



MINUTES

Audit Committee Meeting

24 March 2021

Shire of Victoria Plains
Council Chambers, Calingiri
AND
via E-Meeting Protocol

Commencing – 11.13am

DISCLAIMER:

The recommendations contained in this document are officers' recommendations only and should not be acted upon.

The decisions of the Committee are not considered final until the minutes of the Committee meeting are adopted by Council at a subsequent meeting or advised in writing by the CEO or authorised person.

Members of the public should also note that they act at their own risk if they enact any resolution prior to receiving official written notification.

Please note that meetings may be recorded for minute taking purposes.

E – Disclaimer

It is the Presiding Member's responsibility to preserve order in the meeting and this can be more difficult in an eMeeting. Therefore, each Council Member must consistently and respectfully follow the Local Government's Meeting Procedures Local Law, any additional eMeeting guidance provided by the Local Government and support the Presiding Member in their conduct of the eMeeting.

The pace of an eMeeting should be slow and orderly. The following practices will help avoid confusion and support effective eMeetings:

Speak clearly and slowly, as connections may be distorted or delayed;

Always state your name to indicate to the Presiding Member that you wish to speak. Restate your name if the Presiding Member has not heard you at first;

In debate, only speak after the Presiding Member has acknowledged you. Then state your name, so that others know who is speaking;

Follow the Presiding Member's directions and rulings;

If you are unclear about what is happening in an eMeeting, immediately state your name to draw the Presiding Member's attention and enable you to then seek clarification from the Presiding Member;

Avoid looking for opportunities to call Points of Order; instead, politely and respectfully gain the Presiding Member's attention and explain any deviation from your Meeting Procedures, the Local Government Act or any other relevant matter.

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Minutes

Shire of Victoria Plains Audit Committee Meeting

Held in the Council Chambers and via E-meeting protocol, Cavell Street, Calingiri
on Wednesday 24 March 2021 commencing at 11.13am.

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1. DECLARATION OF OPENING

1.1 Opening

The Shire President declared the meeting open at 11.13am welcoming Committee Members, Elected members and staff.

1.2 Announcements by Presiding Member

Nil

2. RECORD OF ATTENDANCE

Members Cr P Bantock - Shire President and Committee Member
 Cr J King – Elected Member / Committee Member
 Mr Gary McGill – Committee Member
 Ms Lou Witham – Committee Member

Staff CEO – Ms G Teede
 Governance Officer – Mr S Fletcher
 Minute Taker – Mrs J Klobas

Apologies Cr S Penn

Approved leave of absence Nil

Visitors Nil

Members of the public N/A

3. DISCLOSURES OF INTEREST

	Type	Item	Person / Details
3.1	Financial		Nil
3.2	Proximity		Nil
3.3	Impartiality		Nil

4. PUBLIC QUESTION TIME

Not required – Committee has no delegated authority

5. CONFIRMATION OF MINUTES**VOTING REQUIREMENTS**

Absolute Majority Required: No

2003-01	Committee Recommendation
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Moved: Mr G McGill

Seconded: Ms L Witham

That the Minutes of the Audit Committee Meeting held 25 November 2020 as circulated, be confirmed as a true and correct record with update from Mr G McGill to include amendment of initial from I. McGill to G. McGill on pages 22, 31, 35 and 38 and to update the commencement time of the meeting on page 5 to from 10.00am to 10.02am.

CARRIED BY UNANIMOUS DECISION OF THE COMMITTEE

6. REPORTS REQUIRING DECISION**6.1 Compliance Audit Return 2020**

File reference	
Report date	17 March 2020
Applicant/proponent	Department of Local Government, Sport and Cultural Industries
Officer disclosure of interest	Nil
Previous meeting references	
Prepared by	Sean Fletcher, Interim Governance Officer
Authorised by	CEO
Attachments	
Attachment 1	Page
	SoVP CAR 2020

PURPOSE

As per the Local Government (Audit) Regulations, this item regarding the Compliance Audit Return 2020 is presented to the Audit Committee to make appropriate recommendations to Council.

BACKGROUND

It is a requirement of all local governments to complete the Compliance Audit Return by 31 March for the preceding calendar year and submit it to the Department of Local Government, Sports and Cultural industries as part of its regulatory obligations.

COMMENT

The Compliance Audit Return has been completed for the 2020 year and is submitted for review.

Audit Findings

The Author reviewed the practices and procedures of the administration, as required under the CAR (Attachment 1). The following is a summary of the audit findings and suggested course of action for non-compliant actions regarding the CAR for 2020:

Subject	Page	Question of Non-Compliance	Finding
Commercial Enterprises by Local Government			
5 questions	1	N/A	Background SoVP did not undertake any such activity for 2020.
Delegation of Power or Duty			
13 questions	2	13	In the CAR for 2019, there were 4 non-

		<p>compliant questions. In the CAR for 2020, there is one such instance.</p> <p>Background Section 5.46(3) and Admin Reg 19 requires all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19.</p> <p>The Departmental Guideline regarding Delegations states that:</p> <p>“This provision does not necessarily require the keeping of a register and other efficient record keeping practices would be sufficient. However, it is recommended that such systems provide for accessible accountability of the performance of these tasks.”</p> <p>In the CAR for 2019 regarding the same question it was reported that: the CEO to implement appropriate practices for the recording of the use of delegations:</p> <ul style="list-style-type: none"> • Within the Shire’s Record Keeping System including appropriate systems and files; • To report to Council in the CEO report each month when her delegations were used. <p>Neither of these actions have been undertaken. However, the Shire has made substantial inroads in the review and implementation of its new record keeping process. Discussion has also been had that the CEO is to start providing a list of when her delegations are used in her CEO briefing report to Council.</p> <p>CAR Comment/Action The Shire is in the process of improving its record keeping system and processes.</p>
Disclosure of Interests		
21 questions	2	<p>Background For 2019, there were no matters of non-compliance. However, for 2020, there are</p>

			4.
	3	5	CAR Comment/Action One elected member submitted their annual return on 10 September 2020. The matter has yet to be reported.
	3	9	CAR Comment/Action Primary and Annual returns for past elected members and staff returns were not removed from their respective registers. Returns have now been removed.
	3	10	CAR Comment/Action Although the returns had not been removed as required, they have still been kept for five years. They have now been placed in the appropriate file. See Q9.
	3	13	Background Former elected members and staff are required to be removed from the gift register. This has not been undertaken, if at all. CAR Comment/Action This will be actioned when the new gift register is implemented. The new register will now only apply to elected members and the CEO. Travel is no longer a separate component.
	4	14	Background Records of removed persons from the gift register need to be kept for at least 5 years. This has not been done. Action This will be down once the old gift register is removed from the Shire's website.
Disposal of Property			
2 questions	4	N/A	Background No matters of non-compliance.
Elections			
3 questions	5		Background For 2019 there were no matters of non-compliance. For 2020 there are 3 matters of non-compliance.
	5	1	CAR Comment/Action

			<p>It would appear an electoral gift register was not established previously on the Shire's website.</p> <p>There were no elections held in 2020.</p>
	5	2	<p>Background</p> <p>It is unknown if disclosure of gift forms for former elected members and unsuccessful candidates were removed from the electoral gift register and retained those for at least 2 years.</p> <p>CAR Comment/Action</p> <p>Unknown, as it would appear that there has not been an electoral gift register in place on the Shire's website.</p>
	5	3	<p>Background</p> <p>An up-to-date version of the electoral gift register is required to be kept on the Shire's website, even if it contains no information.</p> <p>CAR Comment/Action</p> <p>An electoral gift register has now been implemented on the Shire's website.</p>
Finance			
11 questions	5	Q5-Q9 and Q11	<p>Background</p> <p>For 2019, there were 2 matters of non-compliance. For 2020, there are 6 such matters. However, each of these matters of non-compliance were due to delays regarding the introduction of the changes to the Financial Management Regulations concerning the valuation of certain assets for financial reports. COVID-19 has also had an impact regarding resourcing and travel.</p> <p>CAR Comment/Action</p> <p>The OAG has advised that the main reason for the delay in finalising the Shire's 2019/2020 Audit was due to the State Government not finalising the changes to the Financial Management Regulations concerning the valuation of certain assets for financial reports. COVID-19 has also had an impact regarding resourcing and travel.</p>

Integrated Planning and Reporting			
3 questions	6	N/A	Background Compliant.
Local Government Employees			
6 questions	7	N/A	Background Compliant.
Official Conduct			
4 questions	7		Background Compliant for 2019. For 2020, there are two matters of non compliance.
	7	2	Background The CEO is required to keep in place a register that states the <u>findings</u> of the Standards Panel where an action is required in response to minor misconduct. The register was not in place prior to March 2021. CAR Comment/Action This was not in place prior to 2021. See Q4.
	7	4	Background An up to date complaints register regarding minor misconduct findings by the Standards Panel that requires an action was not on the Shire's website previously. Action The complaints register is now in place on the Shire's website. The register is blank as there are no such matters regarding the Standards Panel.
Optional Questions			
10 questions	8		Background The questions raised in 2019 were compliant. For 2020, There are 3 matters of non-compliance
	8	1	CAR Comment/Action It is unclear when the last financial management systems review was last conducted. Arrangements have been put in place for this to be conducted in the first half of 2021.
		5	CAR Comment/Action

			The Shire has not developed an events policy for council members and the CEO. This will be developed by 30 June 2021
		6	CAR Comment/Action Because the events policy is not in place, it has not been possible to publish an up-to-date version on the Shire's website. See Q5.
Tenders for Providing Goods and Services			
24 questions	9		Background For 2019, there were 4 matters of non compliance. For 2020, there is one matter of non compliance.
	10	11	CAR Comment/Action For one tender, written notice was only issued to the successful tenderer. Tender procedures have been developed to assist manage the tender process going forward

For 2019, there were 12 matters of non-compliance. For 2020, there are 20 matters of non-compliance ($20/104 = 81\%$ compliance). However, six of these matters were due to the State Government introducing last minute changes to the Financial Management Regulations in late 2020. This meant the audit process was held up while the new requirements were assessed in terms of local government audits.

However, the issues outstanding of concern are:

- Better recording of when delegations are used. Although this is of concern as this was a suggested correction for 2019, the Shire has commenced major improvements to its record keeping system during 2020/2021 which will make obtaining such records easier. Also, the Office Manager has now sourced a suitable template for use regarding the reporting of when delegations are used.
- A new gift register for elected members and the CEO only is required to be developed and implemented;
- There is no events policy in place regarding the elected members and the CEO. This is a requirement and must be done as soon as practicable (30 June 2021).

Note: Advice has been provided in a separate report to the CEO regarding the serious breach for non-submission of an annual return by an elected member. This is a confidential matter.

CONSULTATION

CEO

Office Manager

STATUTORY CONTEXT

Local Government (Audit) Regulations 1996 –

- r.14 – Compliance Audit Return to be reviewed by Audit Committee and report to Council;

- r.15 – once considered by Council, the Return is to be signed by the President and CEO and lodged with the Department by 31 March.

CORPORATE CONTEXT

Strategic Community Plan

Civic Leadership		<i>to better allocate scarce resources and effectively interact with the community</i>
5.1	Implement measures to improve relationship and communication between Council and community	<ul style="list-style-type: none"> • <i>Implementation of initiatives to better connect Council with the community and associated matters.</i>
5.2	Improve elected member performance	
5.3	Develop an advocacy and lobbying capacity	
5.4	Measures to improve organisational efficiency	

Corporate Business Plan

- 5.4.3 Maintain controls to promote a high level of legislative compliance throughout the organisation

Risk Management (Risk Governance Framework)

The CAR is a key mechanism regarding the compliance of the Shire. Failing to complete the CAR by the due date and failing to action the matters of non-compliance opens the Shire up to further risk regarding its operations and investigation by the Department of Local Government.

Consequence	Consequence Rating:	Likelihood Rating:	Risk Rating	Risk Acceptance/ Controls	Mitigation and Outcome
Non - compliance Not conducting CAR by 31 Mar. Not addressing actions of non-compliance	Extreme (5) Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire/Officers	Likely (4) Probably occur in most circumstances At least once per year	Extreme (20)	CEO & Council (Audit Committee) Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring Adequate: There is scope for some	The CAR 2020 has been completed by the due date. Most actions have been completed. The CEO to update the Audit Committee on progress of outstanding items. Councillors and Committee Members to ensure they comply with new Code of Conduct Regulations re keeping informed (understanding reports) and undertaking training and development

				improvement	The above will, over time, ensure that the risk is maintained as Moderate/Low
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FINANCIAL IMPLICATIONS

Nil

VOTING REQUIREMENTS

Absolute Majority: No

2003-02 Officer's Recommendation / Committee Recommendation**Moved: Ms L Witham****Seconded: Cr J King**

That the Audit Committee in accordance with Regulation 14 of the *Local Government (Audit) Regulations 1996* has reviewed the Compliance Audit Return 2020 and reports to Council the following:

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5 questions	1	N/A	Background SoVP did not undertake any such activity for 2020.
Delegation of Power or Duty			
13 questions	2	13	<p>In the CAR for 2019, there were 4 non-compliant questions. In the CAR for 2020, there is one such instance.</p> <p>Background Section 5.46(3) and Admin Reg 19 requires all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19.</p> <p>The Departmental Guideline regarding Delegations states that:</p> <p>"This provision does not necessarily</p>

			<p>require the keeping of a register and other efficient record keeping practices would be sufficient. However, it is recommended that such systems provide for accessible accountability of the performance of these tasks.”</p> <p>In the CAR for 2019 regarding the same question it was reported that: the CEO to implement appropriate practices for the recording of the use of delegations:</p> <ul style="list-style-type: none"> • Within the Shire’s Record Keeping System including appropriate systems and files; • To report to Council in the CEO report each month when her delegations were used. <p>Neither of these actions have been undertaken. However, the Shire has made substantial inroads in the review and implementation of its new record keeping process. Discussion has also been had that the CEO is to start providing a list of when her delegations are used in her CEO briefing report to Council.</p> <p>CAR Comment/Action The Shire is in the process of improving its record keeping system and processes.</p>
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	3	5	<p>CAR Comment/Action One elected member submitted their annual return on 10 September 2020. The matter has yet to be reported.</p>
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	3	10	<p>CAR Comment/Action</p>

			Although the returns had not been removed as required, they have still been kept for five years. They have now been placed in the appropriate file. See Q9.
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Elections			
3 questions	5		<p>Background For 2019 there were no matters of non-compliance. For 2020 there are 3 matters of non-compliance.</p>
	5	1	<p>CAR Comment/Action It would appear an electoral gift register was not established previously on the Shire's website.</p> <p>There were no elections held in 2020.</p>
	5	2	<p>Background It is unknown if disclosure of gift forms for former elected members and unsuccessful candidates were removed from the electoral gift register and retained those for at least 2 years.</p> <p>CAR Comment/Action Unknown, as it would appear that there has</p>

			not been an electoral gift register in place on the Shire's website.
	5	3	<p>Background</p> <p>An up-to-date version of the electoral gift register is required to be kept on the Shire's website, even if it contains no information.</p> <p>CAR Comment/Action</p> <p>An electoral gift register has now been implemented on the Shire's website.</p>
Finance			
11 questions	5	Q5-Q9 and Q11	<p>Background</p> <p>For 2019, there were 2 matters of non-compliance. For 2020, there are 6 such matters. However, each of these matters of non-compliance were due to delays regarding the introduction of the changes to the Financial Management Regulations concerning the valuation of certain assets for financial reports. COVID-19 has also had an impact regarding resourcing and travel.</p> <p>CAR Comment/Action</p> <p>The OAG has advised that the main reason for the delay in finalising the Shire's 2019/2020 Audit was due to the State Government not finalising the changes to the Financial Management Regulations concerning the valuation of certain assets for financial reports. COVID-19 has also had an impact regarding resourcing and travel.</p>
Integrated Planning and Reporting			
3 questions	6	N/A	<p>Background</p> <p>Compliant.</p>
Local Government Employees			
6 questions	7	N/A	<p>Background</p> <p>Compliant.</p>
Official Conduct			
4 questions	7		<p>Background</p> <p>Compliant for 2019. For 2020, there are two matters of non compliance.</p>

	7	2	<p>Background</p> <p>The CEO is required to keep in place a register that states the <u>findings</u> of the Standards Panel where an action is required in response to minor misconduct. The register was not in place prior to March 2021.</p> <p>CAR Comment/Action</p> <p>This was not in place prior to 2021. See Q4.</p>
	7	4	<p>Background</p> <p>An up to date complaints register regarding minor misconduct findings by the Standards Panel that requires an action was not on the Shire's website previously.</p> <p>Action</p> <p>The complaints register is now in place on the Shire's website. The register is blank as there are no such matters regarding the Standards Panel.</p>
Optional Questions			
10 questions	8		<p>Background</p> <p>The questions raised in 2019 were compliant. For 2020, There are 3 matters of non-compliance</p>
	8	1	<p>CAR Comment/Action</p> <p>It is unclear when the last financial management systems review was last conducted. Arrangements have been put in place for this to be conducted in the first half of 2021.</p>
		5	<p>CAR Comment/Action</p> <p>The Shire has not developed an events policy for council members and the CEO. This will be developed by 30 June 2021</p>
		6	<p>CAR Comment/Action</p> <p>Because the events policy is not in place, it has not been possible to publish an up-to-date version on the Shire's website. See Q5.</p>
Tenders for Providing Goods and Services			
24 questions	9		<p>Background</p> <p>For 2019, there were 4 matters of non compliance. For 2020, there is one matter</p>

			of non compliance.
	10	11	CAR Comment/Action For one tender, written notice was only issued to the successful tenderer. Tender procedures have been developed to assist manage the tender process going forward

CARRIED BY UNANIMOUS DECISION OF THE COMMITTEE

CONFIRMED

6.2 Consideration of the Auditor's Report and the Annual Financial Report (Statements) for 2019-2020

File reference			
Report date			17 March 2020
Applicant/proponent			Audit Committee
Officer disclosure of interest			Nil
Previous meeting references			
Prepared by			Sean Fletcher, Governance Officer
Authorised by			CEO
Attachments			
Attachment 1	Page	13	Independent Auditor's Report (Opinion)
Attachment 2	Page		Management Letter - Confidential
Attachment 3	Page	16	Annual Financial Report (Statements) 2019-2020

PURPOSE

That the Audit Committee considers and advises Council on the:

1. 2019/2020 Auditor's Report regarding its key findings; and
2. 2019-2020 Annual Financial Report (Annual Financial Statements).

BACKGROUND

The Shire is required to receive the audited annual financial statements for the preceding financial year by 31 December each year. However, due to changes to the *Local Government (Financial) Regulations 1996 gazetted* on 6 November 2020, a delay was experienced by the Shire and other local governments as the annual financial statements had to be adjusted accordingly.

Subsequently, the annual financial statements were finalised early February 2021 and the response by the CEO to management letter was issued on 12 February 2021. The President and the CEO then attended an exit meeting with Mr Robert Hall of Butler Settineri, conductor of the audit, prior to 24 February 2021. The Auditor's Report (Attachment 1) was signed off by the Auditor General's delegate on 25 February 2021 and the OAG Transmittal Letters to the President and the CEO and the Management Letter were signed at the same time. These documents were then available on 5 March 2021.

The new regulations regarding the valuation of certain assets for financial reports includes:

- Regulations 17A (1) and (2) replaced to include right of use assets and vested improvements;
- Regulation 17A (3) deleted;
- Regulations 17A (4)(b) amended to reflect revaluation of non-financial assets are now no more than five years, when previously it was 3 – 5 years;
- Regulation 17A (5) was amended re "an asset" was removed and replaced with non-financial asset;
- Other: Regulation 16 deleted. This regulation previously excluded crown land that was a state thoroughfare vested in a local government and certain other land types e.g. vested in the local government;

The new regulations are as follows:

17A. Valuation of certain assets for financial reports

(1) In this regulation —

carrying amount, in relation to a non-financial asset, means the carrying amount of the non-financial asset determined in accordance with the AAS;

fair value, in relation to a non-financial asset, means the fair value of the non-financial asset measured in accordance with the AAS;

right-of-use asset, of a local government, includes the local government's right to use —

- (a) Crown land; or
- (b) other land that is not owned by the local government,

that is vested in the local government at nil or nominal cost for an indefinite period for the purpose of roads or for any other purpose;

vested improvement, in relation to a local government, means a pre-existing improvement on land of which the care, control or management is vested in the local government at nil or nominal cost for an indefinite period.

(2) A local government must show in each financial report for a financial year ending on or after 30 June 2020 —

- (a) the fair value of all of the non-financial assets of the local government that are —
 - (i) land and buildings that are classified as property, plant and equipment; or
 - (ii) investment properties; or
 - (iii) infrastructure; or
 - (iv) vested improvements that the local government controls;

and

- (b) the carrying amount of all of the non-financial assets of the local government that are plant and equipment type assets measured using the cost model in accordance with the AAS; and
- (c) the carrying amount of all of the right-of-use assets of the local government (other than vested improvements referred to in paragraph (a)(iv)) measured using the cost model in accordance with the AAS.

[(3) deleted]

(4) A local government must revalue a non-financial asset of the local government referred to in subregulation (2)(a) —

- (a) whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and
- (b) in any event, within a period of no more than 5 years after the day on which the asset was last valued or revalued.

(5) A non-financial asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5 000.

Under the *Local Government (Audit) Regulations 1996*, the Audit Committee is required to oversee the implementation of the action plan the CEO will take regarding the improvements required for **significant matters**. In line with Departmental *Circular 16-2017* it is suggested that the CEO prepare a report to the Minister. This report will need to go to the Audit Committee first and then to Council for its consideration.

COMMENT

Auditor's Report (Attachment 1)

The Auditor General reports the following:

Significant Matters

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Operating Surplus Ratio as reported in Note 33 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
 - b. The Current Ratio as reported in Note 33 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last two financial years with the current year also being below the previous year.

Comment

Operating Surplus Ratio

The Operating Surplus Ratio matter was also reported for the 2018/2019 and the required report submitted to the Minister for Local Government accordingly.

As per *Local Government Operational Guidelines No18 – Financial Ratios* published by the Department in 2015, The Operating Surplus Ratio measure is described as follows:

A key indicator of a local government's financial performance is measured by the 'Operating Surplus Ratio'. If a local government consistently achieves a positive operating surplus ratio and has soundly based long term financial plans showing that it can continue to do so in future, having regard to asset management and the community's service level needs, then it is considered financially sustainable.

A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

So, this ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. A key solution to this problem would be for the Shire to adhere to key parts of the Integrated Planning and Reporting Framework as outlined in the Strategic Resource Plan (Long Term Financial Plan and Asset Management Plan) as well as perhaps some other things such as improved financial work practices.

Current Ratio

As per *Local Government Operational Guidelines No18 – Financial Ratios* published by the Department in 2015, The Current Ratio measure is described as follows:

Liquidity refers to how quickly and cheaply an asset can be converted into cash. A local government's liquidity is measured by the 'Current Ratio'. This ratio provides information on the ability of a local government to meet its short-term financial obligations out of unrestricted current assets.

Again, the Strategic Resource Plan outlines measures to improve the current ratio.

Material Matters (Significant Risk)

(ii) The following material matters indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:

- a. For approximately 15% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations were obtained to test the market, and no documentation to explain why other quotes were not sought.
- b. For approximately 17% of purchase transactions we sampled, the purchase orders raised were dated after the dates of the corresponding supplier invoices.

These practices increase the risk of fraud or favouritism of suppliers, not obtaining value for money in procurement, and inappropriate or unnecessary purchases.

Comment

The material matters rated as **significant risk** above were raised in the previous audit. Mr Hall has advised the CEO that if this matter occurs for a third time, there will be a formal investigation into this matter.

The Management Letter highlights the following:

1. Purchase orders dated after invoice dates:

- 10 out of 60 (17%) purchase transactions sampled were found to have date applied after invoice received;
- The CEO responded to this issue as part of the Management Letter as follows:

Agree with finding. The Shire will contact creditors and advise them that "the invoice will not be paid unless a PO is quoted". The Office Manager has emailed all Shire staff the most recent Shire Purchasing Policy & directed staff that purchase order requests are to be sent to the Office Manager for review and approval. The Office Manager will raise the purchase order & send to the requesting officer.

6. Quotations for purchases

- During testing, 60 purchases were tested with 9 (15%) purchases between \$1,500 and \$56,000, showing no evidence that the minimum number of quotes required by the Shire's purchasing policy had been obtained. For 2019, it was 12 such purchases.
- The CEO responded to this issue as part of the Management Letter (Appendix 2) as follows:

The Auditor's comments and recommendations are noted. The Shire purchasing policy has been redistributed to all staff to ensure ongoing compliance. Former staff (including interim or acting staff) whilst having been provided the Purchasing Policy have not adhered strictly to the Purchasing Policy and the requirements attached and have since left the Shire's employment. Staff have been expressly advised that consultants and/or contractors are not authorised to make purchases on behalf of the Shire. The Office Manager will be reviewing purchase orders to ensure they meet compliance checks.

Note: The Shire through RSM is also conducting the Financial Management Systems Review and the Regulation 17 Review before 30 June 2021, which will also review the status of these risks.

Management Letter (Attachment 2) – Confidential Document

The remaining five matters in the Management Letter are rated as moderate risk and have had an appropriate course of action implemented as per the Management Comment.

The OAG has indicated previously that the Management Letter should not be published on a local government's website or in publicly available agenda/minutes. This is provided under separate cover.

Annual Financial Report (Statements) 2018-2019 (Attachment 3)

In summary, the Annual Financial Statements include information confirming the following:

NET SURPLUS / DEFICIT CARRIED FORWARD

The 2020 financial year has resulted in a net surplus carried forward of \$189,527 against a budget of \$936.

OPERATING SURPLUS / DEFECIT

The 2020 actual operating deficit was (\$2,177,981) against an operating budget deficit of (\$1,241,693). This was due to depreciation being \$686,409 higher than budgeted, associated with fair value adjustments in 2019 and non-operating grants, subsidies and contributions being \$776,332 lower than budget, primarily related to deferment of capital projects and timing of revenue recognition associated with the implementation of revised accounting standards AASB 15 and 1004.

FAIR VALUE

The fair value of land, buildings and infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

At the end of each reporting period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered in accordance with *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings and infrastructure, investment properties and vested improvements to be shown at fair value.

In reviewing the fair values of land, buildings and infrastructure at 30 June 2020, it was determined that the recorded values reflected current market conditions.

BORROWINGS

As at 30 June 2020, the total principal owing was \$362,438. There were no new borrowings during the 2020 financial year. Debt principal repaid during the year was \$53,972.

INTEREST

Interest revenue for the 2020 financial year amounted to 31,945 against a budget of \$46,403. This was due to lower interest on self supporting loans (4,296), reserve accounts (\$3,131), rates instalment and penalty interest (\$360), and lower other interest earnings of \$7,329.

Interest expense on borrowings for the year amounted to \$14,207 (Budget \$18,826).

RATES

Income from rates amounted to \$2,591,359 (Budget \$2,594,784, 2019 \$2,489,921), including ex-gratia rates of \$75,744 (Budget \$76,000, 2019 \$73,321).

No rates discounts, waivers or concessions were offered by the Shire during the 2020 financial year.

ROADS

Total road grants income received for the financial year amounted to \$1,115,026 as follows:

- | | |
|---|-----------|
| • Grants Commission – Local Roads | \$562,356 |
| • Grant – Direct Road | \$131,137 |
| • Grant – Regional Road Group – Road Projects | \$176,938 |
| • Grant – Roads to Recovery | \$244,595 |

Total road expenditure was \$1,655,978 (2019 \$8,346,176) as follows:

- Road Construction \$899,554 (Budget \$890,394)
- Road Maintenance \$809,560 (Budget \$765,584)

The major road construction works were:

- Toodyay-Bindi Bindi Road
- New Norcia – Gillingarra Road
- Bolgart East Road

MAJOR PLANT

There were no items of major plant purchased during the 2020 financial year.

CASH BACKED RESERVES

As at 30 June 2020, the Cash-Backed Reserves balance was \$564,979 (2019: \$470,117), against a budgeted closing balance of \$432,440.

Reserves			
	2020 Actual	2020 Budget	2019 Actual
Opening Balance	470,117	470,117	624,847
Net Transfers	94,682	(37,677)	(154,730)
Closing Balance	564,979	432,440	470,117

FINANCIAL RATIOS

Financial Ratios are required to be reported in accordance with the Local Government (Financial Management) Regulations. The Shires ratios for 2020 are:

	2020 Actual	DLGSCI Benchmark*
Current Ratio	0.94	≥ 1.00
Asset Consumption Ratio	0.70	≥ 0.50
Asset Renewal Funding Ratio	0.96	≥ 0.75
Asset Sustainability Ratio	0.35	≥ 0.90
Debt Service Cover Ratio	8.23	≥ 2.00
Operating Surplus Ratio	(1.16)	≥ 0.01
Own Source Revenue Coverage Ratio	0.38	≥ 0.40

*Department of Local Government, Sport and Cultural Industries

With the consideration of the Annual Financial Statements, these and the Auditor's report can now proceed as part of the Shire's 2019-2020 Annual Report. This means that once the Annual Report is accepted by Council, the Annual General Meeting of Electors can be set and the Annual Report, including the 2019-2020 Annual Financial Statements, presented to that meeting.

CONSULTATION

CEO

Travis Bate, RSM

STATUTORY CONTEXT**Local Government Act****5.53. Annual reports (in part)**

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
 - (f) the financial report for the financial year; and
 - (h) the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year.

6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
 - (a) be prepared and presented in the manner and form prescribed; and
 - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —

- (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
- (b) the annual financial report of the local government for the preceding financial year.

5.54. Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.
* *Absolute majority required.*
- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

7.2. Audit

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

7.12A. Duties of local government with respect to audits

- (4) A local government must —
 - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

Audit Regulations

16 Functions of Audit Committee (in part)

- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c)

CORPORATE CONTEXT**Strategic Community Plan**

Civic Leadership		<i>to better allocate scarce resources and effectively interact with the community</i>
5.1	Implement measures to improve relationship and communication between Council and community	<ul style="list-style-type: none"> <i>Implementation of initiatives to better connect Council with the community and associated matters.</i>
5.2	Improve elected member performance	
5.3	Develop an advocacy and lobbying capacity	
5.4	Measures to improve organisational efficiency	

Corporate Business Plan

- 5.4.2 Maintain accountability and financial responsibility in accordance with Long Term Financial Plan
- 5.4.3 Maintain controls to promote a high level of legislative compliance throughout the organisation
- 5.4.4 Support and facilitate ongoing relevant training and capacity building for staff
- 5.4.5 Maximise operational efficiencies whilst maintaining appropriate controls.

Risk Management (Risk Procedures)

Consequence	Consequence Rating:	Likelihood Rating:	Risk Rating	Risk Acceptance/ Controls	Mitigation and Outcome
Non-compliance Not adhering to OAG's recommendations regarding significant risks Not addressing Significant Action Plan Also has implications for Fraud as a possibility as a high risk (\$100,000 - \$500,000)	Extreme (5) Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire/Officers	Almost Certain (5) Expected to occur in most circumstances	Extreme (25)	CEO & Council (and Audit Committee) Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring Inadequate: Shire has not been able to address risks effectively to date	CEO to ensure that: <ul style="list-style-type: none"> Staff do adhere to the purchasing policy as highlighted in the Management Letter; Staff to follow purchasing procedures; Audit Committee is advised regarding the Significant Matters Action Plan, Financial Systems Review and Reg 17 Review Councillors and Committee Members to ensure they comply with new Code of Conduct Regulations re keeping informed (understanding reports) and undertaking training and development The above will, over time, ensure that the risk is maintained as Moderate/Low

FINANCIAL IMPLICATIONS

Ongoing strategies to address the Shire's Operating Surplus Ratio as set out in the body of this agenda item and as per the Auditor's Report.

VOTING REQUIREMENTS

Absolute majority required: No

2003-03	Officer Recommendation / Audit Committee Recommendation
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Moved: Cr Ms L Witham

Seconded: Mr G McGill

That Council:

1. Consider the Auditor's Report on risk issues, and take note and consider the significant adverse trends in relation to the Shire of Victoria Plains operating surplus ratio and current ratio.
2. In accordance with Section 7.2 of the *Local Government Act 1995* **ADOPTS** the 2019/2020 Annual Financial Report including the Auditor's Report (Opinion) from the Office of the Auditor General as per attachments 1 and 3.
3. **AUTHORISES** the CEO, in accordance with *Section 7.12A of the Local Government Act 1995*, to prepare an Action Plan to the Minister for Local Government regarding the significant audit matters. Once prepared, the CEO is to present the Action Plan to the Audit Committee and then to Council for its consideration.
4. Requires the matters in Point 3 (the preparation of the Action Plan and presentation of that plan to the Audit Committee and then Council) to be completed by 30 April 2021.

CARRIED BY UNANIMOUS DECISION OF THE COMMITTEE

6.3 Risk Management Update – Risk Procedures including Risk Profiles

File reference			
Report date			18 March 2021
Applicant/proponent			CEO
Officer disclosure of interest			Nil
Previous meeting references			
Prepared by			Sean Fletcher, Governance Officer
Authorised by			CEO
Attachments			
Attachment 1	Page		Nil

PURPOSE

This report is an update to the Audit Committee on the Shire's risk procedures and risk profiles. It is suggested that the Audit Committee also acknowledges the work that has commenced regarding workplace safety and the need for a dedicated officer to undertake management of the Shire's risk procedures and risk profiles.

BACKGROUND

At the November 2020 Audit Committee meeting, the Audit Committee resolved the following:

That the Audit Committee advises the CEO the following:

1. Reports by officers need to start using the Risk Procedures, including the Risk Assessment and Acceptance Criteria by 31 December 2020.
2. The Audit Committee requires an update regarding the Shire's risk profiles each quarter as set out in the Risk Procedures i.e. which profiles have been reviewed each quarter based on one per month.
3. That the Shire's Risk Procedures and Risk Dashboard and Profiles are located as soon as possible and the Audit Committee advised on the status of these reports at the next Audit Committee meeting.

The Shire has 15 risk profiles that the CEO is required to manage. These are summarised in the following Dashboard:

COMMENT**Reports by Officers**

The author has advised the Shire's senior staff that they need to start including a risk assessment with their agenda items. The only officer doing this to date is the Governance Officer.

Risk Profiles – Quarterly Update

As per the comments to the Committee at its November 2020 meeting, finding the current version of the Risk Dashboard and Risk Profiles has continued to provide a challenge.

Risk Profile – Safety and Security

One of the 15 risk profiles is to do with the Shire's safety and security. The author can advise that the OSH committee has been reconstituted. Staff have commenced a review of key documentation and tools as follows:

- Drafting of a new Occupational Safety and health policy for Council's consideration. The Shire does not have a current OSH policy. The previous policy was withdrawn;
- Drafting of OSH procedures including a safety management plan;
- Review of the Contractors Safety Manual.

The customer service officer will be undertaking OSH representative training in the near future.

Location of Risk Procedures, Risk Dashboard and Risk Profiles

The customer service officer has not been able to find the current risk dashboard and risk profiles. The author has asked this officer to resolve with the LGIS Risk Coordinator.

Other Observations

A positive development is the reconvening of the OSH Committee, the development of key OSH documents and the review of other such documents, and the appointment of safety representatives.

However, a staff resource (Risk Framework Owner) is still required to undertake the management of the Shire's risk dashboard and risk profiles. The CEO is currently considering a suitable option.

CONSULTATION

Customer Service Officer responsible for Occupational, Safety and Health matters.
Community Safety Officer.

STATUTORY CONTEXT

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 not less than once in every 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.

CORPORATE CONTEXT**Strategic Community Plan**

Civic Leadership <i>to better allocate scarce resources and effectively interact with the community</i>		
5.1	Implement measures to improve relationship and communication between Council and community	<ul style="list-style-type: none"> Implementation of initiatives to better connect Council with the community and associated matters.
5.2	Improve elected member performance	
5.3	Develop an advocacy and lobbying capacity	
5.4	Measures to improve organisational efficiency	

Corporate Business Plan

5.4.3 Maintain controls to promote a high level of legislative compliance throughout the organisation

5.4.5 Maximise operational efficiencies whilst maintaining appropriate controls.

Relevant Council Policies

1.10 Enterprise Risk Management

9. Risk Appetite

9.1 The Shire quantified its risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.

9.2 All organisational risks to be reported at a corporate level are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation's appetite and are to be noted within the individual risk assessment.

Risk Management

Consequence	Consequence Rating:	Likelihood Rating:	Risk Rating	Risk Acceptance	Mitigation and Outcome
Compliance Not adhering to risk management and statutory responsibilities Reporting Controls are inadequate	Extreme (5) Results in litigation, criminal charges or significant damages or penalties to Shire/Officers	Likely (5) The event more than once per year	Extreme (25)	CEO & Council (Audit Committee)	Through the CEO (and the Risk Framework Owner locating and updating the Risk Profiles) this will move the Shire from Extreme to Moderate risk and thus the controls will be Adequate

FINANCIAL IMPLICATIONS

Nil

VOTING REQUIREMENTS

Absolute majority required: No

2003-04	Officer's Recommendation / Committee Recommendation
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Moved: Cr J King**Seconded: Mr G McGill**

That the Audit Committee advises the CEO the following:

1. Accepts the March 2021 Risk Management update.
2. Acknowledges that the Shire has commenced to address a key risk area regarding workplace safety and security.
3. The risk management dashboard and profiles software will need to be obtained from LGIS and it is suggested that:
 - a. A suitable staff resource (Risk Framework Owner) is allocated to this task; and
 - b. That establishment of a current risk dashboard and risk profiles are resolved with the Risk Coordinator by 30 April 2021.

CARRIED BY UNANIMOUS DECISION OF THE COMMITTEE

6.4 Integrated Planning and Reporting Update

File reference			4.2.2
Report date			18 March 2021
Applicant/proponent			CEO
Officer disclosure of interest			Nil
Previous meeting references			
Prepared by			Sean Fletcher, Governance Officer
Authorised by			CEO
Attachments			
Attachment 1	Page	70	CBP Quarterly Update - Action List December 2020 (Q2)

PURPOSE

To advise the Audit Committee on the Shire's Corporate Business Plan regarding the December 2020 – 2021 Quarter (Q2) and development of the next Strategic Community Plan.

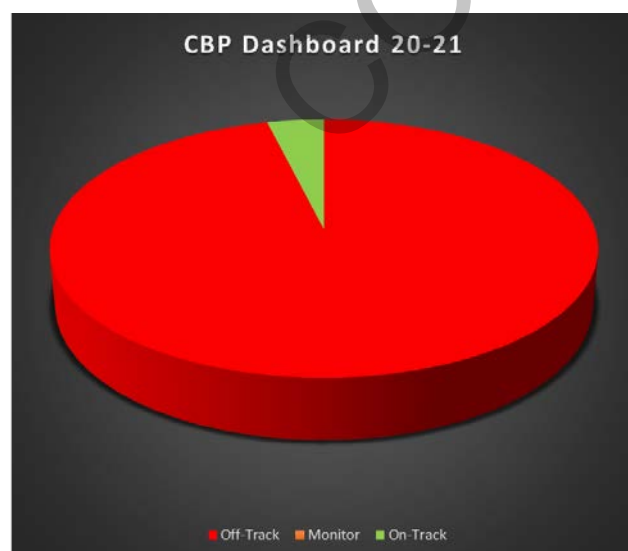
BACKGROUND

Both matters regarding the status of the Corporate Business Plan and the next major review of the Shire's Strategic Community Plan have already been considered by Council.

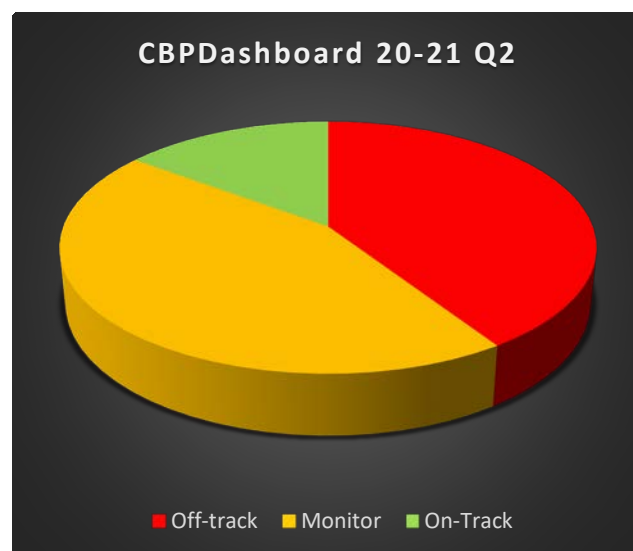
COMMENT

Analysis of the December 2020 Quarter

The CBP Dashboard for the December Quarter shows that there is a key shift in output from the September Quarter. This shows that the Shire is now starting to get a handle on its key projects and actions. This includes 15% are nearing completion and that a further 44% of actions (orange) are now where they need to be i.e. 50% complete. 41% of actions are impacted by other factors.



September CBP Dashboard 2020-2021



December CPB Dashboard 2020-2021

A breakdown in the projects and actions for each Priority Area is shown in the following table:

Overview of Actions December Quarter 2020 (Q2)

Priority Area	Off-Track	Monitor	On-Track	Yrs 3 & 4	Total Yr 2	Comment
Community	5	0	1	6	6	No change from Q1. The red flag indicates that the majority of these actions lack the necessary staff resources to make them happen. The action re improving community facilities is impacted by the focus of the new MWS on the Shire's key road projects and development of an appropriate service structure. The blue flag indicates the number of actions now due to occur 21/22 and 22/23
Economic	3	0	1	6	4	The red flag indicates that for the majority of these actions the economic priority area is impacted by other factors outside the Shire's control. Significant completion achieved regarding the Omnibus amendments to the Shire's LPS. Initially were waiting on final approval by Minister, which was not to occur before March 2021 State Election. However, WAPC has developed a new LPS at no cost in line with the new model as of 15/02/21. This means Shire does not need to review its LPS for a further 5 years. This is a significant saving for the Shire
Environment	0	0	1	1	1	Recycling program recognises introduction of the Container Deposit Scheme. Improvements to Drum Muster relies on community groups undertaking this program. Moora Tip has offered to do a pick up at Yerecoin and Piawaning. Awaiting further information regarding liability and risk
Infrastructure	2	3	1	2	6	Improvements achieved with commencement of new WMS in second quarter. Sewerage project on track re maintenance cleaning and monitoring. Funding submitted under LRCI for additional Yerecoin inspection hatches. Works to Yerecoin South East Rd and Bolgart West Rd completed. Customer service system, register and request form implemented
Civic Leadership	1	9	0	0	10	Shows key work has continued in this area across the board. Will become green flags in third and fourth quarters.
Total	11	12	4	15	27	As expected, there would be a key shift in reporting of outcomes for the December Quarter. The Community and Economic Priority Areas continue to be subject COVID-19 and staff resources. However, key changes have been experienced in the Environment (Green), Infrastructure (Orange) and Civic Leadership (Orange) Priority Areas as projects and key actions come on stream or are nearing completion. On-track (15%), Monitor (44%), Off-track (41%)

Table One – Status of Actions for December 2020 Quarter

Discussion Regarding Issues Impacting

As per the September 2020 update, a key roadblock regarding the Community and Economic Priority Areas, apart from COVID-19, is a lack of a suitable resources to assist deliver the actions and associated outcomes. Pursuing grants, or assisting the community obtain grants and developing and encouraging community events is very difficult to achieve without a staff resource to undertake these actions. The same applies with a number of the actions regarding upgrading tourist facilities, promoting local attractions and events. A number of these actions are deferred to years three and four on the CBP with a view to seek resources to get these actions underway then. Matters regarding assessing the Asset Management Plans and the action plans required are at least six months away as the Manager Works and Services continues to manage the key road projects including the WFSN and the LRCI projects.

Expectation March Quarter

During the March Quarter, the Infrastructure Priority Area will continue to strengthen with a number of key initiatives under will be completed including the Mogumber-Yarrowindah Rd Reconstruction Project (0.47 to 3.32SLK) i.e. 2.75 km. The Mogumber-Yarrowindah Rd Reconstruction Project (3.32 to 5.66 SLK) i.e. 2.34 km will be underway and the Gillingarra - Glentromie Rd SLK 12.72 - 19.60 (6.88 kms) will have its final seal applied. The Yerecoin Footpath is also expected to occur mid-March 2021. Actions within the Civic Leadership area

will transition to green (70 – 100%) as the Shire continues to build on its organisational (IPR) planning, engagement with key bodies in the local government sector and key controls are improved. This includes implanting the Public Information Disclosure (PID) process, key changes to the Local Government Act regarding a new Code of Conduct for Elected Members and a separate Code of Conduct for Employees. The Shire will also be commencing the development of its next Disability Access and Inclusion Plan (DAIP) and commencing the Major Strategic Review of the Strategic Community Plan.

Better Practice Review

The Department of Local Government conducted an audit on the Shire's key gaps three years ago. There are a just that remain and these are reported in the Council status update each month and are being closed out as follows:

Planning and Regulatory

Item 8 Local Planning Scheme – Council adopted the Omnibus amendments. Minister to sign off on LPS Review by 1 December 2020.

Workforce and HR Management

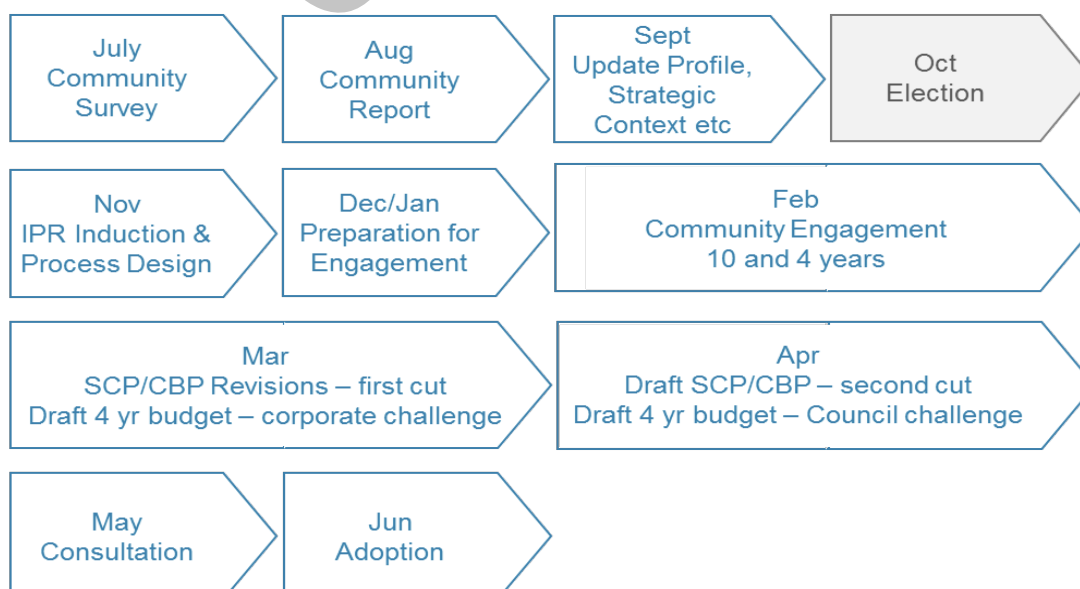
Item 22/23 Policies and Procedures – WALGA Templates received re HR policies. The newly created HR executive policies are now in place.

Community and Consultation

Item 21 Community Engagement. Specification developed for the development of a strategy/policy with the Community. Has remained on-hold due to COVID-19 impacts. Development of the policy is part of CEO's KPIs. An interim Community Engagement Policy will come through for the March 2021 OCM.

Strategic Community Plan

Council resolved at the February 2021 OCM to undertake the next major review of the Strategic Community Plan from July 2021 to June 2022 as follows:



Council will also consider the adoption of an Interim Community Engagement Policy at the March 2021 OCM that will assist with the above process until the Shire has the opportunity to develop a Community Engagement Policy directly with the community.

CONSULTATION

CEO and Agenda Settlement

All responsible officers and support persons that have a responsibility under the CBP.
Council

STATUTORY CONTEXT

Local Government (Administration) Regulations 1996

19DA. Corporate business plans, requirements for (Act s. 5.56)

(4) A local government is to review the current corporate business plan for its district every year.

Integrated Planning and Reporting – Framework and Guidelines

Apart from the Annual Report providing progress towards the achievement of the four-yearly Shire priorities as established through the Corporate Business Plan (Intermediate Standard), the Departmental IPR Guidelines require that as a minimum, a quarterly review is conducted on the status of the CBP for each year.

CORPORATE CONTEXT

Strategic Community plan

Civic Leadership *to better allocate scarce resources and effectively interact with the community*

5.1	Implement measures to improve relationship and communication between Council and community	<ul style="list-style-type: none"> <i>Implementation of initiatives to better connect Council with the community and associated matters.</i>
5.2	Improve elected member performance	
5.3	Develop an advocacy and lobbying capacity	
5.4	Measures to improve organisational efficiency	

Corporate Business Plan

Strategy 5.4: Measures to improve organisational efficiency

5.4.1: Review, update and maintain strategic and operational plans

Risk Management (Risk Governance Framework)

Consequence	Consequence Rating:	Likelihood Rating:	Risk Rating	Risk Acceptance	Mitigation and Outcome
Reputation	Major (4)	Almost Certain	Extreme (20)	CEO & Council	CEO to ensure all staff

Not adhering to the Corporate Business Plan and hence the Strategic Community Plan	Substantiated, public embarrassment, widespread high impact on community trust, high media profile, third party actions	(5) The event will occur at least once per year		Risk only acceptable with excellent controls and treatments in place. Inadequate: Shire has not effectively followed its IPR. However, this is improving with the adoption of the quarterly review of the Corporate Business Plan	undertake and follow CBP. Elected Members have undertaken further training in IPR requirements. The above will, over time, ensure that the risk is corrected and reduced to low that can be corrected by the appropriate manager
Compliance Not adhering to the Corporate Business Plan and hence the Strategic Community Plan	Major (4) Non-compliance results in termination of services or imposed penalties to Shire/Officers	Almost Certain (5) The event will occur at least once per year	Extreme (20)	CEO & Council Risk only acceptable with excellent controls and treatments in place. Adequate: Shire is improving with following its IPR obligations	CEO to ensure all staff undertake and follow CBP. This will, over time, ensure that the risk is corrected and reduced to low that can be corrected by the appropriate manager

The Shire continues to be in a tactical mindset, however, the strategic priorities (outcomes focussed) are starting to come to the fore as seen in the December dashboard. Key staff are continuing with their understanding their strategic responsibilities and compliance requirements.

FINANCIAL IMPLICATIONS

Nil

VOTING REQUIREMENTS

Absolute majority required: No

2003-05	Officer's Recommendation/Committee Recommendation
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Moved: Mr G McGill

Seconded: Ms L Witham

That the Audit Committee **ACCEPT** the IPR Update for March 2021.

CARRIED BY UNANIMOUS DECISION OF THE COMMITTEE

6.5 Matters of Compliance – Compliance Calendar

File reference			4. Audit
Report date			18 March 2021
Applicant/proponent			CEO
Officer disclosure of interest			Nil
Previous meeting references			Nil
Prepared by			Sean Fletcher, Governance Officer
Authorised by			CEO
Attachments			
Attachment 1	Page	73	Status of SoVP Compliance Calendar January 2021

PURPOSE

This report is an update to the Audit Committee on the SoVP Compliance Calendar.

BACKGROUND

The Compliance Calendar was implemented by the CEO in August 2020. The Calendar is a key tool now used by officers to ensure that the Shire meets its statutory obligations in a timely manner.

COMMENT

The Governance Officer has commenced the issue to staff, matters of compliance and statutory reporting every three months

During each month, the Governance Officer confirms with the responsible staff member the status of the relevant compliance item they have responsibility for.

A copy of the January – March Quarter is provided in Attachment 1. Since its issue, further matters of compliance have been completed:

- A spreadsheet to register and track Calingiri Gym Club members and users;
- Completion of the Compliance Audit Return (the subject of a separate report in Today's agenda);
- Completion of the Annual Budget Review;
- Completion re confirmation of Primary Returns submitted;
- Completion of the Annual Report 2019 - 2020 and the Annual Financial Statements (the subject of a separate report in Today's agenda).

CONSULTATION

Council – February 2021 Briefing Session

STATUTORY CONTEXT

Local Government Act

5.41. Functions of CEO

The CEO's functions are to —

(a) advise the council in relation to the functions of a local government under this Act and other written laws;

Local Government (Audit) Regulations

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.

CORPORATE CONTEXT

Strategic Community Plan

Civic Leadership		<i>to better allocate scarce resources and effectively interact with the community</i>
5.1	Implement measures to improve relationship and communication between Council and community	<ul style="list-style-type: none"> Implementation of initiatives to better connect Council with the community and associated matters.
5.2	Improve elected member performance	
5.3	Develop an advocacy and lobbying capacity	
5.4	Measures to improve organisational efficiency	

Corporate Business Plan

- 5.4.3 Maintain controls to promote a high level of legislative compliance throughout the organisation
- 5.4.5 Maximise operational efficiencies whilst maintaining appropriate controls.

Relevant Council Policies

1.10 Enterprise Risk Management

Audit Committee's Terms of Reference

Risk Management

Consequence	Consequence Rating:	Likelihood Rating:	Risk Rating	Risk Acceptance	Mitigation and Outcome
Compliance Not adhering to the statutory responsibilities	Extreme (5) Results in litigation, criminal charges or significant damages or penalties to Shire/Officers	Likely (5) The event more than once per year	Extreme (25)	CEO & Council (Audit Committee) The tracking of the Shire's compliance responsibilities was inadequate prior to the adoption of the	The risk is now reduced to Moderate/Low and is suitable for monitoring by the appropriate manager

				Compliance Calendar and often meant it missed key deadlines	
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FINANCIAL IMPLICATIONS

Nil

VOTING REQUIREMENTS

Absolute majority required: No

2003-06	Officer's Recommendation / Committee Recommendation
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Moved: Cr Bantock**Seconded: Ms L Witham**

That the Audit Committee **ACCEPT** the March 2021 report on Matters of Compliance – Compliance Calendar

CARRIED BY UNANIMOUS DECISION OF THE COMMITTEE

CONFIRMED

6.6 Internal Audits – February 2021

File reference			4. Audit
Report date			18 March 2021
Applicant/proponent			CEO
Officer disclosure of interest			Nil
Previous meeting references			Nil
Prepared by			Sean Fletcher, Governance Officer
Authorised by			CEO
Attachments			
Attachment 1	Page		Nil

PURPOSE

This report is an update to the Audit Committee on the internal audits that were conducted in the first week of March 2021 regarding the Compliance Calendar internal audit actions for February 2021.

BACKGROUND

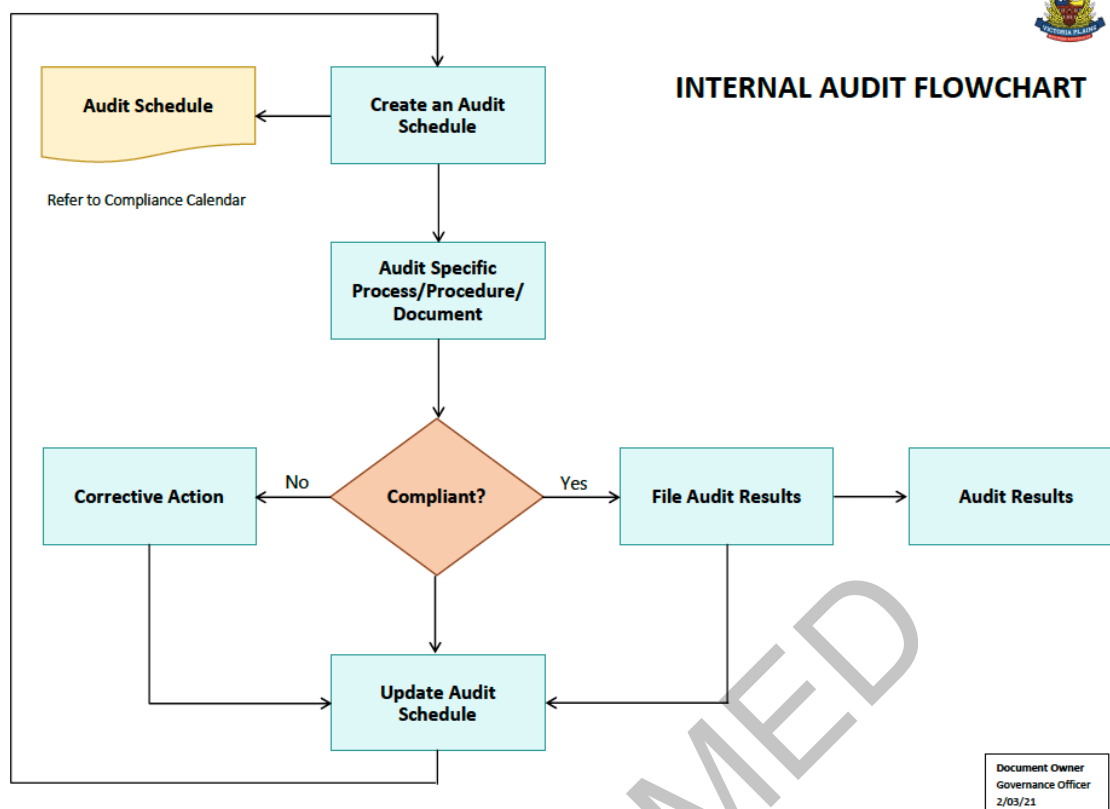
The Shire's Compliance Calendar lists the following internal audits for February 2021:

Feb	Tender Register - Internal Audit Review Register for compliance with F&G.Reg.17 and ensure the Register accurately and completely records all tenders.	Local Government Act 1995	F&G.Reg.17.
Feb	Integrity in Procurement - Internal Audit Review policies, procedures, internal controls, relevant to purchasing activities, making payments and contract management, as well as practices for recruitment, induction and training of employees involved in procurement. Option: Report Audit Outcomes / Actions to Audit Committee	Local Government Act 1995	FM Reg.5 Audit.Reg.17(1)
Feb	Official Conduct Complaints Officer - Internal Audit Local Government has designated a Senior Employee [s.5.37] as its Complaints Officer, if not, then the CEO is the Complaints Officer.	Local Government Act 1995	s.5.120
Feb	Official Conduct Complaints Register - Internal Audit Review register for compliance with s.5.121	Local Government Act 1995	s.5.121

These audits, except for Integrity in Procurement were undertaken in conjunction with the Compliance Audit Return (CAR) 2020 during 2 March – 4 March 2021.

COMMENT

The internal audits were undertaken using the following process:



Tender Register - Internal Audit

The CEO was advised on the findings by the Governance Officer as follows:

I located the Shire's tender files in the Strong Room, the office of the Works and Services Manager and the CEO's office. I also confirmed that the Tender Register was in the Strong Room.

Tender Register

1. Prior to 2018/2019, the Shire did not keep a compliant tender register.
2. It would appear, that a compliant register was not kept on the tender files, although there was like a control document. This document was not used to record correctly what is required to be in the Tender Register.
3. The Tender Register for 2018/2019:
 - a. Contained records of two tenders:
 - i. RFT 1;
 - ii. RFT 2.
 - b. Both records are compliant.
 - c. However, I note that this is also the year that the Shire did not issue two tenders for road works. This was highlighted in the Auditor's Report.
4. The Tender Register for 2019/2020:
 - a. Contains information for RFT 01:
 - i. RFT 1 is non-compliant. There is no register document. A copy of the tender submission has been kept on this file.
 - b. Contains information for RFT 02:

- i. RFT 2 is non-compliant. There is a single document that records tenders received only.
 - c. The Shire did participate in a Request for Quote (RFQ) process with AROC regarding waste services, which was conducted by WALGA. Although this is a preferred supplier process and therefore exempt from the public tender process and the need for a tender register for this RFQ, I had the Office Manager register in Central Records, the assessment report, as it is key document regarding the Shire's purchase of a service for the next five years.
5. The Tender Register for 2020/2021 (Year to date):
- a. To date there is one register: RFT 02. Which is compliant.
 - b. There is no RFT 01. This tender does not exist.
 - c. The Governance Officer revised the Tender Register template in October 2020. This now ensures much more accurate information is provided for the register.

Tender Records (Files)

6. The tender files were located in the Strong Room, the office of the Manager Works and Services and the CEO's office. I have relocated these to the Strong Room and they will need registration accordingly.
7. In records that were examined going back to 2008, it was found that the Shire has been inconsistent with the keeping of its tender records:
- a. For each record, there are documents regarding each tender. Accordingly, it was found:
 - i. Some contain submissions only;
 - ii. Others contain submissions and the tender specification;
 - iii. There was one incident of the tender record kept on the tender register in 2019/2020. The problem here is that the tender register is a publicly available document and so confidential tender submission information could have been released without officers realizing this mistake;
 - iv. Tenders for 2020/2021 have had records kept in the appropriate form and the Tender Register is compliant.
 - b. There has been a lack of a clear process to follow i.e. no documented procedures in place for staff to follow.
 - c. The 2018/2019 external audit found that there were two instances where a tender was not undertaken when it should have been. Since that time, the CEO has ensured that tenders have been undertaken as required i.e. tenders are called for and the assessment of submissions approved by Council. This has also included improving the controls in relation to the purchasing policy as advised to both the Audit Committee and Council previously. Also, as stated earlier in this report, the Tender Register has also been inconsistent regarding its level of compliance.
8. The tender process was a key focus of the Compliance Audit Return (CAR) for 2020 and this internal audit has also allowed me to answer the 24 CAR questions appropriately. There was only one area of non-compliance. This was to do with not notifying the unsuccessful tenderers of the tender outcome.

Identify and Implement Improvements

Accordingly, to minimise the risk to the Shire regarding the tender process, both the Office Manager and myself have implemented the following improvements:

- A. Put the tender records (files) in the Strong Room.
- B. Set up the Tender Registers in the appropriate form with the appropriate template for completion by the person conducting a tender.
- C. The Office Manager has developed a tender procedure for all staff responsible for preparing and assessing tenders, which I have reviewed and advised it requires implementation as soon as possible.
- D. The Tender Register will now be reviewed annually as part of the Shire's Compliance Calendar process.

Other Internal Audits

The CEO was advised on the findings by the Governance Officer as follows:

Integrity in Procurement

- 1. I did not conduct this internal audit, as RSM will do this as part of its review of the Shire's Financial Management Systems and Reg.17 Review. These reviews are scheduled to be completed by 30 June 2021.

Official Conduct Complaints Officer (Minor Misconduct – Elected Members)

- 2. A senior employee has not been designated as the Complaints Officer. Accordingly, the CEO is the complaints officer, by default, in this instance. No further action is required.
- 3. This matter was also a subject within the CAR for 2020.

Official Conduct Complaints Register (Findings of the Standards Panel that Result in an Action that a Breach Occurred re Minor Misconduct – Elected Members)

- 4. A register on the Shire's website was found not to be in place regarding this matter. This has now been done and put on the Shire's website as required. Note: the register is blank as there have been no findings that result in an action required.
- 5. This matter was also a subject within the CAR for 2020. I have responded that there was no register in place previously and that this has now been rectified.

Final Comments

The next series of internal audits will be conducted in late April 2021.

CONSULTATION

CEO

Travis Bate, RSM

STATUTORY CONTEXT

As set out in the background section to this report.

CORPORATE CONTEXT

Strategic Community Plan

Civic Leadership	<i>to better allocate scarce resources and effectively interact with the community</i>
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5.1	Implement measures to improve relationship and communication between Council and community	<ul style="list-style-type: none"> Implementation of initiatives to better connect Council with the community and associated matters.
5.2	Improve elected member performance	
5.3	Develop an advocacy and lobbying capacity	
5.4	Measures to improve organisational efficiency	

Corporate Business Plan

5.4.3 Maintain controls to promote a high level of legislative compliance throughout the organisation

5.4.5 Maximise operational efficiencies whilst maintaining appropriate controls.

Relevant Council Policies

1.10 Enterprise Risk Management

Risk Management

Consequence	Consequence Rating:	Likelihood Rating:	Risk Rating	Risk Acceptance	Mitigation and Outcome
Compliance Not adhering to the statutory responsibilities	Extreme (5) Results in litigation, criminal charges or significant damages or penalties to Shire/Officers	Likely (5) The event more than once per year	Extreme (25)	CEO & Council (Audit Committee) Inadequate prior to internal audit	Through the correction of the controls through the implementation of: <ul style="list-style-type: none"> Correct storing of tenders; Correct use of the tender register; Tender procedures; Implementation of Complaints Register <p>The risk is now reduced to Moderate/Low and is suitable for monitoring by the appropriate manager</p>

FINANCIAL IMPLICATIONS

Nil

VOTING REQUIREMENTS

Absolute majority required: No

2003-07 Officer's Recommendation / Committee Resolution

Moved: Mr G McGill

Seconded: Cr J King

That the Audit Committee advises the CEO it accepts the outcomes of the February Internal Audits and notes the results as follows:

1. Tender Register and Tender Process:

- a. The Shire has been inconsistent with its tender process previously:
 - i. Although records exist, they have varied in how they have been kept;

- ii. There has not necessarily been a compliant tender register for each tender conducted;
 - iii. Tenders for 2020/2021 so far have been kept in the appropriate form and the Tender Register is compliant.
- b. That staff have made the following improvements to the Tender Registers and Tender process as follows:
 - i. All tender files are now stored in the Strong Room.
 - ii. The Tender Registers are set up in the appropriate form with the appropriate template for completion by the person conducting a tender.
 - iii. The Office Manager has developed a tender procedure for all staff responsible for preparing and assessing tenders.
 - iv. The Tender Register will now be reviewed annually as part of the Shire's Compliance Calendar process.
- 2. Integrity in Procurement. This audit process will be conducted by RSM as part of the Financial Management Systems Review and the Reg 17 Review to be conducted by 30 June 2021.
- 3. Official Conduct (Minor) Complaints Officer. The internal audit confirmed that the CEO is the complaints officer in this instance. No further action is required.
- 4. Official Conduct (Minor) Complaints Register – A register was not in place on the Shire's website regarding this matter. This has now been rectified and put on the Shire's website as required.

CARRIED BY UNANIMOUS DECISION OF THE COMMITTEE

7. MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

8. NEW BUSINESS OF AN URGENT NATURE REQUIRING DECISION

Mr McGill advised the Committee of his intention to retire from his Term as an Independent Member of the Audit Committee.

Mr McGill also requested, that If Council determines appropriate, those who asked to sit on this Council need to have a good understanding, not necessarily qualified, but a sound understanding of the Audit Committee Functions and responsibilities.

2003-07	Committee Resolution
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Moved: Cr P Bantock

Seconded: Cr J King

That the Audit Committee **ACCEPTS** Mr McGill's advice of his Retirement from the Audit Committee and will advise Council of his Retirement and sincerely extends its thanks to Mr G McGill for his many years of service and dedication to the role.

CARRIED BY UNANIMOUS DECISION OF THE COMMITTEE

7. MEETING CLOSED TO PUBLIC


Matters for which the meeting may be closed in accordance with the Local Government Act 1995 s.5.23(2).

8. CLOSURE OF MEETING

There being no further business, the presiding member declared the meeting closed at 3.08pm.

CERTIFICATION

These minutes were confirmed at the Audit Committee Meeting held on 23rd March 2022

Signed  Date 23rd March 2022
(Presiding member at the meeting which confirmed the minutes)

Committee –

- Minutes are unconfirmed until adopted at the following meeting of Committee
- Committee decisions may be authorised by Council, or by CEO authority