



**SHIRE OF COOLGARDIE**

# **A G E N D A**

**OF THE**

**AUDIT COMMITTEE MEETING**

**30 July 2019**

**2.30pm**

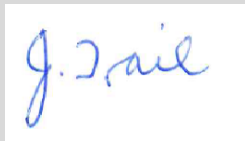
**Kambalda**

**SHIRE OF COOLGARDIE**

**NOTICE OF AUDIT COMMITTEE MEETING**

Dear Elected Member

The next Audit Committee Meeting of the Shire of Coolgardie will be held on Tuesday 30 July 2019 in the Recreation Centre, Barnes Drive, Kambalda commencing at 2:30pm.

A handwritten signature in blue ink, appearing to read "J. Trail", is enclosed in a white rectangular box.

**JAMES TRAIL**  
**CHIEF EXECUTIVE OFFICER**

## SHIRE OF COOLGARDIE

### DISCLOSURE OF INTERESTS

#### TO THE CHIEF EXECUTIVE OFFICER:

Under the Provisions of Division 6 of Part 5 of the Local Government Act 1995, I hereby disclose a Financial Interest/s in the matter/s listed on this form, which is/are scheduled for consideration at the meeting of Council to be held on:

<b>TUESDAY</b> _____ <b>2019</b>
----------------------------------

Where indicated by the word 'YES' in column 6, I will be seeking a determination (under Section 5.68) by the meeting, for reasons I will expand on.

(Print Name) \_\_\_\_\_ (Signature) \_\_\_\_\_ (Date)

NOTE: Members of Council are asked to deliver this completed form to the Chief Executive Officer on the day of the Council Meeting as required by the Act. Where this is not practicable the Disclosure/s may be telephoned to the Council Office on 9080 2111 and/or the form subsequently passed to the Chief Executive Officer prior to the meeting.

ITEM	PAGE No.	TYPE	REASON

For inclusion for interest declaration

Interests Affecting Impartiality: Disclosing Statement

*"With regard to....(the matter in item)... I disclose that I have an association with the applicant. As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly."*

## TABLE OF CONTENTS / INDEX

<b>1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS .....</b>	<b>5</b>
1.1 Election of Presiding Member.....	5
1.2 Election of Deputy Presiding Member.....	6
<b>2 RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE .....</b>	<b>6</b>
<b>3 DECLARATIONS OF INTEREST .....</b>	<b>6</b>
3.1 Declarations of Financial Interests – Local Government Act Section 5.60A.....	6
3.2 Declarations of Proximity Interests – Local Government Act Section 5.60B.....	6
3.3 Declarations of Impartiality Interests – Administration Regulation 34C .....	6
<b>4 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS .....</b>	<b>6</b>
<b>5 REPORTS OF OFFICERS.....</b>	<b>6</b>
5.1 Chief Executive Officer.....	6
5.1.1 <i>Quarterly Report for the period Ending 30th June 2019</i> .....	7
5.1.2 <i>List of Credit Card Payments</i> .....	12
5.1.3 <i>Risk Management Framework</i> .....	14
5.1.4 <i>Audit Committee Terms of Reference</i> .....	20
5.1.5 <i>Auditors General's Report -Local Government Building Approvals</i> .....	24
5.1.6 <i>2017/2018 Audit Report and Action List</i> .....	27
<b>6 CLOSURE OF MEETING .....</b>	<b>32</b>

## 1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

### 1.1 ELECTION OF PRESIDING MEMBER

#### Background

Council is required to elect the Presiding Member and Deputy Presiding Member as the first item of business

#### Comment

The process of election is the same *mutatis mutandis* as the process for election of that of a President and Deputy President

The CEO is to preside at the meeting until the Office of Presiding Member is filled.

#### Statutory Implications

5.12. Presiding members and deputies, election of

(1) The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1 as if the references in that Schedule —

- (a) to “office” were references to “office of presiding member”; and
- (b) to “council” were references to “committee”; and
- (c) to “councillors” were references to “committee members”.

(2) The members of a committee may elect a deputy presiding member from amongst themselves but any such election is to be in accordance with Schedule 2.3, Division 2 as if the references in that Schedule —

- (a) to “office” were references to “office of deputy presiding member”; and
- (b) to “council” were references to “committee”; and
- (c) to “councillors” were references to “committee members”; and
- (d) to “mayor or president” were references to “presiding member”.

5.13. Deputy presiding members, functions of

If, in relation to the presiding member of a committee —

- (a) the office of presiding member is vacant; or
- (b) the presiding member is not available or is unable or unwilling to perform the functions of presiding member, then the deputy presiding member, if any, may perform the functions of presiding member.

Section 2 of Schedule 2.3 of the *Local Government Act* provides that, in relation to the Office of President:

- (1) The office is to be filled as the first matter dealt with —
  - (a) At the first meeting of the council after an inaugural election or a section 4.13 or 4.14 Election or after an ordinary elections day.

Section 3 provides that the CEO is to preside at the meeting until the Office is filled.

Section 4 provides:

- (1) The Council is to elect a Councillor to fill the office.
- (2) The election is to be conducted by the CEO in accordance with the procedure prescribed.
- (3) Nominations for the Office are to be given to the CEO in writing before the meeting or during the

meeting before the close of nominations.

(3a) nominations close at the meeting at a time announced by the CEO, which is to be a sufficient time after the announcement by the CEO that nominations are about to close to allow for any nominations made to be dealt with.

(4) If a Councillor is nominated by another Councillor the CEO is not to accept the nomination unless the nominee has advised the CEO, orally or in writing, that he or she is willing to be nominated for the office.

(5) The Councillors are to vote on the matter by secret ballot as if they were electors voting at an Election. In relation to the role of the President Section 2.8 provides that:

## **1.2 ELECTION OF DEPUTY PRESIDING MEMBER**

### **Comment**

The process of electing the Deputy Presiding Member is the same process for the election of the Presiding Member

### **Statutory Implications**

In relation to the Office of Deputy President, Section 7 provides:

(2) If the local government has a Councillor president the office of deputy president is to be filled  
(a) As the next matter dealt with after the president is elected at the first meeting of the council after an ordinary elections day;

In relation to the role of the Deputy President Section 2.9 provides that the deputy President performs the functions of the President when authorised to do so under section 5.34.

## **2 RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE**

## **3 DECLARATIONS OF INTEREST**

### **3.1 *Declarations of Financial Interests – Local Government Act Section 5.60A***

### **3.2 *Declarations of Proximity Interests – Local Government Act Section 5.60B***

### **3.3 *Declarations of Impartiality Interests – Administration Regulation 34C***

## **4 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

## **5 REPORTS OF OFFICERS**

### **5.1 *Chief Executive Officer***

### 5.1.1 Quarterly Report for the period Ending 30th June 2019

<b>Location:</b>	Nil
<b>Applicant:</b>	Nil
<b>File Reference:</b>	NAM6898
<b>Disclosure of Interest:</b>	None Required
<b>Date:</b>	24 <sup>th</sup> July 2019
<b>Author:</b>	Chief Executive Officer, James Trail

#### **Summary:**

For Council to receive the quarterly report for the period ending 30<sup>th</sup> June 2019.

#### **Background:**

The CEO had engaged Excel IQ to produce a business information tool specifically designed for staff to monitor their budgets. The implementation of this tool has been designed to help staff quickly identify over or under expenditure of their budgets and report to Council in a simple and easy to read format. By providing this report Council can see how each department is tracking with their budgets and staff will be able to provide answers to any variances in the reports.

The Council committed to undertaking an organisation wide service review with the following objectives:

#### **Improved service**

To understand the services delivered and enable improved management of the services.

#### **Resource allocation**

To confirm the level of resource allocation across the Council's portfolio of service.

#### **Inform**

To inform elected members and executives, new and old alike, to what the Council does and how it goes about doing it.

#### **Service standards**

To understand and better target its service level/standard to avoid gold-plating services – providing services that exceed community expectations, thereby wasting limited resources.

#### **Benchmarking**

To benchmark services against other Councils, against KPIs or against "future self" as part of a continuous improvement program.

#### **Shared services/Partnerships**

To capture relevant data to specify the service for the purpose of exploring the provision of shared services/partnerships with neighbouring councils, regional organisations of councils, government agencies as part of a joined-up-approach, not-for-profit organisations or other likeminded parties.

## **Efficiency Dividend**

State and Federal Governments have been adopting efficiency dividends for many years. Efficiency dividends are targets set to achieve savings from improvements in operations – how the services are delivered. Council has implemented an efficiency dividend (2% of Council rate income) as part of its 2018/19 Budget.

The adoption of an efficiency dividend is consistent with the Service Review theme for year one, which is all about focusing on managing costs and narrowing the gap between income and expenditure.

## **Conclusion**

The Service Reviews will serve as a blueprint for the direction of the Council's portfolio of services.

## **Three-year plan**

**Year One** will focus service managers on understanding their service data and the Council's business – what services are being delivered by Council and why. Knowing the numbers that make up the expenditure and income of each service will enable service managers to manage costs and narrow the gap between income and expenditure.

**Year Two** will focus the service managers on gathering data, reporting and evidence-based decision-making. This will lead to service managers making changes and improving how services are being delivered to the community.

**Year Three** will focus the service managers on benchmarking, innovative thinking and implementing new ways of delivering services to achieve better results for the community. The service managers will understand what makes up their service and be able to speak with authority about what makes their services tick.

## **Performance management**

Following the Council's consideration of the Service Reviews the Shire will be well placed to develop a performance management framework using the service reviews as its performance spine. While some of the review recommendations will be implemented immediately there are other recommendations that will require work over coming months and years.

The planning and timing for implementation of these Review recommendations should form part of the Shire's performance management framework moving forward to ensure all Council resolutions are implemented.

In addition, some time and effort has been spent during the service review process on understanding and developing performance indicators for each service. It is now opportune to build a reporting and monitoring program around service KPIs that can be used to guide the ongoing performance improvement for each service.

## **KPIs**

The Council makes significant investment in people and service delivery. To appreciate how well the Council's investment is being leveraged into outcomes we intend on measuring and monitoring:

- staff numbers and salaries;
- budget income and expenditure versus actual; and
- effectiveness and progress of each service.

### **Staff numbers and salaries**

The Shire's employment establishment is made up of 45 FTEs (full-time equivalents) made up of full-time, part time and casual employees. The total annual cost of the Council's establishment is \$3.9 million or 63% of the Council's annual rates.

Staff numbers and salaries are a significant cost to Council and will be monitored as part of the performance management framework.

### **Budget v actual (Costs and Benefits)**

The Council's adopted budget will be monitored to ensure income/expenditure against each service is on target. While the Council monitors the service financials it is also important to understand what the service spend achieves in terms of service outcomes/community benefits.

The Shire's performance objective should be to at least improve on what it achieved in the previous year and to better its service delivery in some way from year to year. Therefore, performance reports will also track service performance outcomes against previous year.

### **Commercial activity – cost recovery**

Various activities undertaken by the Shire, that may be deemed commercial, should not be subsidised by Council. These services should be run at a breakeven or better financial result. The commercial services should pay their own way – charged for the space they occupy and internal services and resources they draw down. Therefore before we declare that the gymnasiums are running at a profit, they need to cover the internal hire rate for the space they occupy and the equipment they utilise. Therefore, the Council needs to adopt a process of cost recovery for services deemed to be commercial activities.

### **Government funding – cost shifting**

The Council receives considerable funding from the State Government for the delivery of various government services. The cost of delivering these services should be borne entirely by the State Government (unless it was a condition of funding for council to contribute). Some detailed analysis needs to take place to determine if the Council is subsidising the delivery of various government services and if that level of subsidy is acceptable to Council.

### **Internal charges/overheads**

For the Council to appreciate the "true" cost of services some internal charges need to be applied against specific services. Internally facing services such as administration, finance and IT provide significant support to externally facing services. Therefore, some of the administration finance and IT costs should be apportioned to externally facing services to better reflect the "true" cost of their delivery.

Technical services support other services such as recreation centres with grounds maintenance. Therefore, some of the technical services costs should be apportioned to other services to better reflect the "true" cost of their delivery.

The Shire's current technical and administrative overheads are too high and greater effort should go into reducing them in coming years.

Similarly, the Shire provides fleet, plant and equipment and a maintenance workshop to support internally and externally facing services. Therefore, some of these costs should be apportioned to other services to better reflect the "true" cost of their delivery.

The Shire's plant hire rates only partially recover the cost of providing the fleet plant and equipment and workshop services.

### **Strategic Recommendations**

That the Council:

- benchmark against other similar councils to determine and set a target range for expenditure on internally facing services;
- review its commitment to the Tourism, Heritage and Museum activities with a view to capping its commitment in the short term and exploring how it can manage cost and narrow the gap between income and expenditure in coming years;
- explore the skills and knowledge required by the Shire staff in implementing the service reviews over coming three years and consider implementing a professional development program for its key personnel/service managers;
- note that a performance management framework will be developed and implemented using the service reviews as a mechanism to provide the Council with executive oversight of its operations;
- as part of the its 2018/19 Budget deliberations adopt a process of cost recovery for services deemed to be commercial activity;
- minimise its financial exposure to the provision of government services that are funded by various government agencies;
- benchmark internal charges/overheads with other similar councils with a view to setting an appropriate range for overheads as a percentage of cost of labour;
- set a target for administrative and technical overheads at 90% of the labour costs to be achieved over the coming three years;
- set its plant hire rates to fully recover the cost of providing fleet, plant and equipment and workshop services; and
- as part of the 2018/19 Budget deliberations adopt an efficiency dividend of 2% of the Council's rate to be achieved through improvements in operations.

All responsible officers have completed their first quarterly reports within the time frame. If Council request additional information to add value this can be provided in the next quarterly reporting period.

### **Comment:**

The quarterly report for the period ending 30<sup>th</sup> June 2019, demonstrates the Shire has continued to generated savings and efficiencies over the 12-month period whilst at the same time delivering on programmes and activities. The past 4 months have seen the Shire having to reinvest into service provision previously offered by the City of Kalgoorlie – Boulder. Despite the City removing the service provision to the Shire, at the 30<sup>th</sup> June 2019 and Council resolving to commit to the renewal of the Kambalda Swimming Pool, the Shire has still been able to deliver an efficiency dividend of \$508,103 or 3.1%.

The Fourth quarter of the financial year has seen a further increase in operational and capital activities occur. The Budget Review was adopted in February 2019.

The Shire finished the year with estimated surplus of \$5,795,097 with estimated reserve holdings of \$3,267,090. Furthermore, the Shire estimated unrestricted cash position at 30<sup>th</sup> June 2019 is \$1,597,007. Again, the Shire finds itself in a strong financial position as at 30<sup>th</sup> June 2019.

**Attachments:**

1. Expenditure Report Jun-19 (002) [5.1.1.1 - 1 page]
2. Salary Report Jun-19 [5.1.1.2 - 1 page]
3. Quarterly Presentation - June 2019 v 2 [5.1.1.3 - 47 pages]

**Consultation:**

Bec Horan – Executive Manager Administration Services  
Noeline Poke – Senior Rates Officer  
Peter Miller – Works and Services Supervisor  
Rod Franklin – Manager Waste and Emergency Services  
Leanne Shilton – Team Leader Recreation and Community  
Jade Tarasinski – Senior Finance Officer  
Leesa Treen – Team Leader Recreation and Community

**Statutory Environment:**

Nil

**Policy Implications:**

Nil

**Financial Implications:**

The 3.1 % efficiency dividend has been reinvested into increased services in the 2019/2020 Draft Budget.

**Strategic Implications:**

Advocating for services that support our community needs  
Collaborating with industries to stimulate and support economic development for the community  
Demonstrating sound financial management and plans for the Shire's long-term financial sustainability  
Demonstrating that decisions are developed through inclusive community engagement  
Developing strategic partnerships with regional, State and Federal governments  
High quality corporate governance, accountability and compliance  
Maintain integrated strategic and operational plans

**Voting Requirement:** Simple Majority

**Officer Recommendation:**

**That the Audit Committee, receive the Quarterly Report for the Period Ending 30<sup>th</sup> June 2019**

### 5.1.2 List of Credit Card Payments

<b>Location:</b>	Nil
<b>Applicant:</b>	Nil
<b>File Reference:</b>	NAM6912
<b>Disclosure of Interest:</b>	James Trail has a financial interest in this item. In accordance with section 5.70(2) of the Local Government Act 1995, I declare a financial interest in the agenda item 5.3 List of credit card payments. The interest is in relation to CEO credit card vouchers.
<b>Date:</b>	24 July 2019
<b>Author:</b>	Senior Finance Officer, Jade Tarasinski

#### **Summary:**

For the Audit Committee to receive the list of credit card payments from 1<sup>st</sup> January to 30<sup>th</sup> 2019 for the Chief Executive Officer.

#### **Background:**

The Local Government (Financial Management) Regulations 1996, Regulation 13(3)(b) requires that Council receive a list of credit cards paid in the month, and that this be recorded in the minutes. Council has delegated to the Chief Executive Officer that authority to make these payments from Municipal and Trust Funds.

#### **Comment:**

The schedule of payments made under delegated authority as summarised below and recommended to be received by the audit committee, has been checked and is supported by vouchers and invoices which have been duly certified as to the receipt of goods and provision of services, and verification of prices and costings.

It is deemed prudent that all Chief Executive Officer credit card vouchers now be presented to the Audit Committee for consideration and recommendation to Council. This is particularly the case given the authorisation required for the Chief Executive Officer credit card.

#### **Attachments:**

1. Copy of Credit Card January - June 2019 [5.1.2.1 - 7 pages]
1. Credit Card Attachment Audit Committee January 2019 to June 2019

#### **Consultation:**

Nil

#### **Statutory Environment:**

Local Government (Financial Management) Regulations 1996, Regulation 13 – Lists of Accounts

**Policy Implications:**

CS-PROCUREMENTS POLICY. Policy CS-11 as amended, sets the guides with regards to the purchase of goods or services provided.

**Financial Implications:**

Nil

**Strategic Implications:**

**Accountable and Effective Leaders**

Demonstrating sound financial management and plans for the Shire's long term financial sustainability  
High quality corporate governance, accountability and compliance

**Voting Requirement:** Simple Majority

**Officer Recommendation:**

That the Audit Committee,

1. **Accept listing (attached) of credit card invoices totalling \$71,162.04 paid from 1<sup>st</sup> January 2019 to 30<sup>th</sup> June 2019 by the Chief Executive Officer under delegated authority of Council.**
2. **Recommend the Council receive the listing of credit card invoices totalling \$71,162.04 paid from the period 1<sup>st</sup> January 2019 to 30<sup>th</sup> June 2019 by the Chief Executive Officer under delegated authority**
3. **Recommend to Council the Shire President authorise the credit card vouchers totalling \$71,162.04 paid from the period 1<sup>st</sup> January 2019 to 30<sup>th</sup> June 2019 by the Chief Executive Officer under delegated authority**

### 5.1.3 Risk Management Framework

<b>Location:</b>	Nil
<b>Applicant:</b>	Nil
<b>File Reference:</b>	
<b>Disclosure of Interest:</b>	None Required
<b>Date:</b>	25 <sup>th</sup> July 2019
<b>Author:</b>	Chief Executive Officer, James Trail

#### **Summary:**

To adopt risk framework required by the Local Government (Audit) Regulations 1996

#### **Background:**

The purpose of the Risk Management Framework (Framework) is to support an integrated and effective approach to enable the Shire of Coolgardie to manage its risks through informed decision-making and to achieve value creation and asset protection in accordance with the Shire's Risk Management Policy. The Framework is based on good practice and sound corporate governance and is consistent with the risk management guidelines and principles of AS/NZS ISO 31000:2018 – Standard for Risk Management.

The Framework is an important component of the Shire's overall Governance Model and remains central to all its operations while delivering a wide and diverse range of services to its residents and visitors. The management of risk is the responsibility of everyone and is an integral part of the Shire's organisational culture which is reflected in the various policies, protocols, systems and processes to ensure efficient and effective service delivery.

The last two performance reviews of the CEO have identified Risk Management as an area of concern and lack of progress. In discussions between the CEO and councillor's it was agreed to engage external assistance. Furthermore, Audit Regulation 17 requires the CEO to review the appropriateness and effectiveness of their risk management, internal controls and legislative compliance procedures at least once every two calendar years. This has not been done to the level of detail previously as the proposal presented by Moore Stephens

#### **Comment:**

A Council's internal control environment includes the following components:

- Structure of the organisation
- Culture of the organisation
- Knowledge, skills and experience of employees
- Processes employed by the organisation to conduct business.

The Chief Executive Officer should play a key role in the establishment and development of an effective internal control environment, as it ultimately sets the operational tone of the Council, and should reflect the ethics, integrity and values espoused by the Council.

An effective and transparent internal control environment would focus on the following key areas:

- Integrity and ethical values
- Management's philosophy and operating style
- Organisation structure
- Performance measures
- Policies and procedures
- Human resources policy
- Internal Audit function
- The Audit Committee.

The role of the audit committee is to govern the integrity of the entity's financial information, systems of internal control, and the legal and ethical conduct of management and employees. The responsibility of the audit committee will differ depending upon the Council's size, scale of operations, and any specific requirements. The key role of internal audit is to aid the Council's audit committee in discharging its governance responsibilities.

It does this by:

- Providing an objective assessment of existing risks and the internal control framework
- Performing reviews of the compliance framework and specific compliance issues
- Conducting regular analysis of business processes and associated controls.
- Performing ad hoc reviews for specific areas of concern, including unacceptable levels of risk
- Reviewing the operational performance of the Council and providing recommendations for more effective and efficient use of resources

### **Audit Regulation 17**

Audit Regulation 17 requires the CEO to review the appropriateness and effectiveness of their risk management, internal controls and legislative compliance procedures at least once every two calendar years. The results of the review are to be reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and then report to the Council. The report from the Audit Committee to the Council is required to have attached a copy of the CEO's report to the Audit Committee.

The Shire engaged Moore Stephens to provide the following services:

- A high-level review of the risk management systems policies, procedures and plans in place at the Shire;
- Evaluate the financial internal control systems and procedures at the Shire;
- Evaluate the operational internal control systems and procedures at the Shire;
- Assess systems and processes for maintaining legislative compliance;
- Develop a 'gap analysis' of any improvements identified during the review; and
- Prepare a report of matters identified during the review to assist the Chief Executive Officer to assess the appropriateness and effectiveness of the relevant systems and procedures in accordance with Local Government Audit Regulation 17.

To undertake this work Moore Stephens applied the following methodology:

- Identify the extent of commitment and mandate to Risk Management principles;
- Establish an appropriate framework for each review component (risk management, legislative compliance and internal controls) after considering the overall context in which the review occurs;
- Assess the three appropriate frameworks against the current frameworks;
- Assess the implementation of the current frameworks;
- Assess the degree of monitoring of the current frameworks and their effectiveness;
- Assess the gaps (if any) between the current framework and the identified appropriate framework and document improvements; and
- Report on the appropriateness and where possible, the effectiveness of current systems and procedures.

Moore Stephens undertook the risk audit on the 27<sup>th</sup> June to 29<sup>th</sup> June.

Several matters reported in the recent Financial Management Review conducted for the period 1 July 2017 to 31 March 2018 remain to be actioned along with matters identified within this review in order for the Shire to consider its systems and procedures for risk management, internal controls and legislative compliance to be considered appropriate and effective.

### **Risk Management - Context**

Effective risk management contributes to the achievement of the Shire's objectives through continuous review of its processes and systems. A key element of risk management includes a governance framework which is integrated into strategic and operational plans.

Considering the size, resources, operations and the context in which the Shire of Coolgardie operates, a documented risk management strategy to ensure risks are holistically managed in a systematic, structured and pro-active manner is considered appropriate. An appropriate risk management framework requires formal risk reporting and risk monitoring which is both bottom up and top down.

Risk Management Policy (Policy 044) adopted in November 2014 outlines a framework for the identification, analysis and assessment of risks including responsibilities and accountabilities for staff to manage risks within their operational areas. The framework also requires the Shire to implement a reporting and recording system to capture and monitor risks.

### **Assessment**

The Risk Management Policy is yet to be effectively activated with formal risk management processes tracking identification of key risks, evaluation of the impacts, risk mitigation plans and regular risk monitoring both at the operational and strategic level. Indications of informal processes of the active management of operational risks exist. However, evidence to support a formal process for the recording and reporting of risks to Council for their monitoring was not available.

Implementation of the Risk Management Policy and further development of the risk management framework is required for the Shire's systems and procedures to be considered appropriate and effective for the management of risks potentially impacting the Shire.

### **Internal Control - Context**

Internal controls are systems of policies and procedures to safeguard assets, ensure accurate and reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations. The foundation for an effective and strong system of internal control requires integrity and ethical behaviour, documented policies and procedures and clear accountability and management oversight.

Prior Financial Management Reviews have identified recurring control weaknesses which have not been satisfactorily addressed (refer to Appendix A – Summary of Recurring Control Weaknesses for examples).

The following fundamental key reconciliations have not been consistently performed increasing the risk of unauthorised payments and/or errors not being detected on a timely basis:

- Bank reconciliations;
- Payroll reconciliations;
- Rate debtor's reconciliations; and
- Sundry debtors and creditors reconciliations.

Key oversight controls such as independent review of account reconciliations is not fully embedded into month-end accounting procedures, increasing the risk of inaccurate financial reporting. Detailed supervisory review of month-end financial reporting for reasonability, unusual trends, or a completeness was not evident. To mitigate against these risks, the Shire uses external resources with finance skills to prepare the Monthly Financial Reports and to assist with the investigation of the outstanding issues raised previously.

Actual to budget variance reports were introduced recently to provide greater visibility over expenditure throughout the month, to ensure budgets are closely monitored, and to mitigate against cost over runs. To be effective these reports require accurate timely performance of accounting procedures. High level walkthroughs of financial processes conducted during the site visit, including invoice processing (creditors), bank reconciliations and payroll processing indicated staff are control conscious and want to do the 'right thing'. Documented procedures and checklists for standard accounting procedures were not available. To embed a consistent system of internal controls with sufficient segregation of duties, and regular senior management monitoring, documented procedures are required.

### **Assessment**

Given the number of recurring key control deficiencies, and our understanding and review of the systems and processes in place, the effectiveness and appropriateness of the internal control environment is considered weak and requiring improvement. There is a lack of a structured framework for supervisory staff to rely on when performing their reviews and for trained staff to be held accountable to.

At the Ordinary Meeting of Council in October 2018, Council resolved;

**COUNCIL RESOLUTION: # 202/18**

**Moved: Councillor, E Winter**

**Seconded: Councillor, B Logan**

**That Council,**

- 1. Note and receive the Review of Risk Management, Legislative Compliance and Internal Controls, Audit Regulation 17, August 2018.**
- 2. Request the Chief Executive Officer to report to the next Audit Committee the results of the review.**

**CARRIED ABSOLUTE MAJORITY 6/0**

Shire staff have been working together to collate all shire risks into a risk register/matrix. In order to assist the Shire has purchased risk management software – Altus Risk Management.

Staff have been trained to use the system and risks have been entered into Altus. This is 80% complete. Once populated staff will be able to report to the audit committee quarterly on actions. The risks entered are in accordance with the attached risk management framework.

The following Risk Types with Classifications have been created:

Operational (day to day running of Shire, ability to control)

- OHS compliance – (oversee welfare of all staff and public in non-domestic environments)
- Financial – sustainability
- Infrastructure

Strategic (external factors and influences, we have no control over)

- State Govt
- Community
- Economic

Project (our projects in Shire)

- Council unable to deliver on time and in allocated budget

**Attachments:**

1. Risk Framework Draft final for client review [5.1.3.1 - 15 pages]

**Consultation:**

Council

Shire Staff

IT Vision

Market Creations

**Statutory Environment:**

Local Government (Audit) Regulation 17

The Local Government (Audit) Regulations 1996, Regulation 17, requires the following: The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- A) risk management;
- B) internal control; and
- C) legislative compliance. The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review no less than once every three (3) financial years (with effect 28 June 2018). The CEO is to report to the audit committee the results of that review.

**Policy Implications:**

Policy no 042 Infrastructure Policy – Asset Management

**Financial Implications:**

Allowance has been made in the 2019/2020 Annual Draft Budget for implementation of the risk framework.

**Strategic Implications:****Accountable and Effective Leaders**

Demonstrating sound financial management and plans for the Shire's long-term financial sustainability

High quality corporate governance, accountability and compliance

Maintain integrated strategic and operational plans

**Voting Requirement:** Simple Majority

**Officer Recommendation:**

**That the Audit Committee, ADOPT the Draft Risk Management Framework as attached**

#### 5.1.4 Audit Committee Terms of Reference

<b>Location:</b>	Shire Coolgardie
<b>Applicant:</b>	Nil
<b>File Reference:</b>	
<b>Disclosure of Interest:</b>	None Required
<b>Date:</b>	25 <sup>th</sup> July 2019
<b>Author:</b>	Chief Executive Officer, James Trail

#### **Summary:**

For the Audit Committee to endorse the terms of reference as attached.

#### **Background:**

At the Ordinary Meeting of Council in June 2019 Council Resolved;

#### **COUNCIL RESOLUTION: #101/19**

**Moved: Councillor, T Rathbone**

**Seconded: Councillor, E Winter**

**That Council: -**

- 1. Endorse the establishment of a new structure for the Audit Committee, and**
- 2. That the Audit Committee consists of five (5) members, being the President and 4 other elected members.**
- 3. That the Council appoint the following members of Council to the Audit Committee;**
  - President, Malcolm Cullen**
  - Cr Rathbone**
  - Cr Karafilis**
  - Cr Botting**
  - Cr Winter**

#### **ABSOLUTE MAJORITY 6/0**

It is a requirement of the Local Government Act 1995 (the "Act") for a local government to establish an Audit Committee. The purpose of the Audit Committee is to oversee the allocation of the local government's finances and resources including, but not limited to, such functions as the appointment of the auditor, receiving the annual report and the reviewing the auditor's report.

#### **Comment:**

This report recommends that the Audit Committee endorse the restructure of the Audit Committee in accordance with Council resolution #101/19.

The terms of reference are attached for consideration to be endorsed by the audit committee

## Attachments:

1. Audit Committee Terms of Reference [5.1.4.1 - 3 pages]

## Consultation:

Council  
Shire Staff

## Statutory Environment:

Local Government Act 1995

### 5.8. Establishment of committees

A local government may establish\* committees of 3 or more persons to assist the council and to exercise the powers and discharge the duties of the local government that can be delegated to committees.

\* *Absolute majority required.*

### 5.9. Committees, types of

- (1) In this section —  
**other person** means a person who is not a council member or an employee.
- (2) A committee is to comprise —
  - (a) council members only; or
  - (b) council members and employees; or
  - (c) council members, employees and other persons; or
  - (d) council members and other persons; or
  - (e) employees and other persons; or
  - (f) other persons only.

### 5.10. Committee members, appointment of

- (1) A committee is to have as its members —
    - (a) persons appointed\* by the local government to be members of the committee (other than those referred to in paragraph (b)); and
    - (b) persons who are appointed to be members of the committee under subsection (4) or (5).
- \* *Absolute majority required.*
- (2) At any given time each council member is entitled to be a member of at least one committee referred to in section 5.9(2)(a) or (b) and if a council member nominates himself or herself to be a member of such a committee or committees, the local government is to include that council member in the persons appointed under subsection (1)(a) to at least one of those committees as the local government decides.
  - (3) Section 52 of the *Interpretation Act 1984* applies to appointments of committee members other than those appointed under subsection (4) or (5) but any power exercised under section 52(1) of that Act can only be exercised on the decision of an absolute majority of the local government.
  - (4) If at a meeting of the council a local government is to make an appointment to a committee that has or could have a council member as a member and the mayor or president informs the local government of his or her wish to be a member of the committee, the local government is to appoint the mayor or president to be a member of the committee.
  - (5) If at a meeting of the council a local government is to make an appointment to a committee that has or will have an employee as a member and the CEO informs the local government of his or her wish —
    - (a) to be a member of the committee; or
    - (b) that a representative of the CEO be a member of the committee,

the local government is to appoint the CEO or the CEO's representative, as the case may be, to be a member of the committee.

**5.11. Committee membership, tenure of**

- (1) Where a person is appointed as a member of a committee under section 5.10(4) or (5), the person's membership of the committee continues until —
  - (a) the person no longer holds the office by virtue of which the person became a member, or is no longer the CEO, or the CEO's representative, as the case may be;  
or
  - (b) the person resigns from membership of the committee; or
  - (c) the committee is disbanded; or
  - (d) the next ordinary elections day,whichever happens first.
- (2) Where a person is appointed as a member of a committee other than under section 5.10(4) or (5), the person's membership of the committee continues until —
  - (a) the term of the person's appointment as a committee member expires; or
  - (b) the local government removes the person from the office of committee member, or the office of committee member otherwise becomes vacant; or
  - (c) the committee is disbanded; or
  - (d) the next ordinary elections day,whichever happens first.

**Division 1A — Audit committee**

**7.1A. Audit committee**

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.
- (2) The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.  
*\* Absolute majority required.*
- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.
- (4) An employee is not to be a member of an audit committee.  
*[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.]*

**Policy Implications:**

Nil

**Financial Implications:**

Nil

**Strategic Implications:**

**Accountable and Effective Leaders**

Advocating for services that support our community needs

Collaborating with industries to stimulate and support economic development for the community

Demonstrating sound financial management and plans for the Shire's long term financial sustainability

Demonstrating that decisions are developed through inclusive community engagement

Developing strategic partnerships with regional, State and Federal governments

High quality corporate governance, accountability and compliance

Maintain integrated strategic and operational plans

**Voting Requirement:** Simple Majority

**Officer Recommendation:**

**That the Audit Committee endorse the amended Terms of Reference as attached.**

### 5.1.5 Auditors General's Report -Local Government Building Approvals

<b>Location:</b>	Nil
<b>Applicant:</b>	Nil
<b>File Reference:</b>	NAM6922
<b>Disclosure of Interest:</b>	Nil
<b>Date:</b>	25 <sup>th</sup> July 2019
<b>Author:</b>	James Trail, Chief Executive Officer

#### **Summary:**

The purpose of this report is to present Audit Committee an overview of the Auditor General's Report on their paper Local Government Building Approvals

#### **Background:**

The objective of this audit was to determine if local government (LG) entities effectively regulate residential building permits (permits). The specific lines of inquiry were:

- Do LG entities adequately assess permit applications?
- Do LG entities effectively monitor and enforce compliance with permits?

4 LG entities were audited in metropolitan and regional Western Australia (WA) that had issued a large number of permits, and the Building and Energy Division (formerly the Building Commission) within the Department of Mines, Industry Regulation and Safety:

- City of Albany (Albany)
- City of Gosnells (Gosnells)
- City of Joondalup (Joondalup)
- City of Mandurah (Mandurah).

#### **Comment:**

In All 4 LG entities in the sample adequately assessed applications and issued nearly all permits within legislated timeframes between July 2016 and June 2018. They also improved timeliness of approvals over the last 4 financial years. However, different approaches to when LG entities started, paused and stopped the clock raise concerns about the accuracy and comparability of these processing times. Key controls to promote transparent and accountable decision-making had also either not been implemented or were not effectively managed.

The LG entities monitored and inspected building projects to identify non-compliance but the limited extent of this work meant they do not confidently know if building works in their area comply with requirements of permits. All LG entities we reviewed relied on complaints from the community and others as the primary means of identifying instances of non-compliance. Resolution of these issues was not always timely with some matters taking years to finalise.

#### **Recommendations**

Under section 7.12A of the Local Government Act 1995, the 4 sampled LG entities are required to prepare an action plan addressing significant matters arising from the audit relevant to their entity.

This should be submitted to the Minister for Local Government within 3 months of this report being received by the local government, and published on the LG entity's website within 14 days after giving the report to the Minister. This action plan should address the recommendations below that are relevant to their entity.

1. Albany, Gosnells, Joondalup and Mandurah should:
  - a) require written declarations of interest from assessment staff, and ensure appropriate mitigation action is taken for any conflicts
  - b) improve the transparency of their building control activities by providing information about permits, monitoring and enforcement activities, and building related complaints to B&E, community and industry stakeholders
  - c) develop and implement a risk-based approach to monitor and inspect building works
  - d) improve guidance to staff on how to prioritise and manage building related complaints and enforcement activities to resolve community concerns and non-compliance issues in a timely way.
2. Joondalup and Mandurah should limit the authority and delegation to issue permits only to appropriately trained staff who assess and issue permits.
3. Albany and Joondalup should only start, pause and stop the clock in accordance with the requirements of the Act.
4. B&E should consult further with LG entities and stakeholders:
  - a) on ways to assist LG entities to implement consistent practices
  - b) to determine if it will progress or cease development of the centralised e-lodgement and assessment system.

**Attachments:**

1. Local- Government- Building- Approvals [5.1.5.1 - 32 pages]

**Consultation:**

James Trail, Chief Executive Officer

**Statutory Environment:**

Local Government Act 1995

Local Government Amendment (Auditing) Act 2017 (Amendment Act)

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

Local Government (Functions & General) Regulations 1996

Local Government (Administration) Regulations 1996

**Policy Implications:**

Nil

**Financial Implications:**

Nil

**Strategic Implications:**

**Effective management of infrastructure, heritage and environment**

Facilitating urban and rural planning and development

Supporting the development of diverse housing and land options

**Voting Requirement:** Simple Majority

**Officer Recommendation:**

**That the Audit Committee,**

- 1. Request a report be provided to the November Audit Committee on the Shire adequately assessing permit applications and effectively monitoring and enforcing compliance with permits?**
- 2. Request the Chief Executive Officer to implement measures, as deemed necessary by the Chief Executive Officer, to address the key findings and recommendations highlighted in the Auditor General's Report as they relate to the Shire of Coolgardie**

### 5.1.6 2017/2018 Audit Report and Action List

<b>Location:</b>	Shire Coolgardie
<b>Applicant:</b>	Shire Coolgardie
<b>File Reference:</b>	
<b>Disclosure of Interest:</b>	None Required
<b>Date:</b>	26 <sup>th</sup> July 2019
<b>Author:</b>	Martin Whitely, Consultant

#### **Summary:**

This report recommends that the Audit Committee is required to consider and recommend to Council, the adoption of the annual financial report, examine the audit and management reports, and review the report prepared by the Chief Executive Officer.

#### **Background:**

In November 2017 the proclamation of the Local Government Amendment (Auditing) Act 2017 introduced a number of reforms to auditing laws. Legislation also now requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised. Local governments must prepare a report addressing the significant matters identified in the audit report. The report should then be considered by the local government's audit committee before being adopted by council. This report is to be provided to the Minister within three months of receiving the audit report and within 14 days after the local government gives the report to the Minister and the CEO must publish a copy of the report on the local government's official website.

On finalisation of the Shire's 2017/18 final audit, the Auditors forwarded the Annual Financials Statements along with the Audit Report and the Management Letter. The Audit Committee is required to examine the reports of the auditor after receiving a report from the Chief Executive Officer ("CEO") on the matters reported 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.

The Audit Committee is also required to review a report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and present the report to Council for adoption.

#### **Comment:**

The Audit Committee is required to review a report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and present the report to Council for adoption.

At the Audit Committee Meeting held on the 19th March 2019 the attached Audit Action List was discussed and endorsed by the Audit Committee. It is now recommended that Council receive this report, a copy of the report is to be forwarded to the Minister and the report is published on the Shire's website to meet the reporting requirements of section 7.12A of the Local Government Act 1995.

**Attachments:**

1. 2017-18 Audit Management Letters Action List [5.1.6.1 - 2 pages]
2. 2018 Management Report [5.1.6.2 - 3 pages]
3. Department of LG Sport Cultural Communities [5.1.6.3 - 2 pages]

**Consultation:**

James Trail, Chief Executive Officer  
Finance & Administration staff

**Statutory Environment:****Local Government Act 1995****7.12A. Duties of local government with respect to audits**

- (1) A local government is to do everything in its power to —
  - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and
  - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
  - (aa) examine an audit report received by the local government; and
  - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
  - (b) ensure that appropriate action is taken in respect of those matters.
- (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.

**Local Government (Audit) Regulations 1996****10. Report by auditor**

- (1) An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.
- (2) The report is to give the auditor's opinion on —
  - (a) the financial position of the local government; and
  - (b) the results of the operations of the local government.
- (3) The report is to include —

- (a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government; and
- (b) any matters indicating non-compliance with Part 6 of the Act, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls in any other written law; and
- (c) details of whether information and explanations were obtained by the auditor; and
- (d) a report on the conduct of the audit; and
- (e) the opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions —
  - (i) the asset consumption ratio; and
  - (ii) the asset renewal funding ratio.

(4A) In sub regulation (3)(e) —

**asset consumption ratio** has the meaning given in the *Local Government (Financial Management) Regulations 1996* regulation 50(2);

**asset renewal funding ratio** has the meaning given in the *Local Government (Financial Management) Regulations 1996* regulation 50(2).

- (4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.

## 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
  - (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: Gazette 26 Jun 2018 p. 2386-7.]*

**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 sub regulation (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: Gazette 8 Feb 2013 p. 868; amended: Gazette 26 Jun 2018 p. 2387.]*

**Policy Implications:**

Nil

**Financial Implications:**

Nil

**Strategic Implications:**

**Accountable and Effective Leaders**

Demonstrating sound financial management and plans for the Shire's long term financial sustainability  
 Ensuring a well-informed Council makes good decisions for the community  
 Ensuring the Shire of Coolgardie is well positioned to meet future needs  
 High quality corporate governance, accountability and compliance  
 Maintain integrated strategic and operational plans

**Voting Requirement:** Simple Majority

**Officer Recommendation:**

That Audit Committee,

1. Endorses the CEO's report to the Audit Committee on matters arising from the audit and management report as tabled and discussed at the Audit Committee Meeting held on the 19<sup>th</sup> March 2019, and
2. Receives the 2017/18 Audit Action Report as tabled, and
3. Forward a copy of the 2017/18 Audit Action Report to the Minister in accordance with s 7.12A of the Local Government Act 1995, and
4. In accordance with s 7.12A of the Local Government Act 1995 publish a copy of the 2017/18 Audit Action List on the Shire's website within 14 days of forwarding the report to the Minister, and
5. Forward a copy of the 2017/18 Audit Action Report to the Department of Local Government, Sport & Cultural Communities

## **6 CLOSURE OF MEETING**