a framework to manage the risks associated with financial investments.

Portfolio - Terms of Maturity

Limits are placed on the term to maturity thereby reducing the impact of any significant change in interest rate markets and to provide liquidity.

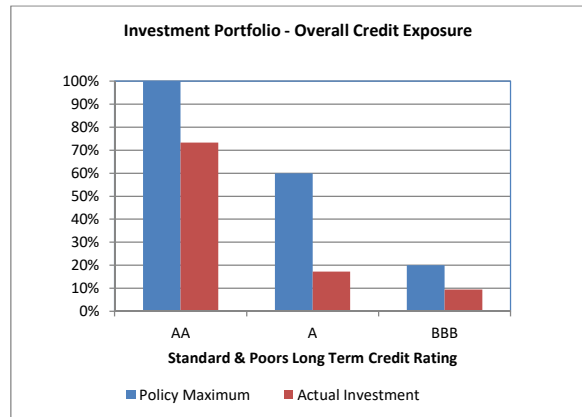
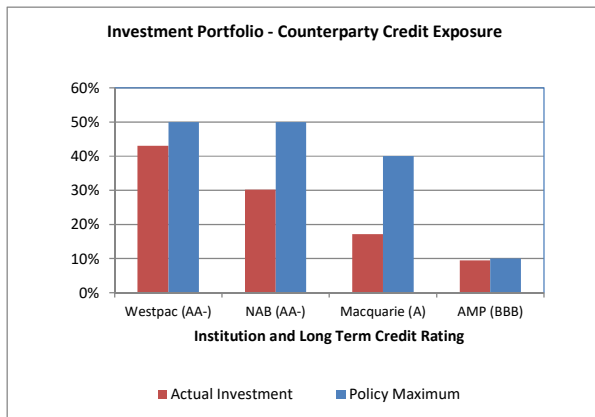
Counterparty Credit Exposure

Exposure to an individual authorised deposit-taking institution (ADI) counterparty will be restricted by their credit rating so that single entity exposure is limited.

Overall Credit Exposure

To control the credit quality on the entire portfolio, limits are placed on the percentage exposed to any particular credit rating category.

The following charts demonstrate the current portfolio diversity and risk compliance with the policy framework.



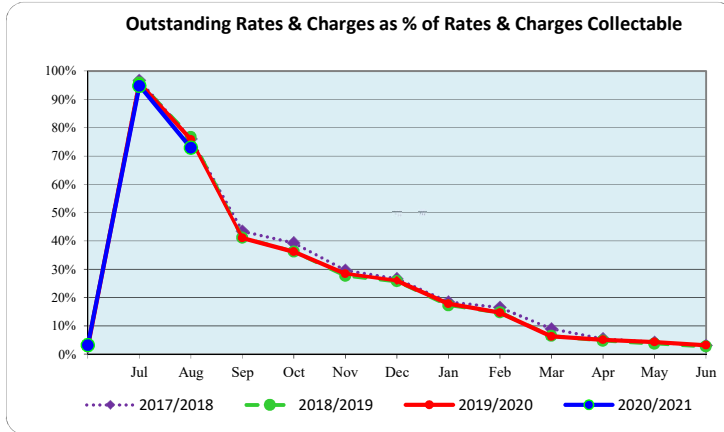


**Notes to the Statement of Financial Activity
For the Period Ended 31 August 2020**

6. Accounts Receivable as at 31 August 2020

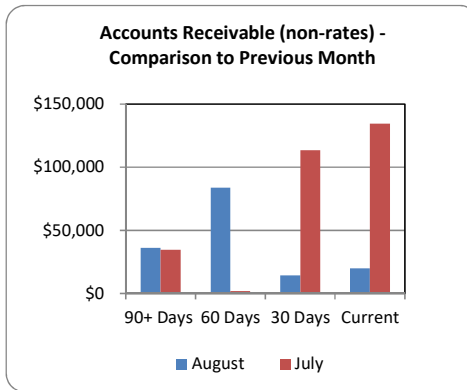
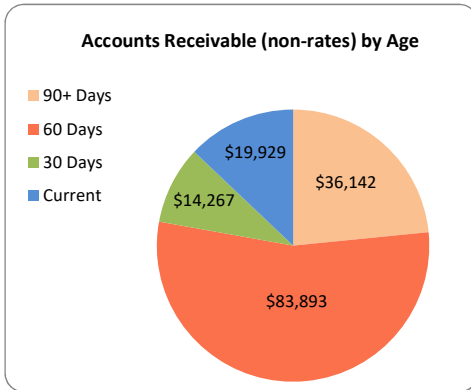
Rates and Charges Outstanding

2020/21 annual rates were raised on 16 July 2020 and are due for payment by 10 September 2020. As at the reporting date, total outstanding rates and charges (including pensioner deferred rates) is \$11,826,642. This equates to 72.91% of rates and charges collectable and is at an improved ratio to recent years. It is the objective of management to achieve less than 4% of rates and charges outstanding by 30 June.



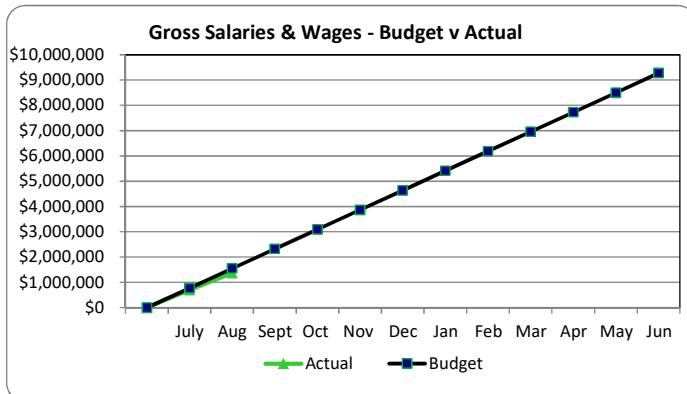
Sundry Debtors Outstanding (non-rates)

As at the reporting date, the total outstanding Sundry Debtors amount to \$154,230. \$80,159 relates to State Government contribution to Eaton Recreation centre for school shared use of facilities and officers expect this will be paid by the end of September 2020. Debts outstanding in excess of 90 days are currently under review and it is likely a significant portion of these will be written off due to being uneconomical to recover.



7. Salaries and Wages to 31 August 2020

At the reporting date, total salaries and wages expenditure is \$1,376,946 (14.85%) of the annual budget of \$9,273,727 for the 2020/21 financial year).





Notes to the Statement of Financial Activity
For the Period Ended 31 August 2020

8 RATING INFORMATION

RATE TYPE	Rate in \$	Number of properties	Rateable value \$	2020/21 Budget rate revenue \$	2020/21 Budget interim rates \$	2020/21 Budget back rates \$	2020/21 Budget total revenue \$	2020/21 Actual total revenue \$	2019/20 Actual total revenue \$	2019/20 Budget total revenue \$
Differential general rate or general rate										
Gross rental valuations										
General Rates - GRV: Residential	0.100662	3,152	56,779,220	5,746,655	0	0	5,746,655	5,715,510	5,620,662	5,620,662
General Rates - GRV: Commercial	0.100662	59	14,495,740	1,428,025	0	0	1,428,025	1,459,170	1,369,549	1,369,549
General Rates - GRV: Industrial	0.100662	68	7,586,727	763,695	0	0	763,695	763,695	757,975	757,975
General Rates - GRV: Small Holding	0.100662	336	7,599,124	765,545	0	0	765,545	764,943	806,389	806,389
General Rates - GRV: Interim and Back Rates	0.100662	0	0	91,144	0	0	91,144	(13,834)	91,938	124,249
Unimproved valuations										
General Rates - UV: Broad Acre Rural	0.006259	491	274,608,000	1,718,765	0	0	1,718,765	1,718,315	1,709,026	1,709,026
General Rates - UV: Mining	0.006259	0	0	0	0	0	0	0	0	0
General Rates - UV: Interim and Back Rates	0.006259	0	0	0	0	0	0	0	0	0
Sub-Totals		4,106	361,068,811	10,422,685	91,144	0	10,513,829	10,407,799	10,355,539	10,387,850
Minimum payment										
Gross rental valuations										
General Rates - GRV: Residential	1,547.50	1,651	21,331,732	2,554,923	0	0	2,554,923	2,554,923	2,571,945	2,571,945
General Rates - GRV: Commercial	1,547.50	7	61,400	10,833	0	0	10,833	10,833	10,833	10,833
General Rates - GRV: Industrial	1,547.50	47	590,450	72,733	0	0	72,733	72,732	80,470	80,470
General Rates - GRV: Small Holding	1,547.50	85	682,270	131,538	0	0	131,538	131,538	111,420	111,420
General Rates - GRV: Interim and Back Rates	1,547.50	0	0	0	0	0	0	0	0	0
Unimproved valuations										
General Rates - UV: Broad Acre Rural	1,547.50	119	17,457,460	184,153	0	0	184,153	184,152	208,913	208,913
General Rates - UV: Mining	1,547.50	18	399,256	27,855	0	0	27,855	27,855	30,950	30,950
General Rates - UV: Interim and Back Rates	1,547.50	0	0	0	0	0	0	0	0	0
Sub-Totals		1,927	40,522,568	2,982,035	0	0	2,982,035	2,982,033	3,014,531	3,014,531
Discounts/concessions										
Total amount raised from general rates		6,033	401,591,379	13,404,720	91,144	0	13,495,864	13,389,832	13,370,070	13,402,381
Specified area rates							(5,000)	(7)	(1,016)	(5,000)
Total rates							13,490,864	13,389,825	13,369,054	13,397,381
							350,000	348,788	347,651	344,800
							13,840,864	13,738,613	13,716,705	13,742,181



Notes to the Statement of Financial Activity
For the Period Ended 31 August 2020

9. INFORMATION ON BORROWINGS

Debtenture Repayments

Particulars	Loan No.	Principal Opening Balance 01 July 2020	New Loans 2020/21		Principal Repayments 2020/21		Interest Repayments 2020/21		Principal Outstanding 30 June 2021	
			Actual \$	Adopted Budget \$	Actual \$	Adopted Budget \$	Actual \$	Adopted Budget \$	Actual \$	Adopted Budget \$
Community Amenities										
Wanju/Waterloo Industrial Park Developer Contribution Plans	New	0	0	750,000	0	0	0	0	0	750,000
Recreation and Culture										
Eaton Recreation Centre	59	280,690	0	0	(88,117)	0	(16,870)	280,690	192,573	
Glen Huon Oval Club Rooms	69	965,470	0	0	(20,391)	(18,537)	(43,234)	945,079	924,296	
Transport										
Depot Land	66	503,104	0	0	(29,019)	0	(23,169)	474,085	444,476	
Economic Services										
Gravel Pit Land - Panizza Road	61	90,549	0	0	0	0	(5,805)	90,549	66,648	
Other Property and Services										
Administration Building Extensions	65	123,303	0	0	0	0	(8,887)	123,303	85,007	
		1,963,116	0	750,000	(49,410)	(18,537)	(97,965)	1,913,706	2,463,000	

All debtenture repayments were financed by general purpose revenue.



**Notes to the Statement of Financial Activity
For the Period Ended 31 August 2020**

10 BUDGET AMENDMENTS

Amendments to the original budget since budget adoption. Surplus/(Deficit)

GL/JOB Code	Description	Council Resolution	Classification	Non Cash Adjustment	Increase in Available Cash	Decrease in Available Cash	Revised Budget Running Balance
	Budget Adoption						
	Permanent Changes						
0521502	Opening surplus adjustment DFES Mitigation Activity Fund grant to reduce bushfire risk	29/07/20 - 212-20	Operating Revenue	\$ 98,996			\$ 218,987
0511503	Bushfire Risk Management Plan - treatments to mitigate bushfire	29/07/20 - 212-20	Operating Expense		(246,440)		317,983
J11221	Pratt Road Reserve maintenance - erosion repairs	26/08/20 - 231-20	Operating Expense		(38,707)		564,423
1221507	Grant revenue - Disaster Recovery Fund WA	26/08/20 - 231-20	Operating Revenue	38,707			317,983
0522501	LGGG capital grant to replace Dardanup Central BFB station	26/08/20 - 246-20	Non-operating Revenue	450,000			767,983
J05022	Building construction - Dardanup Central BFB station	26/08/20 - 246-20	Asset Acquisition		(450,000)		317,983
				735,147	(735,147)		

RISK ASSESSMENT TOOL									
<p>OVERALL RISK EVENT: Failing to monitor the financial performance can increase the risk of a negative impact on the Shire's financial position. Non-compliance with legislative requirement could result in a qualified audit.</p> <p>RISK THEME PROFILE:</p> <p>3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)</p> <p>RISK ASSESSMENT CONTEXT: Operational</p>									
CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL			RESIDUAL RISK RATING
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING	
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.	Not required.
FINANCIAL IMPACT	Not monitoring ongoing financial performance would increase the risk of a negative impact on the financial position.	Moderate (3)	Unlikely (2)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Non-compliance with the legislative requirements that results in a qualified audit.	Minor (2)	Unlikely (2)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Non-compliance that results in a qualified audit can lead stakeholders to question the Council's ability to manage finances effectively.	Insignificant (1)	Unlikely (2)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.	Not required.



Shire of Dardanup

MINUTES

AUDIT & RISK COMMITTEE MEETING

Held

2 September 2020

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

This document is available in alternative formats such as:

- ~ Large Print
- ~ Electronic Format [disk or emailed]
Upon request.

VISION STATEMENT

“Provide effective leadership in encouraging balanced growth and development of the Shire while recognizing the diverse needs of our communities.”

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COMMITTEE MEMBERSHIP:

- CR. T GARDINER - CHAIRPERSON
- CR M BENNETT – DEPUTY CHAIRPERSON
- CR P ROBINSON
- CR. C BOYCE
- CR. M HUTCHINSON

TERMS OF REFERENCE

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:
[2019 - ToR - Audit and Risk Committee](#)

COMMITTEE 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	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. 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.

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."

RISK ASSESSMENT

Inherent Risk	The level of risk in place in order to achieve the objectives of the Council and before actions are taken to alter the risk's impact or likelihood.
Residual Risk	The remaining level of risk following the development and implementation of Council's response.
Strategic Context	These risks are associated with achieving Council's long term objectives.
Operational Context	These risks are associated with the day-to-day activities of the Council.
Project Context	Project risk has two main components: <ul style="list-style-type: none"> • Direct refers to the risks that may arise as a result of project, which may prevent the Council from meeting its objectives. • Indirect refers to the risks which threaten the delivery of project outcomes.

SHIRE OF DARDANUP

MINUTES OF THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING HELD ON WEDNESDAY, 2 SEPTEMBER 2020, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 3.00PM.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairperson, Cr. T G Gardiner declared the meeting open at 3.02pm, welcomed those in attendance and referred to the Acknowledgement of Country; Emergency Procedures; and 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 Tyrrell Gardiner	-	Chairperson
Cr. Peter Robinson	-	Deputy Shire President
Cr. Carmel Boyce	-	Elected Member
Cr. Mark Hutchinson	-	Elected Member

Non-Voting

Mr André Schönfeldt	-	Chief Executive Officer
Mr Phil Anastasakis	-	Deputy Chief Executive Officer
Mrs Donna Bailye	-	PA – Deputy Chief Executive Officer
Mrs Natalie Hopkins	-	Manager Financial Services
Mr Ray Pryce	-	Accountant
Mrs Cindy Barbetti	-	Compliance Officer
Mr Stephen Eaton	-	IT Manager

2.2 Apologies

Mr Luke Botica	-	Director Infrastructure
Mrs Susan Oosthuizen	-	Director Sustainable Development
Cr. Michael Bennett	-	Deputy Chairperson

3. PRESENTATIONS

None.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

4.1 Audit & Risk Committee Meeting Held 3 June 2020**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 16-20 MOVED - Cr P Robinson SECONDED - Cr M Hutchinson

THAT the Minutes of the Audit & Risk Committee Meeting held on 3 June 2020, be confirmed as true and correct subject to no corrections.

CARRIED
4/0

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

“Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.”

Key Management Personnel (which includes Elected Members, CEO and Directors) are reminded of their requirement to disclose biannually transactions between Council and related parties in accordance with Council Policy CP039.

Discussion:

Chairperson, Cr. T Gardiner asked Councillors if there were any Declarations of Interest to be made.

There were no Declarations of Interest made.

8 REPORTS OF OFFICERS AND COMMITTEES**8.1 Title: Western Australian Auditor General – Schedule of Reports**

<i>Reporting Department:</i>	<i>Corporate & Governance Services</i>
<i>Reporting Officer:</i>	<i>Mrs Cindy Barbetti - Compliance Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>

Overview

This report provides the Audit and Risk Committee with a schedule of Western Australian Auditor General Reports that have been released in the first half of 2020. These reports are significant to the local government sector and staff have provided their observations to address the Auditor General recommendations.

Background

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on 28 October 2017. The purpose of the Act was to make legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

The Act also provides for a new category of audits known as ‘performance audit reports’ which examine the economy, efficiency and effectiveness of any aspect of a local governments operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases ‘guides’ to help support good governance within a local government’s operations.

The Auditor General encourages all entities, not just those audited, to periodically assess themselves against the risks and controls noted in each of the performance audit reports and guides when published. Testing our performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be viewed as a vital component of managing compliance reporting under Regulation 17.

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.*

Strategic Community Plan

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.3- Maintain best practice governance systems and practices. (Service Priority: Moderate)

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

Environment - None.

Precedents

The Audit and Risk Committee previously received a report at the September 2019 meeting as an overview of the Auditor General Performance Audit Reports and the approach that staff are taking with analysing these reports.

Budget Implications

As part of the Compliance Officer role, regular monitoring and assessment of reports released by the Auditor General is deemed a matter of good governance and a vital component of managing compliance under Regulation 17. Therefore the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost

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

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.1A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Western Australian Auditor General – Schedule of Reports
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance</p> <p>Not considering the risks, controls and recommendations arising from the Auditor General’s report could have an impact on Council not meeting its compliance requirements.</p> <p>Reputational</p> <p>Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.</p>

Officer Comment -

The Auditor General Performance Audit Reports and Guides provide an opportunity to examine how well the Shire of Dardanup's policies, practices and procedures perform against the findings.

Council staff can identify relevant messages and opportunities from these reports, which leads to continuous improvement and informed decision making. The following reports/guides have been released in the first half of 2020 relevant to Local Government operations (to note: the Shire of Dardanup was not involved in any of the audits):

DATE	REPORT NO	REPORT	APPENDIX
25-03-2020	17	Controls Over Purchasing Cards	AAR 8.1B
04-05-2020	20	Local Government Contract Extensions and Variations	AAR 8.1C
25-06-2020	26	Western Australian Public Sector Audit Committees – Better Practice Guide	AAR 8.1D
25-06-2020	27	Information Systems Audit Report 2020 – Local Government Entities	AAR 8.1E
30-06-2020	28	Regulation of Consumer Food Safety by Local Government Entities	AAR 8.1F

- *Report 17 Controls Over Purchasing Cards*

This brief report acknowledges that purchasing cards are an important part of the purchasing system. However, if not managed correctly, there is potential for improper, wasteful or unauthorised expenditure. Entities need to ensure that appropriate controls are in place and be continually vigilant against misuse, and that the controls are assessed on a regular basis.

The Shire of Dardanup has a robust *Procurement Policy* (CP034) and *Use of Corporate Credit Card Policy* (CP023) with adequate administrative systems in place, including segregation of duties, to manage and control the use of purchasing cards. All purchasing card transactions are validated, authorised and accounted for in accordance with Council's policies'. Given that the Manager Financial Services is currently the only officer with a purchasing card (MasterCard with a limit of \$5,000) staff were satisfied that our current procedures effectively manage this single card.

In the future if additional officers are granted authority to use purchasing cards, then this report together with the better practice principles will ensure that Council continues to adhere to the expectation of the Auditor General in controlling purchasing cards.

- *Report 20 Local Government Contract Extensions and Variations*

A significant number of goods and services purchased by Council involves contracts. These procurement contracts vary in complexity, value, duration and risk, but all benefit from a strong approach to contract management. This audit in particular focused on how local governments manage extensions or variations to contracts and the consensus was that most entities audited need to enhance their policies with comprehensive guidelines. Also, contract registers lacked key information essential to effective monitoring of contractual obligations, including contract summaries.

Although there has been considerable work undertaken with the procurement of goods and services, in particular the RFQ and RFT process, staff acknowledge that a strong contract management framework needs to be further developed. Staff are working towards a framework

centred on the principles of probity, accountability and transparency to help ensure that contracting is effective and meets the standards to provide good value for money. The framework will also provide guidelines to manage contract extensions and variations, including the review of contractor performance before extending the contract.

To date, delegation 1.2.23 *Tenders for Goods and Services* has been updated and endorsed by Council (OCM 24-06-2020 Res 157-20) to vary a contract up to a maximum of 10% or \$50,000 of the tender, whichever is the lesser. This assists with the procurement of goods and services over \$150,000 (tenders), however a formalised policy within the contract management framework will capture variations of goods and services under this amount.

The Shire of Dardanup Contract Register (contracts and agreements) is currently being improved, with the aim to utilise a view within the electronic document management system (TARDIS) to manage and extract this information.

- *Report 26 Western Australian Public Sector Audit Committees – Better Practice Guide*

This Guide focuses on Audit Committees for State Government Agencies that operate somewhat differently to Local Government Audit Committees. However, the Guide is a beneficial resource in providing valuable insight that may be equally applicable when further developing the role of a Local Government Audit Committee.

After reviewing the Guide, staff determined that the current Terms of Reference for the Audit and Risk Committee should be revised to include some of the guidelines and roles and responsibilities recommended by the Auditor General.

The report also highlights the requirement for a formal induction process for new members to be provided with an oversight of the committee and to outline member expectations. It is anticipated that the Deputy Chief Executive Officer will address this induction aspect at the first meeting of the Audit and Risk Committee post-election.

The Auditor General also encourages that during the financial audit exit meeting with the OAG/appointed auditor, that members of the audit committee have a closed-door session with the auditors without management present. This provides a frank and open opportunity for the auditors to discuss how the audit went, whether they received the information they needed and whether there are any concerns with management behaviour that the committee should be aware of.

For smaller entities the Auditor General recommends that at least one audit committee member needs to have an understanding of financial reporting and accounting standards, and the role of internal and external audit. To enable this requirement, the Auditor General suggests that consideration may need to be extended to appointing an external member to the committee with these financial risk skills.

Following on from the Auditor General recommendations, management have reviewed the Terms of Reference for the Audit and Risk Committee and this is presented as a separate report for consideration (please refer agenda item 8.2).

- *Report 27 Information Systems Audit Report 2020*

This is the first local government Information Systems Audit report since the proclamation of *the Local Government Amendment (Auditing) Act 2017*. The report acknowledges that general computer controls are a fundamental part of financial audits and they help to provide assurance that the financial information generated by information systems is accurate, reliable and completely recorded. While local governments will differ in the size and scale, it is critical that they have effective controls to manage information systems. The report has firstly been provided as a security

gap analysis on the information systems, and secondly as an assessment of general computer controls and capability.

In relation to the security gap analysis that benchmarked the results of the audited local government entities' security practices, the benchmarks were assessed against a globally recognised standard (ISO27002). According to the Auditor General, standard ISO27002 provides a set of controls which entities can easily implement to protect critical information from internal and external threats. The Auditor General further states that the standard can provide useful guidance on how entities can address weaknesses and risks to their information security. Of the local government entities audited, all had significant shortcomings in their information security practices.

The second part of the audit, being the assessment of general computer controls and capability, showed that the level of maturity in the reviewed local government entities was low. No entity met the minimum benchmark across all control categories.

The Shire of Dardanup has previously acknowledged that securing information is increasingly becoming a growing concern and risk for local governments. To help ascertain where our 'gaps' might be, management committed to be included in the LG Cyber Security Baseline ISO27001 Information Systems Consortia Audit in 2019. The findings from that particular audit, together with a presentation by the IT Manager, were presented to the Audit and Risk Committee at the March 2020 meeting. The audits aim was to measure and baseline each participating Councils' cyber security controls against the ISO27001 standard for Information Security and then mapped to the Australian Cyber Security Centres Essential Eight (E8), a more cost-effective cyber security control framework that forms the core controls within the Shire of Dardanup *Cyber Security Policy – CP126*. As members of the committee will notice, this is a differing standard to the one used by the Auditor General. As previously mentioned, the Auditor General claims that the ISO27002 standard provides a framework and set of controls to ensure IT environments are managed to preserve the confidentiality, integrity and availability of information. This is somewhat misleading as the underpinning standard, ISO27001, is the standard defining the framework of controls.

ISO27001 is a widely recognised and peer reviewed international standard around Information Security, which defines recommended controls and measures in implementing a security management system around information security. This framework provides the confidentiality, integrity and availability of information (CIA Triad), by applying a risk management process that gives interested parties such as the Audit and Risk Committee and regulatory bodies, confidence that security risks are being adequately managed by the organisation. It is also a standard by which parties either internal or external to the organisation can evaluate and assess the organisations need to meets its security requirements.

Whilst ISO27001 outlines the required controls to put in place, it does not provide the 'HOW' of implementing them, this is where ISO27002 fits into the framework and represents recommended guidelines around implementing ISO27001 controls.

Currently there has been no directive or guidance from State or Federal Government on the security framework required by local government. The underlying report hints at the direction they appear to be taking in terms of future audits, due to the exponential increasing risk around cyber security to government agencies and its impact the information they hold. A Local Government Forum on Information Systems has been organised by WALGA and will be held towards the end of September 2020. The purpose of the forum is to share perspectives from the OAG, Local Government ICT Officers, Industry and Local Government risk-owners, and hopefully ascertain the direction required by local governments.

In terms of the Shire of Dardanup, the organisation manages data that's private and confidential, which is sensitive in nature and holds commercial value. The risks to the organisation is not just state backed hackers or organised crime trying to steal or disrupt services for financial or information gain, risks can also come from within, whether intentionally, such as disgruntled

employees, or un-intentional via a misconfigured system or sensitive confidential information sent to the email address. This highlights the need for an information security framework, together with the resources required to manage and maintain it. Staff and management will work towards undertaking a comparison between the 2019 LG Cyber Security Baseline ISO27001 Information Systems Consortia Audit and the Auditor General Information Systems Audit report. That comparison, together with hopefully some further guidance arising from the September 2020 WALGA forum on information systems will be useful in guiding staff towards an adequate information security framework. An opportunity exists to be an industry leader, and members of the Audit and Risk Committee will be kept informed as the audit comparison and framework development progresses.

Also of relevance and a further commitment to this increasing risk exposure area, *Australia's Cyber Security Strategy* was released by the Prime Minister on 6 August 2020. The Strategy will invest \$1.67 billion over 10 years to achieve the Australian Government's vision of creating a more secure online world for Australians, their businesses and the essential services upon which we all depend. This vision will be delivered through actions by governments, businesses and the community. While this Strategy is an Australian Government initiative, it is recognised that local governments will have an essential role in strengthening Australia's cyber security.

- *Report 28 Regulation of Consumer Food Safety by Local Government Entities*

This performance audit report highlights some key improvement opportunities that all Local Government's need to consider in their own regulation and enforcement activities under the Food Act 2008.

The report noted that of the entities audited, their high and medium risk food inspections were overdue. While this has not been the case with inspections undertaken by the Shire of Dardanup Environmental Health Officers (EHO's) in previous years, we encountered a similar situation with inspections for 2019-2020. Officer workload in the last 6 months of 2019 and implications from COVID-19 in 2020 has impacted inspection targets.

System improvements are currently being considered to address some inspection scheduling inefficiencies that will allow for a more automated process. Currently staff are managing a manual system that requires substantial officer time in maintaining. The first stage is to undertake a process audit over a 2 month period. Staff will map the processes involved with food business inspections and formulate an improvement plan moving forward with the assistance of the Business Solutions team. This improvement plan will provide the best business solution to capture food inspections and health queries which will have an overall benefit for staff and members of the public. Depending on the outcome, there may be additional staff training to be undertaken on the software of choice.

Of further concern noted in the OAG report, the entities audited did not have adequate procedures to help EHO's determine which types of non-compliance require enforcement and follow-up, and when this should occur. While some compliance decisions may require the professional judgement and discretion of individual EHO's, it is important to have documented guidance to support consistent, risk based compliance actions. The Principal Environmental Health Officer is working towards establishing an Enforcement Policy for Council to endorse by January 2021 that will address safety issues consistently and to enforce compliance.

- *Conclusion*

This OAG report review process will continue to be applied to future reports and guides released by the Auditor General. The recommendations will also be taken into consideration when performing internal audits that have been highlighted as part of the Internal Audit Work Plan. The analysis of the Auditor General reports provides Council with a greater level of confidence in internal control practices and processes throughout Council operations.

Voting Requirements - Simple Majority.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR -17-20 MOVED - Cr P Robinson SECONDED - Cr C Boyce

THAT the Audit and Risk Committee receive the September 2020 report on the Western Australian Auditor General – Schedule of Reports as provided for in Appendix AAR: 8.1B through to Appendix AAR:8.1F (inclusive).

CARRIED
4/0

8.2 Title: Audit & Risk Committee – Terms of Reference

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mrs Cathy Lee - Manager Governance & HR Mrs Cindy Barbetti - Compliance Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996, Local Government (Administration) Regulations 1996</i>

Overview

This report to the Audit and Risk Committee provides members with the reviewed Terms of Reference for their consideration and subsequent recommendation to Council.

Background

In accordance with section 7.1A of the *Local Government Act 1995* the Council has established an Audit and Risk Committee. The Audit and Risk Committee will operate in accordance with all relevant provisions of the Act and the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*.

The establishment of this committee in the past has been to provide an independent oversight of the financial position of the local government particularly related to the function of auditing and the selecting and appointing of an auditor.

This focus has since expanded through the emergence of Regulation 17 of the *Local Government (Audit) Regulations 1996*. The Audit and Risk Committee now operates not only to support the local government in effective financial management but also to provide effective corporate governance through the review of systems and procedures in place relating to risk management, internal control and legislative compliance. As to the selecting and appointing of an auditor, this process is now mandated by the Office of the Auditor General through the proclamation of the *Local Government Amendment (Auditing) Act 2017*.

In June 2020, the Auditor General released a Better Practice Guide (refer Appendix AAR 8.1D) as a beneficial resource that provides valuable insight when further developing the role of a local government audit committee. From the publication of this Guide, management and staff have taken the approach to review the current Terms of Reference for the Audit and Risk Committee and with the committees support commit to this being a two-yearly review process.

Legal Implications

Local Government Act 1995

7.1A. *Audit committee*

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

** Absolute majority required.*

- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

Strategic Community Plan

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Environment - None.

Precedents

The current Terms of Reference for the Audit and Risk Committee were endorsed at the Special Council Meeting on 23 October 2019 [Res 309-19].

Budget Implications

Reviewing the Terms of Reference for the Audit and Risk Committee is administered through staff time which is supported by the salaries and wages budget specific to the Corporate and Governance directorate.

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

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.2A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Review of Terms of Reference for the Audit and Risk Committee
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance</p> <p>Not considering a review of the Terms of Reference would not be in line with the recommendations from the Auditor General’s publication (Better Practice Guide).</p> <p>Reputational</p> <p>Council’s reputation could be seen in a negative light for not adhering to the Auditor General’s recommendation.</p>

Officer Comment -

A review of the Audit and Risk Committee Terms of Reference has been conducted as a matter of good governance and in keeping with the Better Practice Guide recently released by the Auditor General.

The former Terms of Reference are provided to members for their information and change comparison (refer Appendix AAR 8.2B).

Following advice from the Auditor General in their Guide, staff have taken the approach to reconsider the Terms of Reference as a 'Charter' which incorporates the Terms of Reference, Instrument of Appointment and Annual Work Plan template.

In brief the changes incorporated in the 'Charter' are provided in the table below, or alternatively are shown in red on the full proposed Charter provided to the committee for their consideration (refer Appendix AAR 8.2C).

SECTION	CHANGE
COVER PAGE	
Title	Now referred to as the ' Audit and Risk Committee Charter '
1 INTRODUCTION – Page 1	
1.4	New addition: The Committee provides appropriate advice and recommendations to the Council on matters relevant to its Terms of Reference (ToR). This is in order to facilitate informed decision-making by the Council in relation to the legislative functions and duties of the local government that have not been delegated to the Chief Executive Officer ("CEO").
2 NAME – Page 1	
2	Recommend to delete (already covered in 1.1): The name of the Committee is the "Audit and Risk" Committee.
3 CULTURE – AUDIT AND RISK – Page 1	
3	New addition: The Council of the Shire of Dardanup acknowledges that forward thinking accountable authorities and Audit and Risk Committees strive to maintain a sound culture within the entity to protect it from breakdowns in controls or fraud. Even though the culture of an entity cannot be seen, it is a fundamental part of strong governance. The Strategic Community Plan Leadership Objective 1 states: "Strong civic leadership representing the whole of the Shire which is supported by responsible and transparent corporate governance."
6 COMMITTEE OBJECTIVES – SPECIFIC – Page 2	
6.2	New addition: To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.
6.8	Suggest reword: To consider the Shire of Dardanup Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness and progress on the relevant action plans biannually.
6.9	New addition: To consider the CEO's triennial reviews of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Committee, and report to the Council the results of those reviews – <i>Local Government (Audit) Regulations 1996 Regulation 17</i> .

SECTION	CHANGE
6.10	<p>New addition: Legislative Compliance - Oversee the effectiveness of the systems for monitoring compliance with relevant laws, regulations and associated government policies. This includes:</p> <p>i.) reviewing the annual Compliance Audit Return (CAR) in accordance with section 7.13(1)(i) of the Local Government Act and report to the Council the results of that review; and</p> <p>ii.) receiving the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).</p>
6.11	<p>New addition: To consider the CEO's biennial Governance Health and Financial Sustainability review and report to the Council the results of that review.</p>
6.12	<p>New addition: To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.</p>
6.13	<p>New addition: To consider the Information Systems Security biennial review, and report to the Council the results of that review.</p>
7 MEMBERSHIP – Pages 3, 4 & 5	
7.1	<p>New addition: [Note: It is recommended that at least half of the committee members are made up of elected members that are commencing their 4 year term; with the other half being elected members that are midway through their term on Council.]</p>
7.2	<p>New addition: The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council. At least one (1) member of the Committee should have accounting or related financial and/or risk management experience.</p>
7.3	<p>New addition: Where the desirable accounting or related financial and/or risk management experience cannot be attained from the elected members, membership to the Committee may be extended to one (1) independent external member.</p>
7.4	<p>New addition: Independent external members (if required) will be selected based on the following criteria:</p> <p>7.4.1 A suitably qualified person with demonstrated high level of expertise and knowledge in financial management, risk management, governance and audit (internal and external);</p> <p>7.4.2 Understanding of the duties and responsibilities of the position; ideally with respect to local government financial reporting and auditing requirements;</p> <p>7.4.3 Strong communication skills; and</p> <p>7.4.4 Relevant skills and experience in providing independent expert advice.</p>
7.5	<p>New addition: An independent external member will be a person with no operating responsibilities with the Council nor will that person provide paid services to the Council either directly or indirectly.</p>
7.6	<p>New addition: Appointment and re-appointment of independent external members shall be made by Council after consideration of the CEO's recommendation. The applications of independent external members will be sought through an open and transparent Expression of Interest process. The evaluation of potential members</p>

SECTION	CHANGE
	will be reviewed by the CEO and Deputy CEO, with appointments to be approved by the Audit & Risk Committee and Council. Appointments will be for a maximum term of two (2) years and align with the biennial Council election cycle. Independent external members will not be appointed for more than three (3) consecutive terms.
7.7	New addition: Independent external members will be required to complete a confidentiality agreement and confirm that they will operate in accordance with the Council's Code of Conduct.
7.8	New addition: The Council may by resolution terminate the appointment of any independent external member prior to the expiry of his/her term if: 7.8.1 The Committee by majority determines that the member is not making a positive contribution to the Committee; or 7.8.2 The member is found to be in breach of the Council's Code of Conduct or a serious contravention of the Local Government Act 1995; or 7.8.3 A member's conduct, action or comments brings the Council into disrepute.
7.9	New addition: Reimbursement of approved expenses may be paid to the independent external member in accordance with the Local Government Act Section 5.100.
7.10	New addition: New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities. The Deputy Chief Executive Officer will undertake a formal induction process for new members to the Committee at the first Committee meeting post-election.
8 PRESIDING MEMBER – Page 5	
8.6	New addition: The presiding member plays an important role in leading and guiding discussions at committee meetings. The presiding member shall have the right interpersonal skills to guide discussions on complex and sensitive matters.
8.7	New addition: To maintain independence and a Committee that is free of undue or improper influence, the presiding member shall not be the Shire President. The Shire President will Chair the Ordinary Council Meetings where the Committee meeting minutes will be confirmed.
9 MEETINGS – Page 6	
9.1	Recommend to delete: As there are no power or duty delegated to the committee the meetings are not open to the public. New addition: In accordance with Section 5.23 of the Local Government Act 1995 the meetings will be generally open to the public as the Committee has a power or duty that has been delegated by Council (refer part 11).
11 DELEGATED POWER – Page 6 & 7	
11.1	Recommend to delete: The Committee has no specific powers under the Local Government Act and is to advise and make recommendations to Council only.

SECTION	CHANGE
	New addition: Pursuant to section 5.17 of the Act, the Committee is delegated the power to conduct the formal meeting with the Auditor required by Section 7.12(A)(2) on behalf of the local government.
11.2	New addition: In all other matters, Committee recommendations shall not be binding on Council and must be endorsed by Council to take effect.
14 COMMITTEE DECISIONS – Page 7	
14.1	Recommend to delete (covered in 10.2): Committee decisions shall not be binding on Council in any circumstance.
17 CONFIRMATION OF RESPONSIBILITIES AND REVIEW OF ToR's (New Section) – Page 8	
17.1	New addition: The Committee will confirm annually that all responsibilities outlined in this ToR have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.
17.2	New addition: Every two (2) years the Terms of Reference shall be reviewed by the Committee.
18 BIENNIAL INDEPENDENT ASSESSMENT OF COMMITTEE PERFORMANCE (New Section) – Page 8	
18.1	New addition: An independent external assessment of the Committee is undertaken at least once in every two (2) years. This assessment may be included in the scope of audit for the Governance Health and Financial Sustainability Review.
19 ANNUAL WORK PLAN (New Section) – Page 8	
19.1	New addition: A forward annual work plan will be agreed by the Committee each year. The forward annual work plan will cover all Committee responsibilities as detailed in this ToR.
19.2	New addition: An example of the Annual Work Plan is provided in Appendix A.
APPENDIX A (New Section) – Page 9, 10 & 11	
Template	New addition: Annual Work Plan

In relation to setting the 'Annual Work Plan', a template has been provided within the Charter for guidance on functions and roles and responsibilities that the committee may undertake in a calendar year. The proposed annual work plan will be presented to the committee at the December 2020 meeting that will schedule activities for the minimum four meetings that will be held in 2021. To note, a fifth meeting may be required that will focus predominately on the appointment of auditors and the audit entrance meeting.

Voting Requirements - Simple Majority.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 18-20 MOVED - Cr T Gardiner SECONDED - Cr M Hutchinson

THAT the Audit and Risk Committee:

- 1. Recommends that Council receive and endorse the reviewed Terms of Reference for the Audit & Risk Committee and for this to be herein known as the Audit and Risk Committee Charter (Appendix AAR: 8.2C); and**

- 2. Request that a report on the '2021 Annual Work Plan' be brought back to the next Audit & Risk Committee on 2 December 2020 meeting for member consideration and Council endorsement.**

CARRIED
4/0

8.3 Title: Bi-Annual Compliance Task Report

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mrs Cindy Barbetti - Compliance Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>

Overview

The purpose of this report is to provide the Audit and Risk Committee with bi-annual compliance tasks undertaken since the last report was presented to the committee.

Background

The Shire of Dardanup (the Council) as a Local Government entity is required to fulfil duties and functions that are prescribed in legislation. This emulates the expectation of the community and State Government that Council will meet these requirements. This expectation is prescribed in the Local Government (Audit) Regulations 1996, Regulation 17 which requires the management of legislative compliance.

To support the Council in meeting compliance obligations, the Compliance Manual, incorporating the Annual Compliance Calendar has been developed. The calendar is a tool to identify the yearly compliance activities throughout the calendar year. The objective is to assist responsible officers to review their quarterly compliance and accountability activities across a variety of legislative components.

For further transparency, the Audit and Risk Committee receive a bi-annual report to inform members of the committee as to how the organisation is meeting its compliance requirements. This report is provided as a Confidential Document - Under Separate Cover (Tardis Link - [R0000670409](#))

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

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.*

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Strategic Community Plan

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Environment - None.

Precedents

The Audit and Risk Committee received the previous bi-annual compliance report at the March 2020 meeting. Due to the timing of the compilation of the report, members of the committee were only initially presented with January 2020 compliance tasks.

Budget Implications

As part of the Compliance Officer's role, regular monitoring of the Compliance Manual and Annual Compliance Calendar is essential. Reporting is a further function in order to successfully achieve compliance obligations under Regulation 17. Therefore the cost to Council is through staff time and the usage of IT/Software systems where applicable.

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

There is no current Council Policy relevant to this item.

Risk Assessment -

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 8.3) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	2020 Compliance Calendar – Bi Annual Task Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.</p> <p>Reputational Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.</p>

Officer Comment

Compliance and integrity are outcomes of an organisation meeting its obligations, and is made sustainable by embedding it in the culture of the organisation and in the behaviour and attitude of people working for it. How a local government manages its compliance programs is a strong indication of the attitude of the Council towards meeting legislative requirements.

Meeting these requirements is assisted through the use of the Compliance Manual and associated Annual Compliance Calendar. At the March 2020 meeting, members were presented with the January 2020 compliance tasks. For this bi-annual reporting report, the months of February 2020 through to June 2020 are being reported.

Overall, maintaining regulatory compliance is viewed as a fundamental goal of an effective internal control system. The ongoing reporting will ensure that an effective system is in place to provide a level of assurance that the Council is meeting its compliance obligations under the Act and associated Regulations.

The next bi-annual compliance task report is scheduled to be presented to the March 2021 meeting.

Council Role - Legislative.

Voting Requirements - Simple Majority.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 19-20 MOVED - Cr T Gardiner SECONDED - Cr P Robinson

THAT the Audit and Risk Committee receive the Bi-annual Compliance Task Report to 30 June 2020, provided as Confidential Document - Under Separate Cover (Tardis Link [R0000670409](#)) and note the compliance tasks identified.

CARRIED
4/0

8.4 Title: Internal Audit Program

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mrs Cindy Barbetti - Compliance Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>

Overview

This report presents to the Audit and Risk Committee the Internal Audit Strategic Plan and the proposed Internal Audit Annual Work Plan for 2020-2021.

Background

Internal control is a vital component of a sound governance framework. An effective and transparent internal control environment is built on many key areas that are guided, strengthened and monitored through an Internal Audit Strategic Plan. This ensures that the Shire is meeting compliance with applicable regulations and internal procedures. This in turn provides the Council with a greater level of confidence in internal control practices and processes throughout Council operations.

The primary purpose of the Internal Audit Strategic Plan is to align its focus and activities on the Council's key internal risks. The Internal Audit functional planning framework consists of two key elements:

1. An Internal Audit Strategic Plan, with a three year outlook that relates the role of the internal audit to the requirements of Council by outlining the broad direction of an internal audit over the medium term, in the context of all the Council's assurance activities; and
2. An Internal Audit Annual Work Plan which includes an internal audit annual work schedule.

Together, these plans serve the purpose of setting out, in strategic and operational terms, the broad roles and responsibilities of Internal Audit of the Shire of Dardanup, with the aim to achieving regulatory compliance.

A copy of the Internal Audit Strategic Plan is provided for in (Appendix AAR: 8.4A).

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

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.*

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Local Government (Financial Management) Regulations 1996, Regulation 5:

5. *CEO's duties as to financial management*

(1) *Efficient systems and procedures are to be established by the CEO of a local government —*

- (a) *for the proper collection of all money owing to the local government; and*
 - (b) *for the safe custody and security of all money collected or held by the local government; and*
 - (c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
 - (d) *to ensure proper accounting for municipal or trust —*
 - (i) *revenue received or receivable; and*
 - (ii) *expenses paid or payable; and*
 - (iii) *assets and liabilities;*
- and*
- (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
 - (f) *for the maintenance of payroll, stock control and costing records; and*
 - (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*

(2) *The CEO is to —*

- (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
- (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
- (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

Strategic Community Plan

Strategy 1.1.1 - To be equitable, inclusive and transparent in decision making. (Service Priority: High)

Strategy 1.1.2 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.3- Maintain best practice governance systems and practices. (Service Priority: Moderate)

Environment - None.

Precedents -

An Internal Audit Strategic Plan and Internal Audit Annual Work Plan were presented to the former Audit Committee at the July 2019 meeting.

Budget Implications

As part of the Compliance Officer role, internal control is integral to meeting the obligations under Regulation 17. Therefore the cost to Council is through staff time and the usage of IT/Software systems where applicable.

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

Internal Audit Strategic Plan

Risk Assessment -

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 8.4B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	Internal Audit Program
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance Not considering internal control within the organisation would result in non-compliance with Regulation 17</p> <p>Reputational Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.</p>

Officer Comment

The Internal Audit program is the responsibility of the Compliance Officer. This function is complementary to the Risk Management Governance Framework and Compliance Manual in meeting the obligations pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996.

The Internal Audit Strategic Plan (Plan) has been developed to assist the organisation in achieving its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control. Within the Plan, is the Internal Audit Annual Work Plan for 2020-2021 that has been considered based on Council’s current risk profile and assurance needs. One of the main engagements that will be considered within the 2020-2021 annual work plan is a performance (improvement) review of the procurement area of Council. The aim of this review will be to assess the efficiency and effectiveness of the business systems and processes in place and provide recommendations on areas for improvement.

Members of the committee can also be reassured that the Internal Audit program is further supported by the performance audit reports and guides released by the Auditor General. As recommended by the Auditor General, periodic assessments are undertaken when the reports and guides are published.

The Internal Control program and testing of processes and procedures in line with Auditor General Reports, provides Council with a greater level of confidence that regulatory compliance is being achieved.

Council Role - Legislative.

Voting Requirements - Simple Majority.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 20-20 MOVED - Cr P Robinson SECONDED - Cr C Boyce

That the Audit and Risk Committee:

1. **Receive the September 2020 report relating to the Internal Audit Program of the Shire of Dardanup.**

2. **Recommends that Council endorse the Shire of Dardanup Internal Audit Strategic Plan, inclusive of the Internal Audit Annual Work Plan – 2020-2021. (Appendix AAR: 8.4A)**

CARRIED
4/0

8.5 Title: Annual Financial Report – Interim Audit Results for the Year ending 30 June 2020

<i>Reporting Department:</i>	<i>Corporate & Governance Directorate</i>
<i>Reporting Officer:</i>	<i>Mr Phil Anastasakis – Deputy Chief Executive Officer</i>
<i>Legislation:</i>	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996</i>

Overview

The purpose of this report is to present to the Audit and Risk Committee the interim audit results for the year ending 30 June 2020.

Background

An annual audit of the Shire of Dardanup's financial systems, process and reports, is undertaken in accordance with the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*.

Since the proclamation of the *Local Government Amendment (Auditing) Act 2017*, legislative changes were made to the *Local Government Act 1995*. These changes mandated responsibility for overseeing local government audits to the Office of the Auditor General (OAG).

Local government audits are now performed in two parts:

1. *Interim Audit*

The purpose of this audit is to evaluate the Council's overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal controls, and to obtain an understanding of the key business processes, risks and internal controls relevant to the OAG audit of the annual financial report. Outcomes of this audit are provided in a management letter to the Chief Executive Officer and Shire President outlining any findings with recommendations; and

2. *Final Year-End Audit*

The outcomes of this audit are provided in a management letter addressed to the Chief Executive Officer and Shire President, and the annual audit report. The annual audit report, together with the annual financial statements form part of the annual report.

The interim audit for the year ending 30 June 2020 has been completed and the OAG has submitted its report. The report draws attention to the following Management Control Issue (refer Appendix AAR 8.5A):

1. *Verbal Quotations not Documented – Rated Moderate.*

Legal Implications

Local Government Act 1995, s7.9

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.*

Local Government (Audit) Regulations 1996, r9

9. *Performance of audit*

- (3) *An auditor must carry out the work necessary to form an opinion whether the annual financial report —*
- (a) *is based on proper accounts and records; and*
 - (b) *fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —*
 - (i) *the Act; and*
 - (ii) *the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).*

Strategic Community Plan

Strategy 1.1.3 - Monitor and ensure compliance with the regulatory framework for local government governance and operations. (Service Priority: High)

Strategy 1.1.4 - Maintain best practice governance systems and practices. (Service Priority: Moderate)

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 - To monitor and produce statutory budgetary and financial reporting requirements applicable to local government operations. (Service Priority: High)

Environment - None.

Precedents

This is the first Interim Audit Results being presented to the Audit and Risk Committee.

Budget Implications

The 2020/2021 budget includes an allocation for the conduct of the annual audit.

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 -

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.5B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.					
Risk Event	Annual Financial Report – Interim Audit Results for the Year Ending 30 June 2020				
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)				
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.				
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.				
Risk Category Assessed Against	<table border="0"> <tr> <td>Legal and Compliance</td> <td>Not presenting the Interim Audit Results for the year ending 30 June 2020 to the Audit and Risk Committee (and subsequently Council).</td> </tr> <tr> <td>Reputational</td> <td>Council’s reputation could be seen in a negative light for not being open and transparent with disclosing findings from the Auditor General</td> </tr> </table>	Legal and Compliance	Not presenting the Interim Audit Results for the year ending 30 June 2020 to the Audit and Risk Committee (and subsequently Council).	Reputational	Council’s reputation could be seen in a negative light for not being open and transparent with disclosing findings from the Auditor General
Legal and Compliance	Not presenting the Interim Audit Results for the year ending 30 June 2020 to the Audit and Risk Committee (and subsequently Council).				
Reputational	Council’s reputation could be seen in a negative light for not being open and transparent with disclosing findings from the Auditor General				

Officer Comment

Historically, the results of an interim audit were not formally reported, instead they were used as preparatory to the year-end audit. The reporting of these results now form part of the formal requirement of audits conducted by OAG.

The only deficiency in internal controls identified in the report relates to compliance with procurement procedures, specifically with verbal quotations on low value purchasing. Although the view of management is that the non-compliance is minor, the OAG has maintained their view that these are classified as moderate. Irrespective of the classification, members of the Audit and Risk Committee can be reassured that the findings have been addressed, with measures taken to ensure compliance with Council’s procurement procedures moving forward.

Voting Requirements - Simple Majority.

**OFFICER RECOMMENDED RESOLUTION &
AUDIT & RISK COMMITTEE RECOMMENDED RESOLUTION**

AAR 21-20 MOVED - Cr T Gardiner SECONDED - Cr C Boyce

THAT the Audit and Risk Committee receive the Office of the Auditor General – Interim Audit Findings for the year ending 30 June 2020 (refer Appendix AAR: 8.5A).

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 advised that the date of the next Audit & Risk Committee Meeting will be Wednesday, 2 December 2020.

There being no further business the Chairperson declared the meeting closed at 4.09pm



**AUDIT & RISK COMMITTEE
CHARTER**

**INSTRUMENT OF APPOINTMENT
&
TERMS OF REFERENCE**

2020

By Resolution of Council
Ordinary Council Meeting [INSERT DATE HERE]
Resolution Number [XXX-20]

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(Appendix ORD: 12.21B)

1 INTRODUCTION

- 1.1 The Council of the Shire of Dardanup (the "Council") establishes this committee under the powers given in Section 7.1A of the Local Government Act 1995, the committee to be known as the Audit and Risk Committee, (the "Committee").
- 1.2 The Council appoints to the Committee those persons to be members of the committee by resolution of Council. Membership of the Committee shall, unless otherwise specified, be for a term ceasing on the day prior to local government elections being held. Council may appoint members for a further term at the next available meeting following the elections.
- 1.3 The Committee shall act for and on behalf of Council in accordance with provisions of the Local Government Act 1995, local laws and the policies of the Shire of Dardanup and this instrument.
- 1.4 The Committee provides appropriate advice and recommendations to the Council on matters relevant to its Terms of Reference (ToR). This is in order to facilitate informed decision-making by the Council in relation to the legislative functions and duties of the local government that have not been delegated to the Chief Executive Officer ("CEO").

~~2~~ NAME

~~The name of the Committee is the "Audit and Risk" Committee.~~

3 CULTURE – AUDIT AND RISK

The Council of the Shire of Dardanup acknowledges that forward thinking accountable authorities and Audit and Risk Committees strive to maintain a sound culture within the entity to protect it from breakdowns in controls or fraud.

Even though the culture of an entity cannot be seen, it is a fundamental part of strong governance.

The Strategic Community Plan Leadership Objective 1 states: "Strong civic leadership representing the whole of the Shire which is supported by responsible and transparent corporate governance."

4 OBJECTIVES – GENERIC

The following objectives are generic to all Council committees:

- 4.1 To consider, advise and assist the local government in performing specified functions or fulfilling required responsibilities within its district;

(Appendix ORD: 12.21B)

- 4.2 Where appropriate, to liaise with relevant agencies and other persons in the development, review and testing of Council policy and strategic objectives;
- 4.3 To carry out research and other activities as directed by the Council or prescribed by the regulations; and
- 4.4 To fulfil the objectives and/or undertake the specific tasks as a Committee of Council specified in **Section 5** – Functions of the Committee and **Section 6** Committee Objectives - Specific.
- 4.5 To ensure that all members dealings are carried out in accordance with the Shire of Dardanup Code of Conduct.

(Details of tasks to be endorsed by Council by resolution when the committee is established or as amended from time to time).

5 FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

The detailed functions of the Committee are set out in the Local Government (Audit) Regulations 1996, Regulation 14, 16 and 17.

6 COMMITTEE OBJECTIVES - SPECIFIC

The Audit and Risk Committee shall have the following objectives:

- 6.1 To meet with the auditor, once in each year and provide a report to Council on the matters⁷ discussed and outcome of those discussions;
- 6.2 **To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses;**
- 6.3 Provide an effective means of communication between the external and internal auditors;
- 6.4 Examine the reports of the auditor to –
 - i.) determine if any matters raised require action to be taken by the local government; and
 - ii.) ensure that appropriate action is taken in respect of those matters;
- 6.5 Review annually the internal audit plan, including any reports produced as part of special assignments undertaken by internal audit.
- 6.6 To consider the Financial Management Systems Review required every three years under Regulation 5 of the *Local Government (Financial Management) Regulations 1996*, and report to Council the results of that review;

(Appendix ORD: 12.21B)

- 6.7 Consider and recommend adoption of the Annual Financial Report to Council.
- 6.8 To consider the Shire of Dardanup Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness and progress on the relevant action plans biannually.
- 6.9 To consider the CEO's triennial reviews of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Committee, and report to the Council the results of those reviews – Local Government (Audit) Regulations 1996 Regulation 17.
- 6.10 Legislative Compliance - Oversee the effectiveness of the systems for monitoring compliance with relevant laws, regulations and associated government policies. This includes:
- i.) review the annual Compliance Audit Return (CAR) in accordance with section 7.13(1)(i) of the Local Government Act and report to the Council the results of that review; and
 - ii.) receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).
- 6.11 To consider the CEO's biennial Governance Health and Financial Sustainability review and report to the Council the results of that review.
- 6.12 To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.
- 6.13 To consider the Information Systems Security biennial review, and report to the Council the results of that review.

Any variation to these objectives is not to be considered by the Committee unless approved by Council.

7 MEMBERSHIP

- 7.1 The Council resolves to nominate no more than five elected members as members for the Committee for a period of two years or until the next Ordinary Council election, the five elected members shall be members of the committee.

[Note: It is recommended that at least half of the committee members are made up of elected members that are commencing their 4 year term; with the other half being elected members that are midway through their term on Council.]

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- 7.2 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council. At least one (1) member of the Committee should have accounting or related financial and/or risk management experience.
- 7.3 Where the desirable accounting or related financial and/or risk management experience cannot be attained from the elected members, membership to the Committee may be extended to one (1) independent external member.
- 7.4 Independent external members (if required) will be selected based on the following criteria:
- 7.4.1 A suitably qualified person with demonstrated high level of expertise and knowledge in financial management, risk management, governance and audit (internal and external);
 - 7.4.2 Understanding of the duties and responsibilities of the position; ideally with respect to local government financial reporting and auditing requirements;
 - 7.4.3 Strong communication skills; and
 - 7.4.4 Relevant skills and experience in providing independent expert advice.
- 7.5 An independent external member will be a person with no operating responsibilities with the Council nor will that person provide paid services to the Council either directly or indirectly.
- 7.6 Appointment and re-appointment of independent external members shall be made by Council after consideration of the CEO's recommendation. The applications of independent external members will be sought through an open and transparent Expression of Interest process. The evaluation of potential members will be reviewed by the CEO and Deputy CEO, with appointments to be approved by the Audit & Risk Committee and Council. Appointments will be for a maximum term of two (2) years and align with the biennial Council election cycle. Independent external members will not be appointed for more than three (3) consecutive terms.
- 7.7 Independent external members will be required to complete a confidentiality agreement and confirm that they will operate in accordance with the Council's Code of Conduct.
- 7.8 The Council may by resolution terminate the appointment of any independent external member prior to the expiry of his/her term if:
- 7.8.1 The Committee by majority determines that the member is not making a positive contribution to the Committee; or
 - 7.8.2 The member is found to be in breach of the Council's Code of Conduct or a serious contravention of the Local Government Act 1995; or

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- 7.8.3 A member's conduct, action or comments brings the Council into disrepute.
- 7.9 Reimbursement of approved expenses may be paid to the independent external member in accordance with the Local Government Act Section 5.100.
- 7.10 New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities. The Deputy Chief Executive Officer will undertake a formal induction process for new members to the Committee at the first Committee meeting post-election.
- 7.11 Membership is prescribed by the Local Government Act 1995 Section 7.1A.
- 7.12 Specific membership of the Audit and Risk Committee are outlined in sections 5.10 and 5.11 of the *Local Government Act 1995*.
- 8 PRESIDING MEMBER
- 8.1 The CEO or delegated nominee will preside until the position of Presiding member is filled in accordance with Schedule 2.3 clause 3 of the *Local Government Act 1995*.
- 8.2 The Committee shall appoint a Presiding Member and Deputy Presiding Member to conduct its business in accordance with the following provisions of Section 5.12 of the *Local Government Act 1995*.
- 8.3 The Presiding Member shall ensure that business is conducted in accordance with the Shire of Dardanup Standing Orders and that minutes of the proceedings are kept in accordance with Section 5.22 of the *Local Government Act 1995*.
- 8.4 The Deputy presiding member has the following functions as per section 5.13 of the *Local Government Act 1995*.
- 8.5 A presiding member is to be chosen from the committee members present at the meeting if the presiding member or deputy presiding member are unavailable or unwilling to perform the functions of the presiding member in accordance with Section 5.14 the *Local Government Act 1995*.
- 8.6 The presiding member plays an important role in leading and guiding discussions at committee meetings. The presiding member shall have the right interpersonal skills to guide discussions on complex and sensitive matters.
- 8.7 To maintain independence and a Committee that is free of undue or improper influence, the presiding member shall not be the Shire President. The Shire President will Chair the Ordinary Council Meetings where the Committee meeting minutes will be confirmed.

9 MEETINGS

~~9.1 As there are no power or duty delegated to the committee the meetings are not open to the public.~~

9.1 In accordance with Section 5.23 of the Local Government Act 1995 the meetings will be generally open to the public as the Committee has a power or duty that has been delegated by Council (refer part 11).

9.2 The Committee shall meet on a quarterly basis, with a minimum of **4 meetings** per year, dates to be resolved by the Committee but generally March, June, September and December.

9.3 Notice of meetings including an agenda shall be given to members at least **5 days** prior to each meeting.

9.4 The Presiding member shall ensure that detailed minutes of all meetings are kept and shall, not later than **5 days** after each meeting, provide the members and Council with a copy of such minutes.

9.5 The minutes of the meeting are to be included in the next available Ordinary meeting of Council agenda for consideration of recommendations or to be received by the Council.

9.6 All members of the Committee shall have one vote. If the vote of the members present are equally divided, the person presiding is to cast a second vote.

9.7 Shire of Dardanup Local Law Standing Orders apply to all Shire of Dardanup committees.

10 QUORUM

10.1 Quorum for a meeting shall be at least 50% of the number of offices, whether vacant or not. A decision of the Committee does not have effect unless it has been made by a simple majority.

[Note: Council may, at the request of the Committee, agree to set the quorum at a lesser number. However in such circumstances any recommendation on expenditure of monies or on forming policy positions that is being made to Council or the CEO, the committee must have at least 50% of the members present to make a valid recommendation/s.]

11 DELEGATED POWERS

~~11.1 The Committee has no specific powers under the Local Government Act and is to advise and make recommendations to Council only.~~ Pursuant to section

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5.17 of the Act, the Committee is delegated the power to conduct the formal meeting with the Auditor required by Section 7.12(A)(2) on behalf of the local government.

11.2 In all other matters, Committee recommendations shall not be binding on Council and must be endorsed by Council to take effect.

11.3 The Council reserves the right to delegate powers to the committee if circumstances require delegation. The Delegation shall be recorded in the Council minutes prior to the delegation being exercised.

12 TERMINATION OF COMMITTEE

Termination of the Committee shall be:

12.1 In accordance with the Local Government Act 1995; or

12.2 At the direction of Council; or

12.3 On the specified date.

13 AMENDMENT TO THE INSTRUMENT OF APPOINTMENT AND DELEGATION

13.1 This document may be altered at any time by the Council on the recommendation of the Committee, or by direct resolution of Council.

14 COMMITTEE DECISIONS

~~14.1 Committee decisions shall not be binding on Council in any circumstance.~~

Cindy note: refer ToR 11 and delegation 1.1.1 which gives the committee:

~~3. Authority to review and **endorse** the Shire of Dardanup's report on any actions taken in response to an Auditor's report, prior to it being forwarded to the Minister within 3 months after the audit report is received by the Shire of Dardanup. [s.7.12A(4)].~~

14.2 The decisions of the Audit and Risk Committee is to be by simple majority in accordance with Section 7.1C of the *Local Government Act 1995*.

15 HISTORY OF COUNCIL RESOLUTION ESTABLISHING THE COMMITTEE

15.1 The Audit and Risk Committee was established by Resolution of the Shire of Dardanup Council on 23 October 2019.

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16 OFFICER(S) RESPONSIBLE FOR MANAGEMENT OF THE COMMITTEE

- 16.1 The Chief Executive Officer shall appoint an officer relative to the Committee's Terms of Reference to manage the committee. In normal circumstances this is the Deputy Chief Executive Officer / Director Corporate & Governance.
- 16.2 The appointed officer shall provide the secretarial and administrative support through his/her Directorate.

17 CONFIRMATION OF RESPONSIBILITIES AND REVIEW OF ToR's

- 17.1 The Committee will confirm annually that all responsibilities outlined in this ToR have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.
- 17.2 Every two (2) years the Terms of Reference shall be reviewed by the Committee.

18 BIENNIAL INDEPENDENT ASSESSMENT OF COMMITTEE PERFORMANCE

- 18.1 An independent external assessment of the Committee is undertaken at least once in every two (2) years. This assessment may be included in the scope of audit for the Governance Health and Financial Sustainability Review.

19 ANNUAL WORK PLAN

- 19.1 A forward annual work plan will be agreed by the Committee each year. The forward annual work plan will cover all Committee responsibilities as detailed in this ToR.
- 19.2 An example of the Annual Work Plan is provided in Appendix A.

APPENDIX A

AUDIT AND RISK COMMITTEE – XXXX ANNUAL WORK PLAN				
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	XX XX	XX XX	XX XX	XX XX
1. Committee Operation				
Biennial review of the Charter (Terms of Reference)				
Agree on the annual work plan; and set priority areas for the coming year				
Recruitment of an external member to the committee (if required)				
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period				
New members are briefed on their appointment to assist them to meet their Committee responsibilities.				
Appointment of Presiding Member and Deputy Presiding Member				
2. Risk Management				
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness (report next Due: XX-XX-XXXX)				
Receive the biannual dashboard report				
3. Legislative Compliance				
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review				
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar)				
4. Internal Audit				
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit				
5. Financial Reporting				
Consider and recommend adoption of the Annual Financial Report to Council				
6. External Audit (OAG)				
To meet with the auditor, once in each year and provide a report to Council on the matters discussed and outcome of those discussions				

(Appendix ORD: 12.21B)

AUDIT AND RISK COMMITTEE – XXXX ANNUAL WORK PLAN				
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	XX XX	XX XX	XX XX	XX XX
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses				
Examine the reports of the auditor to – i.) determine if any matters raised require action to be taken by the local government; and ii.) ensure that appropriate action is taken in respect of those matters				
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.				
7. Regulation 17 Triennial Review (report next Due: XX-XX-XXXX)				
To consider the CEO's triennial review on risk management, internal control and legislative compliance				
Set the action plan arising from auditor recommendations from the Regulation 17 review				
Receive an update on the action plan arising from auditor recommendations from the Regulation 17 review				
8. Financial Management Systems Triennial Review (report next Due: XX-XX-XXXX)				
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review				
Set the action plan arising from auditor recommendations from the Financial Management Systems Review				
Receive an update on the action plan arising from auditor recommendations from the Financial Management Systems Review				
9. Governance Health and Financial Sustainability Biennial Review (report next Due: XX-XX-XXXX)				
To consider the CEO's biennial Governance Health and Financial Sustainability Review, and				

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AUDIT AND RISK COMMITTEE – XXXX ANNUAL WORK PLAN				
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	XX XX	XX XX	XX XX	XX XX
report to the Council the results of that review				
Set the action plan arising from auditor recommendations from the Governance Health and Financial Sustainability Review				
Receive an update on the action plan arising from auditor recommendations from the Governance Health and Financial Sustainability Review				
Undertake an independent external assessment of the Committee at least once in every three years. This assessment may be included in the scope of audit for the Governance Health and Financial Sustainability Review				
10. Information Systems Security Audit (report next Due: XX-XX-XXXX)				
Receive the audit report arising from the 2 yearly Information Systems Security Audit				
Set the action plan arising from the recommendations from the Information Systems Security Audit				
Receive an update on the action plan arising from the recommendations from the Information Systems Security Audit				




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INTERNAL AUDIT STRATEGIC PLAN

2020/21 – 2022/23



(Appendix ORD: 12.21C)

Document Control					
Document ID: Internal Audit Strategic Plan					
Rev No	Date	Revision Details	Author	Approver	Adopted
1.0	01/07/2019	Original plan created and adopted	Cindy Barbetti / Phil Anastasakis	Phil Anastasakis	14-08-2019
2.0	23/06/2020	Annual update of plan	Cindy Barbetti / Phil Anastasakis	Phil Anastasakis	

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INTRODUCTION

The primary purpose of the Shire of Dardanup's Internal Audit Plan is to align its focus and activities on the Council's key internal risks. The Internal Audit functional planning framework consists of two key elements:

- an Internal Audit Strategic Plan with a three year outlook that relates the role of internal audit to the requirements of the Council by outlining the broad direction of internal audit over the medium term, in the context of all the Council's assurance activities; and
- an Internal Audit Annual Work Plan which includes an Internal Audit Annual Work schedule.

Together, these plans serve the purpose of setting out, in strategic and operational terms, the broad roles and responsibilities of Internal Audit and identify key issues relating to internal audit capability, such as the required professional skills.

This Annual Work Plan covers a financial year in line with the Council's annual budgeting and planning cycle and specifies the proposed internal audit coverage within the financial year.

It is reviewed annually by the Deputy CEO in line with the presentation of the annual financial report audit to the Audit and Risk Committee.

INTERNAL AUDIT ACTIVITIES OVERVIEW

It is important that internal audit has a predominant focus on the conduct of assurance and advisory activities. Nevertheless, audit support activities are also important activities generally undertaken by Internal Audit.

The relative proportion of resources devoted to audit support activities, compared with audit assurance and advisory activities, is an important matter for consideration by the Audit and Risk Committee when considering Internal Audit plans and budgets.

It is important to note that the smaller the size of the in-house Internal Audit team, the greater the proportion of the audit support activities will be.

Internal Audit conducts the following **audit support activities** which are generally non-discretionary:

- Internal Audit strategic and operational planning;
- Internal Audit functional and administrative reporting;
- Monitoring the implementation of audit recommendations made by Internal Audit and the External Auditor;

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- Liaison with the External Auditor;
- Internal Audit Quality Assurance and Improvement Program;
- Performing any appropriate special tasks or projects requested by the Deputy CEO, CEO or the Audit and Risk Committee; and
- Disseminating better practice and lessons learnt arising from the internal audit activities across local government.

The Internal Audit **assurance activities** include engagements with the following orientation:

- **Financial**
 - Auditing the financial statements of externally funded grants including research, capital and other special purpose grants/programs; and
 - Auditing the special purpose financial statements of discrete business operations such as Eaton Recreation Centre.

In performing financial statement audits, Internal Audit typically provides an audit opinion and a reasonable level of assurance to parties outside the Council, depending on the purpose for which the financial statements are prepared.

- **Compliance**
 - Compliance has traditionally been a focus area for Internal Audit activities. The objective of a compliance engagement is to enable Internal Audit to express an opinion on whether the Council or an organisational area has complied in all material aspects, with requirements as measured by the suitable criteria which include:
 - Federal and State legislation and regulatory requirements;
 - Federal and State Government policies and administrative reporting guidelines;
 - Council policies, procedures and Code of Conduct;
 - contracts to which the Council is a party;
 - strategic plans, or operational programs;
 - ethics related objectives and programs; and
 - other standards and good practice control models.
- **Performance (improvement)**
 - Performance (improvement) engagement is designed to assess the economy, efficiency and effectiveness of the Council's business systems and processes.

A compliance or performance (improvement) engagement is conducted either as an audit, which provides reasonable assurance, or as a review, which provides limited assurance.

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For all assurance activities, Internal Audit observes, where applicable, the professional practice guidelines or statements issued by relevant professional bodies, including (but not limited to):

- CPA Australia; and
- Chartered Accountants Australia and New Zealand;

The Internal Audit **advisory activities** are to provide objective and relevant review services or ad hoc advice to management without assuming management responsibility.

The Deputy CEO considers accepting proposed review engagements based on the engagement's potential to improve the management of risks, add value, and improve the Council's operations.

Internal Audit applies the principle that issue prevention activities are more beneficial and could be more cost-effective than issue detection activities. Accordingly, Internal Audit acts proactively in providing ad hoc advice to utilise its control and risk evaluation skills in preventing control weaknesses and breakdowns by providing ad hoc advice to the Council's management on a range of matters, including:

- development of new programs and processes;
- risk management; and
- fraud control.

The percentages of Internal Audit effort to conduct audit support, assurance and advisory activities will fluctuate over the years depending on the Council's assurance needs and the Internal Audit's operational needs and priorities such as system, process, and staff professional development requirements. This is monitored by the Audit and Risk Committee.

METHODOLOGY

Internal Audit adopts a **risk based methodology**. The planning at both the functional and engagement levels is based on the risk assessment performed to ensure that it is appropriate to the size, functions and risk profile of the Council.

In order to provide optimal audit coverage to the Council and minimise duplication of assurance effort, due consideration is given to the following aspects:

- key Council business risks;
- any key risks or control concerns identified by management;
- assurance gaps and emerging needs; and
- scope of work of other assurance providers, internal and external.

Internal Audit maintains an open relationship with the external auditor and other assurance providers.

INTERNAL AUDIT COVERAGE PRIORITISATION

During each financial year, the Internal Audit coverage will have a different focus depending on the Council's current risk profile and assurance needs. The Internal Audit coverage is categorised into the following broad groups. The order in which these are listed is in line with the current priority given to each group based on the risk assessment.

1. **Annual audits** to review key areas of financial, operational, and human resources across the whole Council. This group of engagements are treated as first priority audits to meet the external reporting and compliance obligation of the Council, which can include:
 - a. Grant Audits;
 - b. Direct assistance to external audit by performing audit or review procedures under the direction of the external auditor; such activities customarily include the following engagements:
 - i. Salaries Audit;
 - ii. Expenditure Audit;
 - iii. Revenue Audit; and
 - iv. Follow up on audit recommendations made by the external auditor.
2. Audits of **high risk areas/systems** where the controls are considered to be effective, however, independent assurance is required to ensure that the controls are in fact operating as intended;
3. Audits that review particular topics **across the whole Council** – such as supplier selection and WHS management framework. This group of engagements are aimed at addressing systemic risks;
4. Audits that review **particular processes/activities** owned by a particular Directorate or Divisions such as gym membership; and
5. Consultancy/ad hoc advice on new systems, processes and initiatives.

A small contingent time budget may be set aside to accommodate ad hoc or special requests, particularly those from the CEO and the Audit and Risk Committee.

OBJECTIVE

Engagement objectives are broad statements developed by Internal Audit that define intended engagement accomplishments. This is largely informed by the identified risks and assurance needs of the Council upon commencing of an engagement. Internal Audit provides opportunities for auditees to have input in formulating audit objective(s). For high risk audits, Internal Audit also seeks the CEO's endorsement of the audit objective(s).

Engagement scope is driven by:

- the determined objectives; the broader the objectives, the wider the audit scope; and
- the level of assurance required; an "audit" provides a reasonable level of assurance and requires wider scope than that for a "review" which provides limited level of assurance.

RESPONSIBILITIES

The Internal Audit program is to be undertaken by the Shire of Dardanup Compliance Officer, with oversight by the Deputy CEO and assistance of other Council staff when required or available.

Council staff involved with the Internal Audit program will have access to all areas of the Shire of Dardanup operations, including correspondence, files, accounts, records and documents as is necessary to perform the duties of the role, except those items that are noted as confidential and/or personal. Access to material noted as confidential and/or personal will only be provided upon request by the CEO.

Council staff involved with the Internal Audit program will conduct their reviews based on the methodology and internal audit coverage prioritization contained within the Internal Audit Plan, and report on the outcome of this review. Where it is reported that problems exist, corrective action will be recommended and followed through for action, ensuring that resources are directed towards areas of highest risk.

The Shire of Dardanup Internal Audit Plan will be reviewed and assessed on an annual basis. The Internal Audit Plan may be adjusted as a result of receiving requests to undertake special advisory services to conduct reviews that do not form part of the structured plan.

At the conclusion of each internal audit a report on the outcome will be forwarded to the Deputy CEO. This report will outline what auditing actions were actually taken, provide recommendations for corrective action as required, monitoring and reporting on the corrective actions undertaken.

AUDITOR GENERAL REPORTS

The Local Government Amendment (Auditing) Act 2017 was proclaimed on 28 October 2017. The purpose of the Act was to make legislative changes to the Local Government Act 1995 to provide for the auditing of local governments by the Auditor General.

The Act also provides for a new category of audits known as 'performance audit reports' which examine the economy, efficiency and effectiveness of any aspect of a local governments operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases 'guides' to help support good governance within a local government's operations.

The Auditor General encourages all entities, not just those audited, to periodically assess themselves against the risks and controls noted in each of the performance audit reports and guides when published. Testing performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be further viewed as a vital component of the internal audit function under Regulation 17.

INTERNAL AUDIT ANNUAL WORK PLAN

INTERNAL AUDIT ANNUAL WORK SCHEDULE 2020 - 2021					
PROJECT	TYPE	RISK RATING	BUDGET DAYS	DATE	RESOURCES
Procurement	Assurance – Performance (Improvement) Review	Moderate - High	6 months	August 2020 to February 2021	Compliance Officer
Receipting Petty Cash	Assurance - Financial; Compliance	Low	5	March 2021	Compliance Officer
Rating Rates Levied	Assurance - Financial; Compliance	Moderate	12	April 2021	Compliance Officer
Payables Creditors	Assurance - Financial; Compliance	Moderate	10	May 2021	Compliance Officer
Law Enforcement ZooData Ranger Infringements	Assurance - Financial; Compliance	Moderate	7	June 2021	Compliance Officer

ANNUAL AUDIT REVIEW 2020 - 2021

The 2020-2021 Internal Audit Plan will conduct an audit review of 5 areas of the Shire of Dardanup operations:

Procurement

Performance (Improvement) Review

- Tender Scheduling
- Preferred Supplier Panel
- Templates and Forms
- Procurement Toolkit (Intranet)

Receipting – Petty Cash

Internal Controls
Transaction Verification
Authorising Process
Processing
Compliance
Payments

Rating – Rates Levied

Internal Controls
Transaction Verification
Authorising Process
Processing
Compliance

Payables – Creditors

Internal Controls
Transaction Verification
Authorising Process
Processing
Compliance
Payments

Law Enforcement – ZooData Ranger

Infringements

Internal Controls
Transaction Verification
Authorising Process
Processing
Compliance
Payments

All audit assessment areas above will initially have 4 tests, this testing may be extended if areas of concern are noted.

TEMPLATE – INTERNAL AUDIT ASSESSMENT AND RESPONSE SUMMARY

SHIRE OF DARDANUP – INTERNAL AUDIT ASSESSMENT AND RESPONSE SUMMARY		
Prepared by Date Audit Focus Area		
ASSESSMENT	OBJECTIVES MET Yes/No/NA	COMMENTS
C1 Internal Controls C1.1 Ownership C1.2 Comprehensive Written Procedures C1.3 Confirm Staff Aware of Procedures C1.4 Confirm Staff Follow Procedures		
C2 Transaction Verification		
C3 Authorising Process		
C4 Processing		
C5 Compliance		
C6 Payments		
Reviewed by Date Signed		

