

SHIRE OF BROOKTON

AUDIT COMMITTEE MEETING

AGENDA

Thursday 16 March 2017



9:00 am COMMENCEMENT OF MEETING

Shire of Brookton
Audit Committee Meeting
Notice of Meeting

Notice is hereby given that a meeting of the Audit Committee will be held on Thursday 16 March 2017, in the Council Chambers of the Shire Administration Centre, commencing at 9:00 am.

The business to be transacted is shown in the Agenda.

Ian D’Arcy
Chief Executive Officer
10 March 2017

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1.03.17 DECLARATION OF OPENING/ATTENDANCE

2.03.17 DISCLOSURE OF INTERESTS

Members and Officers to declare Financial, Proximity or Impartiality Interests & submit forms to the Chief Executive Officer at the commencement of the meeting and also prior to the item.

Disclosure of Financial & Proximity Interests

- a. Members must disclose the nature of their interest in matters to be considered at the meeting. (Sections 5.60B and 5.65 of the *Local Government Act 1995*).
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the *Local Government Act 1995*).

Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be considered at the meeting in respect of which the member or employee has given or will give advice.

Financial, Proximity and Impartiality Interests

| Item no. | Members | Type of Interest | Nature of Interest |
|-----------------|----------------|-------------------------|---------------------------|
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| | | | |

3.03.17 AUDIT COMMITTEE REPORTS

3.03.17.01 2016 COMPLIANCE AUDIT RETURN

| | |
|---------------------------------|--------------------------------------|
| File No: | ADM0333 |
| Date of Meeting: | 16 March 2017 |
| Location/Address: | N/A |
| Name of Applicant: | N/A |
| Name of Owner: | Shire of Brookton |
| Author/s: | Kelly D'Arcy – Governance Officer |
| Authorising Officer: | Ian D'Arcy – Chief Executive Officer |
| Declaration of Interest: | Nil |
| Voting Requirements: | Simple Majority |
| Previous Reports: | Nil |

Summary of Item:

This report relates to the Audit Committee's consideration of the Shire of Brookton's annual Compliance Audit Return for 2016.

Description of Proposal:

Description or N/A

Background:

On an annual basis respective Western Australia Local Governments are required under legislation to complete an annual Compliance Audit Return that largely represents a self-audit of the Shires compliance.

Each Local Government must complete a CAR for the period 1 January to 31 December against the checklist of statutory compliance issues included in the 2016 return. Once completed, the Compliance Audit Return is to be;

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

After the Compliance Audit Return has been presented to the Council at the March ordinary Council Meeting, a certified copy of the Return along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit is to be submitted to the Director General, Department of Local Government by 31 March 2017.

A copy of the Compliance Audit Return 2016 is provided at **Attachment 03.03.17.01**

Consultation:

Consultation has been undertaken in house with confirmation from various officers in regards to compliance requirements being met, or not.

Statutory Environment:

The Council is obliged to complete and submit the Brookton Compliance Audit Return 2016 in accordance with the *Local Government Act 1995* - s7.13(1)(i), and the Local Government (Audit) Regulations 1996, Regulations 13, 14 and 15.

Relevant Plans and Policy:

Nil

Financial Implications:

Nil

Risk Assessment:

There is a risk that Council will be in breach of its statutory obligations should it not complete and adopt the Brookton - Compliance Audit Return 2016. Accordingly, it has been assessed that the level of risk is high.

Community & Strategic Objectives:

There are no specific implications relevant to the Strategic Community Plan (2013-2023) or the Corporate Business Plan (2015-2019).

Comment

The Compliance Audit Return is seen as an internal control monitoring process and as such is a useful tool for the Chief Executive Officer to report to Council and the Department for Local Government and Communities on performance against the Shire's statutory obligations.

In general, it has been assessed that the performance of the Shire of Brookton generally accords with the statutory compliance requirements under the *Local Government Act, 1995* and subsidiary legislation.

OFFICER'S RECOMMENDATION

That the Audit Committee Recommend to Council that it:

- 1. Pursuant to Regulation 14(3) of the Local Government (Audit) Regulations 1996 adopt the Brookton– Compliance Audit Return 2016 as presented in Attachment 03.03.17.01 of this report***
- 2. Forward a certified copy of the Shire of Brookton– Compliance Audit Return 2016 to the 'Executive Director' of the Department of Local Government and Communities in accordance with Regulation 15(1) of the Local Government (Audit) Regulations 1996.***

Attachments

Presented under separate cover

Attachment 03.03.17.01

03.03.17.02 CEO REPORT ON R 17 OF THE LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996

File No: ADM0333
Date of Meeting: 16 March 2017
Location/Address: N/A
Name of Applicant: N/A
Name of Owner: Shire of Brookton
Author/s: Kelly D'Arcy – Governance Officer
Authorising Officer: Ian D'Arcy – Chief Executive Officer
Declaration of Interest: Nil
Voting Requirements: Simple Majority
Previous Reports: Nil

Summary of Item:

This report relates to Regulation 17 of the Local Government (Audit) Regulations 1996 (Regulations) which requires the Chief Executive Officer (CEO) to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance at least once every two calendar years. A review of the Shire of Brookton's systems in relation to risk management, internal control and legislative compliance has been conducted and in the opinion of the officer responsible it can be considered that with the available staff and resources of the Shire of Brookton, that the systems are appropriate and effective.

A review of the Shire of Brookton's systems has been conducted and in the opinion of the responsible officer it is considered that further review needs to be undertaken to assess and determine measures to be taken to mitigate the Shire risk.

Description of Proposal:

The purpose of this report is to request the Audit Committee's consideration of the Audit Regulation 17 Review.

Background:

In February 2013 amendments to the *Local Government (Audit) Regulations 1996* extended the functions of local government Audit Committees. These functions (Regulation 17) included receiving a biennial report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance.

The initial review was undertaken in December 2014 and was presented to the Audit Committee on 18 December 2014 with the recommendations from the Committee being endorsed by Council at its ordinary meeting held on the same day. A further report should have been presented to Council prior to 31 December 2016. Unfortunately, due to some senior staff positions being vacant the assessment and report was not presented by the due date.

In picking up on this matter by the current CEO it has been identified the Local

Government Insurance Service (LGIS) conducted a review of the risk management systems for the Shire of Brookton in October 2016. This culminated in a 'Risk Management Framework Report' being prepared and presented to the then Acting CEO.

This document consists of the following:

- Risk Management Policy
- Risk Management Procedures
- Risk Assess and Acceptance Criteria
- A template for Risk Profiling and
- Risk Theme Definitions

A copy of the LGIS Framework Report and Risk Profiling Template is provided at **Attachment 03.03.17.02(a) and Attachment 03.03.17.02(b)** respectively.

Consultation:

Consultation has been undertaken in house with confirmation from various officers in regards to compliance requirements being met, or not.

Statutory Environment:

In accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996* a local government's CEO is to review at least once every two years, the appropriateness and effectiveness of the local government's systems and procedures with regard to risk management, internal control and legislative compliance.

Relevant Plans and Policy:

The Council has a Risk Management Policy 2.7 adopted in October 2016. This policy forms part of the risk management framework pertinent to this report.

Financial Implications:

Nil

Risk Assessment:

There is a risk that Council will be in breach of its statutory obligations should it not complete and adopt the CEO's Report on Audit Regulation 17. Accordingly, it has been assessed that the level of risk is high.

Community & Strategic Objectives:

There are no specific implications relevant to the Strategic Community Plan (2013-2023) or the Corporate Business Plan (2015-2019).

Comment

The cursory review of the Shire obligations under Regulation 17 has recently been instigated. As reflected in the Background Section of this report, while a Risk Management Policy and Procedures review has been performed by LGIS (the Shire's insurance agency) in October 2016, further work needs to be undertaken for Council to be fully informed on the level of exposure to identified risks, and remedial actions that can be applied to minimise or mitigate specific areas of concern.

Accordingly, it is accepted that a full review still needs to be performed guided by the “Department of Local Government and Communities’ Operational Guideline Number 09 – Audit in Local Government” (Guideline), acknowledging that some works has already been progressed. This view is based on a preliminary assessment that affords a broad understanding that some of the Shire’s operations are generally lacking or have previously found to be inadequate. With this in mind the CEO will implement over the coming year further investigations and corrective actions to remedy these inadequacies in consultation with the Audit Committee.

OFFICER’S RECOMMENDATION

That the Audit Committee Recommend to Council that:

- 1. Pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996 adopt this report and attachments as the CEO’s Audit Regulation 17 Report 2016.***
- 2. Note that further works are to be performed over the coming 12 month period to undertake a holistic Risk Management and Internal Audit assessment of the Shire’s operations in consultation with the Council’s Audit Committee and using the Risk Management Framework Report and Risk Profiling Template as provided by LGIS.***

Attachments

Presented under separate cover

Attachment 03.03.17.02(a) - LGIS Risk Management Framework Report

Attachment 03.03.17.02(b) – LGIS Risk Profiling Template

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| 12.03.17 | CLOSURE |
|-----------------|----------------|