



ATTACHMENTS

Audit Committee Meeting

27 February 2019

DISCLAIMER:

Any recommendations contained in this document are officers' recommendations only and should not be acted upon until Council has resolved to adopt those recommendations.

The resolutions of Council should be confirmed by perusing the minutes of the Council meeting at which these recommendations were considered. Resolutions are not considered final until the minutes of the meeting are confirmed 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 of Council's decision.

Please note that meetings are recorded for minute taking purposes.



Victoria Plains - Compliance Audit Return 2018

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2018.	N/A		Niel Mitchell
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2018.	N/A		Niel Mitchell
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2018.	N/A		Niel Mitchell
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2018.	N/A		Niel Mitchell
5	s3.59(5)	Did the Council, during 2018, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Niel Mitchell



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Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A	No delegations made to committees	Niel Mitchell
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Niel Mitchell
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Niel Mitchell
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Niel Mitchell
5	s5.18	Has Council reviewed delegations to its committees in the 2017/2018 financial year.	N/A		Niel Mitchell
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Niel Mitchell
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Niel Mitchell
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Niel Mitchell
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Niel Mitchell
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Niel Mitchell
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Niel Mitchell
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2017/2018 financial year.	Yes		Niel Mitchell
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Niel Mitchell

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Niel Mitchell
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	N/A		Niel Mitchell



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No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Niel Mitchell
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A		Niel Mitchell
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Niel Mitchell
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2018.	Yes		Niel Mitchell
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2018.	Yes		Niel Mitchell
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Niel Mitchell
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Niel Mitchell
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Niel Mitchell
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Niel Mitchell
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Niel Mitchell
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Niel Mitchell
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	N/A		Niel Mitchell



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No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	N/A		Niel Mitchell
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Niel Mitchell

Disposal of Property					
No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Niel Mitchell
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	N/A		Niel Mitchell

Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Niel Mitchell
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A	No delegation made	Niel Mitchell
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Niel Mitchell
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Niel Mitchell
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2018 received by the local government within 30 days of completion of the audit.	N/A	Not received as at 19 Feb 2019	Niel Mitchell
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2018 received by the local government by 31 December 2018.	No	Final audit visit made in January 2019	Niel Mitchell
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A		Niel Mitchell



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No	Reference	Question	Response	Comments	Respondent
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Niel Mitchell
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Niel Mitchell
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Niel Mitchell
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Niel Mitchell
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Niel Mitchell
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Niel Mitchell
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Niel Mitchell
15	Audit Reg 17	Has the CEO reviewed the appropriateness and effectiveness of the local government's systems and procedures in accordance with regulation 17 of the Local Government (Audit) Regulations 1996.	No		Niel Mitchell
16	Audit Reg 17	If the CEO has not undertaken a review in accordance with regulation 17 of the Local Government (Audit) Regulations 1996, is a review proposed and when.	Yes	by Dec 2019	Niel Mitchell



Integrated Planning and Reporting					
No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	N/A		Niel Mitchell
2	s5.56 Admin Reg 19DA (6)	Has the local government adopted a modification to the most recent Corporate Business Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	N/A		Niel Mitchell
3	s5.56 Admin Reg 19C (7)	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments. This question is optional, answer N/A if you choose not to respond.	Yes	31 January 2018	Niel Mitchell
4	s5.56 Admin Reg 19C (7)	Has the local government adopted a modification to the most recent Strategic Community Plan. If Yes, please provide adoption date in Comments. This question is optional, answer N/A if you choose not to respond.	No		Niel Mitchell
5	S5.56	Has the local government adopted an Asset Management Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	N/A		Niel Mitchell
6	S5.56	Has the local government adopted a Long Term Financial Plan. If Yes, in Comments please provide date of the most recent Plan, plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	N/A		Niel Mitchell
7	S5.56	Has the local government adopted a Workforce Plan. If Yes, in Comments please provide date of the most recent Plan plus if adopted or endorsed by Council the date of adoption or endorsement. This question is optional, answer N/A if you choose not to respond.	N/A		Niel Mitchell



Local Government Employees						
No	Reference	Question	Response	Comments	Respondent	
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A		Niel Mitchell	
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A		Niel Mitchell	
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Niel Mitchell	
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Niel Mitchell	
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A		Niel Mitchell	



Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A	CEO is complaints officer	Niel Mitchell
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Niel Mitchell
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Niel Mitchell
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Niel Mitchell
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Niel Mitchell
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes		Niel Mitchell

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Niel Mitchell
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes		Niel Mitchell
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Niel Mitchell
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Niel Mitchell



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No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Niel Mitchell
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Niel Mitchell
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Niel Mitchell
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Niel Mitchell
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Niel Mitchell
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Niel Mitchell
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A	No EOI called	Niel Mitchell
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A		Niel Mitchell
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A		Niel Mitchell
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A		Niel Mitchell
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	N/A	No Panel established	Niel Mitchell
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A		Niel Mitchell



No	Reference	Question	Response	Comments	Respondent
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A		Niel Mitchell
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Niel Mitchell
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Niel Mitchell
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A		Niel Mitchell
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Niel Mitchell
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A		Niel Mitchell
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A	No preference applied to any tender	Niel Mitchell
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	Yes		Niel Mitchell
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Niel Mitchell



Department of
**Local Government, Sport
and Cultural Industries**

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, Victoria Plains

Signed CEO, Victoria Plains

(b) a performance audit;

performance audit means an examination or investigation carried out under the Auditor General Act section 18 (as applied by section 7.12AJ(1) of this Act);

qualified person means a person who is an approved auditor or a registered company auditor and who is not a disqualified person;

registered company auditor means a person who is for the time being registered as an auditor or taken to be registered as an auditor under Part 9.2 of the *Corporations Act 2001* of the Commonwealth;

regulations means regulations made for the purposes of this Part;

supplementary audit means an audit conducted under section 7.12AG.

[Section 7.1 amended: No. 10 of 2001 s. 124; No. 49 of 2004 s. 4; No. 5 of 2017 s. 10.]

Division 1A — Audit committee

[Heading inserted: No. 49 of 2004 s. 5.]

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

Local Government Act 1995

Part 7 Audit

Division 2 Appointment of auditors 29

s. 7.1B

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.

*[Section 7.1A inserted: No. 49 of 2004 s. 5; amended:
No. 5 of 2017 s. 11.]*

7.1B. Delegation of some powers and duties to audit committees

- (1) Despite section 5.16, the only powers and duties that a local government may delegate* to its audit committee are any of its powers and duties under this Part other than this power of delegation.

* Absolute majority required.

- (2) A delegation to an audit committee is not subject to section 5.17.

[Section 7.1B inserted: No. 49 of 2004 s. 5.]

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an audit committee is to be made by a simple majority.

[Section 7.1C inserted: No. 49 of 2004 s. 5.]

Division 2 — Appointment of auditors²⁹

7.1D. Application

This Division applies in relation to a local government that has an audit contract that is in force.

[Section 7.1D inserted: No. 5 of 2017 s. 12.]

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.

Local Government (Audit) Regulations 1996**r. 14**

r. 11A	r. 11	r. 12
r. 14(1), (3) and (5)	r. 15	r. 16
r. 17	r. 18(1) and (4)	r. 19
r. 21	r. 22	r. 23
r. 24	r. 24AD(2), (4) and (6)	r. 24AE
r. 24AF	r. 24AG	r. 24AH(1) and (3)
r. 24AI	r. 24E	r. 24F
Local Government (Rules of Conduct) Regulations 2007		
r. 11		

*[Regulation 13 inserted in Gazette 23 Apr 1999 p. 1722-4;
amended in Gazette 1 Jun 2004 p. 1917; 31 Mar 2005
p. 1042-3; 30 Sep 2005 p. 4418-20; 21 Dec 2010 p. 6758-61;
30 Dec 2011 p. 5579-80; 18 Sep 2015 p. 3813; 26 Jun 2018
p. 2386.]*

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —

Local Government (Audit) Regulations 1996

r. 15

- (a) presented to the council at a meeting of the council; and
- (b) adopted by the council; and
- (c) recorded in the minutes of the meeting at which it is adopted.

*[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5;
amended in Gazette 30 Dec 2011 p. 5580-1.]*

15. Certified copy of compliance audit return and other documents to be given to Departmental CEO

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit,

is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.

- (2) In this regulation —

certified in relation to a compliance audit return means signed by —

 - (a) the mayor or president; and
 - (b) the CEO.

*[Regulation 15 inserted in Gazette 23 Apr 1999 p. 1725;
amended in Gazette 26 Jun 2018 p. 2386.]*

16. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and

Local Government (Audit) Regulations 1996

r. 16

- (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (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);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

[Regulation 16 inserted in Gazette 26 Jun 2018 p. 2386-7.]

Local Government (Audit) Regulations 1996

r. 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 not less than once in every 3 financial 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; amended in Gazette 26 Jun 2018 p. 2387.]

SOMEWHERE

AUDIT COMMITTEES

OVERVIEW

Each local government is required to establish an Audit Committee to provide an independent oversight of the financial systems of a local government on behalf of the local government. An essential role of the Audit Committee is oversight of all matters that relate to the conduct of audits.

The Audit Committee also assists the local government to fulfil its corporate governance, stewardship, leadership and control obligations in relation to the local government's financial reporting responsibilities.

The Department of local government published a local government Operational Guideline - Number 09 (revised September 2013) titled 'Audit in local government – The appointment, function and responsibilities of Audit Committees'. The guideline contains a model terms of reference for an Audit Committee and a model minimum standard audit specification.

The Audit Regulations were amended on 8th February 2013 to add Regulation 17 which requires the CEO to review the local government's systems and procedures for risk management, internal controls and legislative compliance on a two year cycle (calendar years). The second of these reviews was due to be completed by 31 December 2016. The third is due by 31 December 2018 (this year).

Regs - now a 3 year cycle (2016)

MEMBERSHIP

The legislative requirements that relate to the membership of the Audit Committee are set out below:

- Committee must be of three or more persons (**Section 7.1A(1)**);
- Members
- are to be appointed by an absolute majority decision of local government;
- can include elected members; and
- must include at least three local government members and local government members must comprise majority of the Committee.

(Section 7.1A(2))

- The CEO is prevented from
- being a member; and
- nominating a person/representative to be a member.

(Section 7.1A(3))

- Employees are also prevented from being members (**Section 7.1A(4)**);
- Decisions by the audit committee only require to be made by a simple majority (**Section 7.1C**); and
- Any appointment of an auditor needs to be made on a recommendation of the audit committee – appointment still needs to be done by an absolute majority of the full local government (**Section 7.3(1)**).

AUDIT REPORTS

Section 7.9 places additional responsibility on the auditor to report matters arising from the audit and needing to be addressed, to be reported in the audit report.

This may impact on matters which had, up until the introduction of mandatory audit committees, only been reported in the Management Report.



SOMEWHERE

AUDIT COMMITTEES

DUTIES OF LOCAL GOVERNMENT IN RESPECT OF AUDIT

There are provisions requiring a local government to:

- assist its auditor and ensure audits are conducted successfully and on a timely basis ([Section 7.12A\(1\)](#));
- meet with its auditor at least once in every year ([Section 7.12A\(2\)](#));
- examine its auditor's report and ensure appropriate action is taken ([Section 7.12A\(3\)](#)); and
- prepare a report on actions taken in respect of any audit and forward them to the Minister ([Section 17.12A\(4\)](#)).

Note: significant changes were made to this section of the Act via the Local Government Amendment (Auditing) Act 2017.

These changes placed significant additional responsibility on the audit committee in this regard. It formalises the process more and auditor will be scrutinising processes to a greater extent.

SOMEWHERE

AUDIT COMMITTEES

DEPARTMENTAL GUIDELINES

The Departmental Guidelines contains a model terms of reference (Pages 8 and 9) that sets out the Committee's duties and responsibilities as:

The duties and responsibilities of the committee are –

- a) Provide guidance and assistance to the local government as to the carrying out the functions of the local government in relation to audits;
- b) Develop and recommend to the local government an appropriate process for the selection and appointment of a person as the local government's auditor;
- c) Develop and recommend to the local government –
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken;
- d) Recommend to the local government the person or persons to be appointed as auditor;
- e) Develop and recommend to the local government a written agreement for the appointment of the external auditor. The agreement is to include –
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the external auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f) Meet with the auditor once in each year and provide a report to the local government on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure the local government does everything in its power to –
 - assist the auditor to conduct the audit and carry out his or her other duties under the
 - *Local Government Act 1995*; and
 - ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters and –
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to the local government for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;

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AUDIT COMMITTEES

DEPARTMENTAL GUIDELINES (CONTINUED)

- k) *Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of the local government or CEO;
- l) *Review the level of resources allocated to internal audit and the scope of its authority;
- m) *Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which the local government and management reacts to matters raised;
- n) *Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) *Review the local government's draft annual financial report, focusing on –
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
- p) *Consider and recommend adoption of the annual financial report to the local government. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- q) *Address issues brought to the attention of the committee, including responding to requests from the local government for advice that are within the parameters of the committee's terms of reference;
- r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the local government;
- s) Review the Statutory Compliance Return and report to the local government the results of that review; and
- t) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government'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 local government the results of those reviews.

The clauses that are considered optional have been asterisked (*).

SOMEWHERE

AUDIT COMMITTEES

AUDIT REGULATION 17

The Audit Regulations were amended on 8th February 2013 to add Regulation 17 as set out below:

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.

This requirement is in addition to the requirement of FM Reg 5(2)(c) which requires the CEO to undertake a review of the financial management systems and procedures not less than once in every 4 years.

Undertaking the Review

Regs - now a 3 year cycle (2016)

To effectively review the appropriateness and effectiveness of procedures and systems requires the establishment of formalised policies and or management procedures by the local government. It is against these documented procedures that a review will be undertaken.

As the timing of the review is based on calendar years, the deadline for presenting the inaugural report to the Audit Committee was 31 December 2014. Subsequent reports need to be presented every 2 years thereafter (ie by 31 December 2016, 2018, etc).

Regs - now a 3 year cycle (2016)

Risk Management

As a minimum a local government should establish a risk management process that includes:

- Policy
 - An overall risk management local government policy
- Management procedures including;
 - Risk profile categories;
 - Risk evaluation criteria;
 - Risk definitions and classifications;
 - Risk tolerance;
 - Risk matrix; and
 - A process for establishing the risk management context.
- Undertake risk identification;
- Maintain a risk register; and
- Maintain risk treatment plans.

The review would involve an assessment of the appropriateness and effectiveness of the above components of the risk management process. If the local government does not have the risk management systems and practices in place the review should address the extent of the local government's implementation of risk management and include an improvement plan toward the implementation of appropriate risk management systems.



SOMEWHERE

AUDIT COMMITTEES

AUDIT REGULATION 17 (continued)

Risk Management (Continued)

The Department of Local Government released guidance titled 'Risk Management Resources' (updated March 2013) which contains a model risk management policy, risk definitions and classifications and a strategic risk management checklist.

The Department's Local Government Accounting Manual contains general guidance on risk management under chapter 7 'Internal Control Framework'.

Internal Control

As a minimum a local government should have an existing financial internal control system that at its simplest level addresses the following fundamental characteristics of a successful internal control system:

- a) Segregation of duties;
- b) Experienced and qualified staff;
- c) Documented procedures and processes covering the recording, reporting and authorisation of transactions; and
- d) Monitoring performance and adherence.

A review of internal controls would involve an assessment of the appropriateness and effectiveness of the above components. As part of a review of the internal controls a risk assessment should be undertaken to establish the risk areas that would result in the most detrimental consequences for the local government. In this context risk management is integral to the development and assessment of an effective internal control system.

If a local government does not have up to date or adequate documented procedures in place the review should address the extent of the existing control systems and include an improvement plan.

Internal Control Resources

The Department's local government accounting manual contains general guidance on internal controls under chapter 7 'Internal Control Framework'. This chapter contains (table 7.2.10) of the major financial risk areas and (table 7.3.6) 'Recommended Monitoring Activities' and also (table 7.3.7) 'Key Control Areas'. This guidance offers a starting point for a formal review of financial and internal control systems.

Legislative Compliance

As a minimum a local government should establish the extent of its obligation to comply with legislation. This would involve a register of relevant legislation.

It is important to recognise that the recent amendment to the Audit Regulations does not limit the review of legislative compliance to just the provisions of the local government Act 1995 and associated Regulations. Local governments are subject to hundreds of statues both State and Federal and the review will need to address the systems in place to ensure compliance across all legislative compliance.

Undertaking a risk assessment of the consequences and risk rating of compliance with various legislative would provide a local government with a documented basis for the application of its resources in relation to legislative compliance.

It is considered a review of legislative compliance would report on the extent of compliance and disclose any know circumstances where the local government did not comply with legislation and the risks associated with the non-compliance.

Section 1 - Committees of Council

1.1 Audit Committee

Statutory context

Local Government Act 1995 –

- Part 7 – Audit

Local Government (Audit) Regulations 1996

Appendix 1 – Standard conditions for establishment of Council Committees

Corporate context

Appendix 1 – Standard conditions for establishment of Council Committees

History

Established 16 May 2018

Objectives

1. To exercise responsibility for the annual external audit and liaise with the Shire’s auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.
2. To assist Council in discharging its legislative responsibilities of controlling the local government’s affairs, determining the local government’s policies and overseeing the allocation of the local government’s finances and resources.
3. To ensure openness in the local government’s financial reporting and will liaise with the CEO to ensure the effective and efficient management of local government’s financial accounting systems and compliance with legislation.
4. To facilitate –
 - the enhancement and objectivity of internal and external financial reporting;
 - effective management of financial and other risks and the protection of assets;
 - compliance with laws and regulations as well as best practice in auditing;
 - the coordination of the internal audit function with the external audit;
 - the effective communication between the auditor, the CEO and the Council.

Membership

A minimum of 3 elected members required by the Act.

Composition resolved by Council	
Nomination of	No.
Elected members, including ex-officio	3
Employees, including ex-officio	0
Other persons – Community at large	2
• Specified organisations	0
Total Membership	5
Quorum	3
	No additional criteria

Meetings

Appendix 1 – Standard conditions for establishment of Council Committees

Administrative Support

Senior Officer responsible	Chief Executive Officer
Initial contact person	Manager Finance and Administration

Role and Scope of Committee

1. Audit –

- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits.
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government’s auditor.
- c) Develop and recommend to Council –
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken.
- d) Recommend to Council the person or persons to be appointed as auditor.
- e) Develop and recommend to Council a written agreement for the appointment of the auditor, which is to include –
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - method/s to be used by the local government to communicate with, and supply information to, the auditor.
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions.
- g) Liaise with the CEO to ensure that the local government does everything in its power to –
 - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*; and
 - ensure that audits are conducted successfully and expeditiously.
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters and –
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters.
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time.
- j) Review the scope of the audit plan and program and its effectiveness.
- k) Review the local government’s draft annual financial report, focusing on:
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements;
 - significant variances from prior years.
- l) Consider and recommend adoption of the annual financial report to Council.
- m) Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed.
- n) Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee’s terms of reference.
- o) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee’s terms of reference following authorisation from the Council.
- p) Review the Compliance Audit Return and make a recommendation on its adoption to Council.

2. Risk Management –

- a) Oversight in the areas of risk management, internal control and legislative compliance in accordance with the Local Government (Audit) Regulations 1996 r.17 and Schedule 1.1;
- b) Consider, approve and review the annual Internal Audit Plan;
- c) Advise Council on performance against the adopted Internal Audit Plan.

Notes

1. Audit Reg. r.17 plan to be developed by MFA (TOR Sch. 1.1)
2. Refer –
 - ISO 31000 Risk management – Principles and guidelines
 - Dept of Local Government, Sporting and Cultural Industries –
Local Government Operational Guidelines
Number 09 – Revised September 2013
Audit in Local Government
The appointment, function and responsibilities of Audit Committees

TOR Schedule 1.1 – Risk Management

AUDIT COMMITTEE INTERNAL RISK MANAGEMENT REVIEW REPORT

Report prepared by **Manager Finance and Administration**

Rating key: **A:** Acceptable **I:** Improvement required. **U:** Unacceptable, requires attention.

1. RISK MANAGEMENT			
a) The following considerations were based on the Department of Local Government & Communities Operational Guideline, No.09 dated September 2013:			
Considerations	Rating	Observation	Strategies
(1) Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered.		•	Action required: •
(2) Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time.		•	Action required: •
(3) Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas: (a) potential non-compliance with legislation, regulations and standards and local government's policies; (b) important accounting judgements or estimates that prove to be wrong; (c) litigation and claims (d) misconduct, fraud and theft (e) significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government.		•	Action required: •
(4) Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.		•	Action required: •
(5) Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.		•	Action required: •
(6) Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors.		•	Action required: •

(7) Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk.		•	Action required: •
(8) Assessing the local government's procurement framework with a focus on the probity and transparency of policies, procedures & processes and whether these are being applied.		•	Action required: •
(9) Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment.		•	Action required: •
(10) Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.		•	Action required: •]

<p>2. INTERNAL CONTROL</p> <p>a) Internal Control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency.</p> <p>b) Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.</p> <p>c) Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.</p>			
<p>(1) Management Practices:</p> <p>(a) Separation of roles and functions, processing and authorisation: (i) integrity and ethics; (ii) documented policies & procedures, delegated authority, levels of responsibilities and authorities; (iii) audit practices;</p> <p>(b) Management operating style.</p> <p>(c) Human Resource management and practices: (i) volunteer management (ii) trained and qualified employees; and (iii) equity and diversity leadership.</p> <p>(d) HR Systems Control: (i) Induction Programs (ii) Recruitment (iii) Training (iv) Performance Management</p>		•	Action required: •

<p>(2) Information Management:</p> <p>(a) Data Management: Comparison of internal data with other or external sources of information, for example:</p> <p style="padding-left: 20px;">(i) Geographical Information Systems (GIS); and</p> <p style="padding-left: 20px;">(ii) Public Works Engineering Data (e.g.: As constructed data).</p> <p>(b) Control of approval of correspondence (documents, letters); and</p> <p>(c) Systems control: Security access, approval, version control.</p>		<ul style="list-style-type: none"> • 	<p>Action required:</p> <ul style="list-style-type: none"> •
<p>(3) Physical and Information Security: information system access and security, for example:</p> <p>(a) limitations on direct physical access to assets and records;</p> <p>(b) control of computer applications and information system standards;</p> <p>(c) limitations on access to make changes in data files and systems; and</p> <p>(d) testing the arithmetical accuracy and content of records.</p>		<ul style="list-style-type: none"> • 	<p>Action required:</p> <ul style="list-style-type: none"> •
<p>(4) Financial Management: integrity of financial systems, processes, controls, auditing, for example:</p> <p>(a) approval of financial transactions (records);</p> <p>(b) regular maintenance and review of financial control accounts and trial balances;</p> <p>(c) comparison and analysis of financial results with budgeted amounts;</p> <p>(d) report, review and approval of financial payments and reconciliations; and</p> <p>(e) comparison of the result of physical cash and inventory counts with accounting records.</p>		<ul style="list-style-type: none"> • 	<p>Action required:</p> <ul style="list-style-type: none"> •

3. LEGISLATIVE COMPLIANCE
Local governments are required by legislation to complete a statutory compliance return (Compliance Audit Return or CAR) annually and have the return adopted by Council. The return is a checklist of a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered "high risk"

<p>Legislative Compliance:</p> <p>(a) Statutory reporting timeframes are met;</p> <p>(b) Council and Executive Policy Positions are relevant and can be complied with;</p> <p>(c) Delegations are legislatively compliant, understood and complied with.</p>		<ul style="list-style-type: none"> • 	<p>Action required:</p> <ul style="list-style-type: none"> •
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