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APPENDIX 6.1 2017 Compliance Audit Return

**APPENDIX 6.2 Audit Reg. 17 Review of Risk Management,
Legislative Compliance and
Internal Controls**

MINUTES

Of the meeting held on Wednesday 14 February 2018, in Artists Studio at the Tjukurba Gallery, commencing at 3.09pm.

1. Attendance

Cr Peter Grundy
Cr Graham Harris
Cr Lena Long
Cr Stacey Petterson
Cr Jim Quadrio
Cr Norma Ward

In Attendance:

Colin Bastow	Chief Executive Officer
Warren Olsen	Deputy Chief Executive Officer
Katrina Boylan	Executive Assistant

Apologies: Cr Caroline Thomas

2. Election of Presiding Member (Committee Chairperson)

The CEO Mr Colin Bastow will open the meeting and conduct an election for presiding member (ie. Committee Chairperson) as required by subsection 5.12 (1) of the Local Government Act 1995 ("the Act").

Note: Nomination for the Presiding Member must be made in writing to the CEO at any time prior to the meeting and during the meeting up until the close of nominations. The Councillor nominated must accept the nomination either orally or in writing.

Nomination forms for Presiding Member are distributed with this agenda.

The election will be held in accordance with the provisions of Schedule 2.3, Division 2 of the Act.

Cr Grundy accepted the nomination proposed by Cr Ward and was elected as the Presiding Member.

3. Election of Deputy Presiding Member (Deputy Committee Chairperson) (if desired)

Subsection 5.12 (2) of the Act provides that the members of a committee may (but are not required to) elect a deputy presiding member from amongst themselves.

The Audit Committee did not elect a deputy presiding member in the last term.

If members wish to elect a deputy presiding member, the election must be held in accordance with the provisions of Schedule 2.3, Division 2 of the Act (in which case, nomination forms will be distributed at the meeting).

<i>Officer Recommendation & Committee Decision</i>	<i>Item 3</i>
MOVED CR HARRIS	SECONDED CR WARD
That no Deputy Presiding Member be elected for the Audit Committee.	
<u>CARRIED 6/0</u>	

4. Declarations of Interest

Nil

5. Confirmation of Minutes – 22 February 2017

That the Minutes of the meeting held on 22 February 2017 be confirmed as a true and correct record of proceedings.

<i>Officer Recommendation & Committee Decision</i>	<i>Item 5</i>
MOVED CR HARRIS	SECONDED CR PETERSON
That the Minutes of the meeting held on 22 February 2017 be confirmed as a true and correct record of proceedings.	
<u>CARRIED 6/0</u>	

6. Reports of Officers:

6.1. 2017 Compliance Audit Return:

File:	ADM 0151
Reporting Officer:	Warren Olsen – Deputy CEO
Date of Meeting:	14 February 2018
Date of Report:	4 February 2018
Disclosure of Interest:	Nil

Purpose

The purpose of this report is to consider and, if thought fit to adopt, the Compliance Audit Return (CAR) for the calendar year ended 31 December 2017.

Background

Each local government is to carry out a compliance audit in respect of each calendar year against requirements established by the Department of Local Government, Sport and Cultural Industries and to formally adopt the Compliance Audit Return by Absolute Majority.

The Compliance Audit Return must first be considered by the Audit Committee, and the Audit Committee must make a recommendation to the Council in respect of the adoption of the Compliance Audit Return.

After the Compliance Audit Return has been presented to the Council, 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, Sport and Cultural Industries by March 31 in the following year.

Our Compliance Audit Return for the year ended 31 December 2016 has now been prepared and is attached to this agenda as Appendix 10.1.1.

Comment

Councillors should note that no non-compliances have been noted for 2017.

The only area of doubt relates to procurement relating to the Canning Stock Route and Gunbarrel Highway Interpretive Centre. The reasons that compliance surrounding that project is not clear are because:

- Arrangements around that project were inherited from a previous administration and we therefore do not have complete knowledge of those arrangements; and
- The CEO was instructed by an officer of the Department of Local Government, Sport and Cultural Industries not to investigate matters that the Department is already investigating.

That area is therefore closed to us to thoroughly investigate, but we are not aware of any non-compliances.

It should also be noted that councillors cannot have any direct knowledge of most of the compliance issues that the Compliance Audit Return endeavours to audit. Council necessarily relies on the advice of its officers, and I believe that we have protected the Council in this regard to the best of our ability.

Taking the lack of any direct knowledge of most of the issues by councillors, it is recommended that Council considers qualifying the resolution to adopt the Annual Compliance Return.

Consultation

Chief Executive Officer – Colin Bastow

Statutory Environment

Regulation 14 of the Local Government (Audit) Regulations 1996 provides that:

- (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.
- (2) After the audit committee has reported to the council under sub-regulation (3A), the compliance audit return is to be —
 - (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 15 of the Local Government (Audit) Regulations 1996 provides that:

- (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 Executive Director by 31 March next following the period to which the return relates.

Policy Implications

Nil

Financial Implications

There are no financial implications directly related to the adoption and submission of the Compliance Audit Return.

Strategic Implications

Although completion and submission of the Compliance Audit Return have no particular strategic significance in itself, its timely and adoption and submission will

go a long way to restoring the confidence of the Department of Local Government and Communities in the ability of the Council to properly manage its affairs.

Voting Requirements (at the Council meeting) ABSOLUTE MAJORITY

Officer Recommendation & Committee Decision

Item 6.1

MOVED CR QUADRIO

SECONDED CR HARRIS

That it be recommended to the Council:

1. **That it be noted that Councillors have no direct knowledge of most of the issues with which the Compliance Audit Return is concerned, and therefore rely on the knowledge and advice of the Chief Executive Officer and senior managers.**
2. **That, with this qualifications, the 2017 Compliance Audit Return be adopted.**

CARRIED 6/0 by Absolute Majority

6.2. Reg 17 CEO Review

File:	ADM0344
Reporting Officer:	Colin Bastow, Chief Executive Officer
Date of Report:	6 February 2018
Date of Meeting:	14 February 2018
Disclosure of Interest:	Previously worked for UHY Haines Norton (which has since merged with Moore Stephens) approximately 7 years ago.

Purpose

The purpose of this report is to report to the Audit Committee the results of the CEO's Reg 17 Review.

Background

The CEO is required to review the following systems at least once every two calendar years:

- a) Risk management; and
- b) Internal controls; and
- c) Legislative compliance.

The last report that was present to the Audit Committee on Reg 17 Review was back in December 2016. However, the report was postponed due to the Local Government Inquiry. The Shire was initially advised that the Inquiry would only take three months to complete, this advice was received over twelve months ago. The 2016 Reg. 17 review was undertaken in-house; however, due to the high level of scrutiny placed on the Shire due to the inquiry, it was decided that an independent review would be more appropriate.

Moore Stephens was contracted to undertake an independent review of the Shire systems after they provided the Shire with a competitive quote. Three Accounting Firms were invited to quote which included the Shire's current and previous audit firms. Unfortunately, the Shire's Current Audit Firm was unable to quote for this work.

Comment

The overall conclusion of the review was that the appropriateness and effectiveness of the Shire's system and procedures about risk management, internal controls and legislative compliance is moving towards having adequate and sustainable risk and internal control culture to meet the Shire's compliance obligations.

Further details about the review can be obtained by reading the attached Review of Risk Management, Legislative Compliance and Internal Controls Report.

The Recommendations for Improvement from Moore Stephens and the Shire's initial responses:

1. *Risk Management Policy*

The Shire will develop a risk management policy and further investigate the installation of a Risk Register.

2. *Corporate Governance*

The Shire had engaged the services of Moore Stephens to review and update its current Integrated Plans. This update can include an assessment of key risks to strategic projects.

3. *Corporate Governance – Delegations of Authority*

Local Government Councils delegate to their CEO, those tasks and duties they feel is appropriate. Therefore, there is not a standard type of delegation that must be included in the Shire Delegation Register. Therefore, there is no urgency to review the Shire's Delegations Register due to missing delegations.

The Author last reviewed the sub-delegation on the 30 January 2018.

4. *Business Continuity & Disaster Recovery*

The Shire had updated the Records Disaster Management Plan with current contacts etc. on the 6 February 2018.

The Shire plans to develop a dedicated Business Continuity Plan over the next 12-months.

5. *Records Management*

The Shire will be inviting vendors of electronic record management software to present their product to the Executive Management Team as it had already been identified the need to improve the shire's record management systems and procedures.

The Shire intends to include the purchase/upgrade of an electronic record management software in the 2018/19 DRAFT budget.

6. Health & Safety Management

The Shire has put in place a more appropriate arrangement for the management of the Wiluna Airstrip by appointing an Aerodrome Management Company to provide additional assistance and advice. This new arrangement will eliminate any repeat of long delays in resolving CASA compliance issues.

The Shire is currently considering the establishment of a Health and Safety Committee.

7. Code of Conduct – training

The Shire will undertake whole of organisational induction training which includes Code of Conduct awareness training within the next two months. It is likely the Shire will need to close its Administration Office and Arts Centre to allow all staff to attend the training.

8. Policies & Procedure
Comments noted.

9. Segregation of Duties

The Shire will review SynergySoft access privileges to ensure staff can only access data within their area of responsibility.

10. Remote Back-up of SynergySoft Systems

The Shire is currently accessing quotes that it has received for the upgrading of its Corporate Server. The scope of the Server upgrade also included the installation of an offsite backup server. Additionally, quotes were requested for the ongoing ITC support which will include the verification of backups.

The Shire is also assessing a proposal to install optic fibre to the new Administration office which will enable the office to have super-fast broadband. One of the benefits of having super-fast broadband will allow the Shire to backup its server to the cloud (off-site).

11. Financial Controls – Month-end

The Shire is currently recruiting an experienced and qualified Manager of Finance who will be tasked with the responsibility of implementing and maintaining appropriate financial controls.

Recently monthly financial report had been provided to line managers.

12. Financial Controls – Business Processes

The Shire is currently recruiting an experienced and qualified Manager of Finance who will be tasked with the responsibility of implementing and maintaining appropriate business processes.

13. Financial Controls – Grants

The author had advised all line Managers of their responsibilities with regards grants management. Once the new Manage of Finance is on deck, the Shire will develop a Grants Register. The register will allow for a level of grant management.

14. Financial Management Review

The Shire had recently received quotes from three Accounting Firms to undertake a Financial Management Review (FMR). The successful firm was Lincolns which is the Shire's current auditors. The FMR is expected to take place within the next couple of months.

15. Operationalise Compliance Requirements

Comments noted.

16. Records Retention

The Shire will undertake a major review of its records management systems as the current record management system and limited staff knowledge of this area had already been identified as a major area of concern.

The Shire has already spent a considerable amount of time and effort in improving the governance and other systems. However as highlighted above there is still additional improvements needed to improve the appropriateness and effectiveness of a number of systems.

Consultation

Warren Olsen, Deputy Chief Executive Officer
Anne Cheng, Moore Stephens

Statutory Environment

Local Government (Audit) Regulations 1996

Reg 17 - CEO to review certain systems and procedures

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Risk Management Implications

The attached report included a review of the Shire Risk Management systems and procedures.

Policy Implications

Nil

Financial Implications

Nil

Strategic Implications

Nil

Voting Requirements SIMPLE MAJORITY

Officer Recommendation & Committee Decision

Item 6.2

MOVED CR WARD

SECONDED CR PETERSON

The Shire needs to continue improving the appropriateness and effectiveness of its systems and procedures about:

- a) Risk management;**
- b) Internal control; and**
- c) Legislative compliance.**

CARRIED 6/0

7. Closure

There being no further business the meeting was declared closed at 3.28pm