



Audit, Risk and Governance Committee Meeting Minutes

**Tuesday 6 June 2017
5.30pm**

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Minutes of the Audit, Risk and Governance Committee Meeting held in the Council Chambers, 6 Paterson Street, Mundijong on Tuesday 6 June 2017. The Presiding Member declared the meeting open at 5.30pm and welcomed Councillors, staff and members of the gallery and acknowledged that the meeting was being held on the traditional land of the Noongar People and paid his respects to their Elders past and present.

1. Attendances and Apologies (including leave of absence):

In Attendance:

Councillors: J ErrenPresiding Member
K Ellis
S Hawkins
M Rich
J See

Officers: Mr K DonohoeChief Executive Officer
Mr A Schonfeldt Director Planning
Mr P Kocian Acting Director Corporate and Community
Ms K Cornish Governance Advisor
Ms A Liersch Minutes and Governance Officer (Minute Taker)

Leave of Absence: Nil

Apologies: Mr D Elkins, Director Engineering

Observers: Cr S Piipponen;
Shire Officers - 2

Members of the Public – Nil
Members of the Press - Nil

2. Public Question Time:

Nil

3. Public Statement Time:

Nil

4. Presiding Member's Report:

Nil

5. Declarations of Committee Members' and Officers' Interest:

Nil

6. Receipt of minutes or reports and consideration for recommendations:

Nil

6.1 Minutes of previous Audit Committee Meeting:

Nil

6.2 Reports

ARG001/06/17 (SJ2247)	Audit Regulation 17 Improvement Plan Progress Report
Author:	Kellie Bartley – Manager Corporate Services
Senior Officer/s:	Peter Kocian – Acting Director Corporate and Community
Date of Report:	15 th May 2017
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Introduction

The purpose of this report is to provide the Audit, Risk and Governance Committee (ARG) with a progress report on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal controls and legislative compliance (Local Government (Audit) Regulations 1996).

Background

On 8 February 2013, amendments to the *Local Government (Audit) Regulations 1996* extended the functions of Local Government Audit Committees. The inclusion of Regulation 17 requires the Chief Executive Officer to review the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance every two calendar years. The results are then reported to the Audit Committee. At the Ordinary Council Meeting, 19 December 2016, Council considered the review of Risk Management, Internal Controls and Legislative Compliance pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*, and resolved as follows;

OCM234/12/16 COUNCIL DECISION / Officer Recommendation

Moved Cr Rich, seconded Cr Gossage

That with respect to the review on the appropriateness and effectiveness of the Shire's systems in regard to Risk Management, Internal Control and Legislative Compliance, as required under Regulation 17 of the Local Government (Audit) Regulations 1996, Council:

- 1. Receive the results of the review provided by the CEO under section 17 (3) of the Local Government (Audit) Regulations 1996 being the Improvement Plan contained in OCM234.1/12/16;*
- 2. Note that the Shire will present to the Audit Committee a quarterly management review of the Improvement Plan as a standing item;*
- 3. Note that the Shire will develop an audit work plan and internal audit charter to be considered by the Audit Committee at a later date.*

CARRIED UNANIMOUSLY

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The information provided the initial review delivered as assessment of the Shire's current practices, outlining the appropriateness and effectiveness of those practices, and presented recommendations for improvement.

The Regulation 17 review audit produced a comprehensive "Improvement Plan" sanctioned into the following main compliance areas:

- Risk Management (RM)
- Legislative Compliance (LC)
- Internal Controls (IC)

A cumulative total of 62 framework components and actions items were identified to increase procedural and system effectiveness in accordance with legislative requirements.

The status report presented to the Audit Committee on 20 March 2017 reported against identified issues with respect to risk management, legislative compliance and internal controls.

Relevant Previous Decisions of Council

AC003/03/17 – Review of Risk Management, Legislative Compliance and Internal Controls presented to Audit Committee on 20 March 2017.

Community / Stakeholder Consultation

Internal stakeholder consultation has occurred with Responsible Officers as designated in the status report attached to this item.

Comment

Although Regulation 17 only requires biennial reporting, Officers will provide the ARG Committee with regular updates relating to progress achieved against any issues identified. The initial report presented to the ARG Committee on 20 March 2017 identified a number of areas of weakness, against each of the risk management, internal control, and legislative compliance. In addition to implementing remedies for any issues previously identified, the intent is to build on the work undertaken to date, through a regular process of internal assessment.

The Improvement Plan provides the organisation with a comprehensive overview of business practices and continuous improvement methodologies that work towards increasing best practice standards across all Shire business units.

It is proposed to establish an internal Technical Advisory Group (TAG). The TAG will perform a vital role in the Shire's ability to fulfil its governance responsibilities in relation to reporting, internal control and structure, risk management systems, legislative requirements and ethics.

The TAG will consist of key Shire personnel to appropriately oversee strategic and operational business requirements contained within the Regulation 17 Review. The intent for this group is to effectively communicate and implement objectives throughout the organisation.

It is proposed that the TAG will meet bi-monthly to review and update specific actions contained in the plan. Membership of the TAG will comprise the following Officers:

Director Corporate and Community (Chair)
Director Engineering
Minutes & Governance Officer (Minute Taker)

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Manager Corporate Services
Manager Finance Services
Manager Human Resources
Manager Rangers, Compliance and Emergency Services
Manager Information Services
Manager Community Engagement
Governance Advisor
Risk, Health and Safety Advisor
Asset Officer

The primary goal of the TAG will be to implement and maintain the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, legislative compliance and internal controls. The TAG will:

- Progress the implementation of risk management across the organisation and to monitor risk management practices.
- Maintain internal controls across the organisation and monitor adherence to internal controls practices.
- Progress the implementation of the legislative compliance framework.

The "Improvement Plan" action items contained within the "Regulation 17 Review" are allocated to members within the TAG committee and prioritised in accordance with organisation need and capacity.

There are a number of actions that are partially completed or in progress. Full details are contained in attachment **ARG001.1/06/17**.

The following action items have been completed in accordance with the "Regulation 17 Review".

No.	Framework Component Improvements
RM1.14	Audit & Risk Committee – Terms of Reference completed
LC1.1	Management Framework – CAR completed March 2017
LC3.2	Annual Compliance Audit Return
LC3.3	Audit & Risk Committee – Review CAR completed March 2017
LC3.4	Effective Management Group – Governance Calendar refer to E17/2791
IC3.2	Ordinary Council Meetings – Monthly financial report with schedule of material variances
IC3.3	Executive Management Group – Financial Monthly report on statement of material variances reported to EMG & Council.

The following action items have been progressed in accordance with the "Regulation 17 review" pending Council consideration;

No.	Framework Components
RM1.6	LEMC – Draft Local Emergency Management Arrangements
LC2.2	Management Procedure – Whistle-Blower Policy & Public Interest Disclosure Policy
LC2.8	Council Policy – G009 – Depreciation
IC2.5	Council Policy – G003 – Councillor Entitlements
IC2.8	Council Policy – PC102 – Financial Assistance to Community
IC2.9	Council Policy – G006 – Investment of Surplus funds
IC2.10	Council Policy – G903 – Rates Collection and General Debtors Policy
IC2.12	Council Policy – G001 – Purchasing Amounts Under \$150,000

IC2.13	Council Policy – G002 – Procurement of goods or services through Public Tendering
IC2.14	Council Policy – G917 Purchasing Cards
IC2.15	Council Policy – G004 Light Vehicles

The Shire's strategic future planning for risk and internal and external compliance requirements will focus on Business Continuity Plan which addresses disaster recovery to enable Shire operations to continue within existing resources.

In summary, 62 areas have been assessed to date. The majority of areas audited have substantially effective systems and procedures in place. More specifically, 17 controls have been assessed as being high priority, with 28 controls identified as being medium priority and 16 controls being low priority. The report in **ARG001.1/06/17** outlines recommendations for improvements to increase all identified partially effective and largely ineffective controls to the level of substantially effective.

Attachments

- [ARG001.1/06/17](#) – Regulation 17 Improvement Plan (E17/3986)

Alignment with our Strategic Community Plan

Objective 1.2	Progressive Organisation
Key Action 1.2.6	Comply with all legislative and statutory requirements.

Statutory Environment

Local Government (Audit) Regulations 1996

16. Audit committee, functions of

An audit committee —

- (a) *is to provide guidance and assistance to the local government —*
 - (i) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
 - (ii) *as to the development of a process to be used to select and appoint a person to be an auditor;*
- and*
- (b) *may provide guidance and assistance to the local government as to —*
 - (i) *matters to be audited; and*
 - (ii) *the scope of audits; and*
 - (iii) *its functions under Part 6 of the Act; and*
 - (iv) *the carrying out of its functions relating to other audits and other matters related to financial management; and*
- (c) *is 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.*

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.*

Section 17 of the *Local Government (Audit) Regulations 1996* requires the 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 separately or all at the one time, on the provision that each matter is reviewed at least once every two years.

Regulation 16(c) of the *Local Government (Audit) Regulations 1996* requires the CEO to report to Council the results of that review and provide Council with a copy of the CEO's report.

Financial Implications

There are no financial implications arising from the recommendations contained within this report. However, additional resources may be required for the implementation of the Improvement Plan and associated process and systems in a timely manner.

Risk ratings have been determined with respect to probability and or consequences of adverse outcomes if action is not taken. Potential adverse outcomes may be quantitative impact (for example financial loss) or qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Voting Requirements Simple Majority

Officer Recommendation:

That the Audit, Risk and Governance Committee:

1. Receives the Audit Regulation 17 status report as contained in attachment *ARG001.1/06/17* on risk management, legislative compliance and internal controls.
2. Recommends to Council that the following priority actions be considered:

Officers Note

Should the Audit, Risk and Governance Committee determine that any issues / matters require urgent attention, Committee Members are encouraged to nominate these in point 2 of the recommendation for referral to Council for consideration.

ARG001/06/17 ARG COMMITTEE DECISION

Moved Cr Rich, seconded Cr Hawkins

That the Audit, Risk and Governance Committee:

- 1. Receives the Audit Regulation 17 status report as contained in attachment *ARG001.1/06/17* on risk management, legislative compliance and internal controls.**

Audit, Risk and Governance Committee Note:

The Audit, Risk and Governance Committee did not identify any critical issues for referral to Council for consideration. Hence, part 2 of the Officer Recommendation was not put as part of the motion.

CARRIED UNANIMOUSLY

ARG002/06/17 2016/17 Interim Audit & Financial Management Review	
Author:	Kelli Hayward – Manager Finance
Senior Officer/s:	Peter Kocian – Director Corporate and Community
Date of Report:	11 May 2017
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Introduction

The Audit, Risk and Governance Committee are being asked to receive the Financial Management Review and Interim Audit Report as provided by Moore Stephens (WA) Pty Ltd as a result of their engagement.

Background

At the request of the Chief Executive Officer, Moore Stephens (WA) Pty Ltd was engaged to conduct a limited assurance review of the appropriateness and effectiveness of the Shire of Serpentine Jarrahdale's financial management systems and procedures. The objective of the review is to assist the CEO discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

The review was conducted for the period 1 July 2016 to 31 March 2017.

Relevant Previous Decisions of Council

There is no previous Council decision relating to this matter.

Community / Stakeholder Consultation

No Community / Stakeholder consultation occurred during the preparation of this report. All relevant Officers affected by the result of these findings have been informed of the outcome of the report.

Comment

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Shire's resources. In accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures. At least once in every four financial years the CEO is to report the results of those reviews to Council.

Based on the work described in the report (which is not an audit) received from Moore Stephens (WA), nothing has come to the attention to indicate that the Shire has not established and maintained, in all material respects, appropriate and effective financial management systems and procedures during the period covered by Moore Stephens' review being 1 July 2016 to 31 March 2017.

For those aspects of the Shire's financial management systems and procedures, which were assessed as having opportunities for improvement, the findings are summarised as Part 3.0 of the report (attachment ARG002.1/06/17) and detailed observations and comments are located at Part 4.0 of the report.

Officers have also provided a status report to indicate to Council how the Shire intends to implement the improvements.

Attachments

- [ARG002.1/06/17](#) – Interim Audit and Financial Management Review Report (Moore Stephens) (IN17/9581)
- [ARG002.2/06/17](#) – Financial Management Review Status Report (E17/3892)

Alignment with our Strategic Community Plan

Objective 2.1	Responsible Management
Key Action 2.1.1	Undertake best practice financial and asset management.

Statutory Environment

Regulation 5.(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the CEO of a Local Government to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the Local Government regularly (and not less than once in every 4 financial years) and report to the Local Government the results of those reviews.

Financial Implications

There are no financial implications associated with this report.

Voting Requirements Simple Majority

ARG002/06/17 ARG COMMITTEE DECISION / Officer Recommendation:

Moved Cr Hawkins, seconded Cr See

That the Audit, Risk and Governance Committee:

1. **Receives the Interim Audit and Financial Management Review Report as prepared by Moore Stephens as contained in attachment ARG002.1/06/17.**
2. **Receives the Financial Management Review Status Report as contained in attachment ARG002.2/06/17.**

CARRIED UNANIMOUSLY

ARG003/06/17 Review of Council Policy G006 - Investments	
Author:	Kelli Hayward – Manager Finance
Senior Officer/s:	Peter Kocian – Acting Director Corporate & Community
Date of Report:	23 May 2017
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Introduction

The Audit, Risk and Governance Committee are being asked to review Council Policy G006 – Investments and to recommend that Council adopt the reviewed policy at the next Ordinary Council Meeting.

Background

Section 6.14 of the *Local Government Act 1995* allows for money held in the municipal fund or the trust fund of a Local Government that is not, for the time being, required by the Local Government for any other purpose to be invested in accordance with *Part III of the Trustees Act 1962* and the *Local Government (Financial Management) Regulations 1996*.

It is prudent that Council regularly reviews its policies to ensure that they are kept in line with the requirements of and changes to the *Local Government Act 1995* and its associated regulations and best practice methodologies.

Relevant Previous Decisions of Council

This policy was last reviewed by Council at the Ordinary Council Meeting held on 29 September 2015 (OCM187/09/15).

Community / Stakeholder Consultation

No Community / Stakeholder consultation has occurred during the preparation of this report.

Comment

Section 6.14 of the *Local Government Act 1995* allows for money held in the municipal fund or the trust fund of a Local Government that is not, for the time being, required by the Local Government for any other purpose to be invested in accordance with *Part III of the Trustees Act 1962* and the *Local Government (Financial Management) Regulations 1996*.

Council Policy G006 – Investments was last reviewed at the Ordinary Council Meeting held on 29 September 2015. Officers have reviewed the current policy to ensure its compliance with the *Local Government Act 1995*, its regulations and other prescribed legislation.

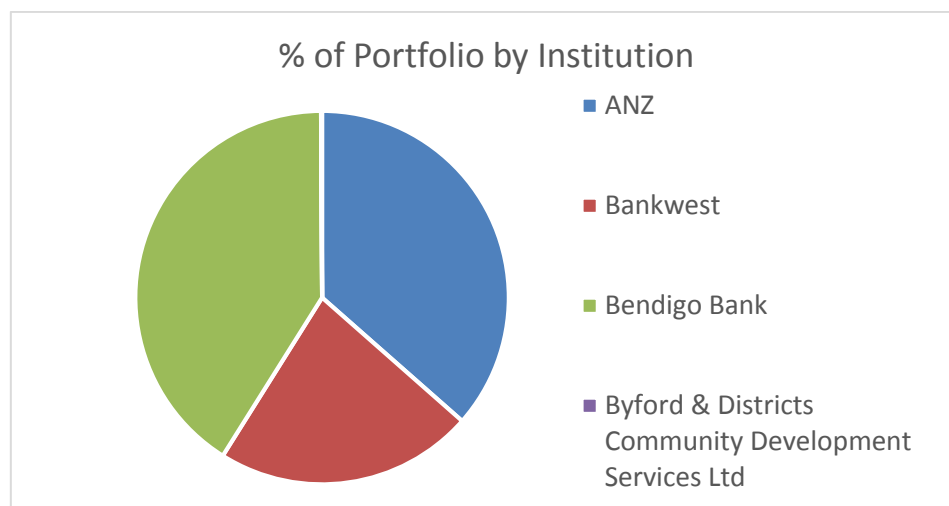
The amended policy is attached with tracked changes for Council to review. A summary of the changes are:

- Remove any reference to “managed funds” as these are not permitted under the *Local Government (Financial Management) Regulations 1996*.
- Council has not invested in any managed funds whilst this has formed part of the policy.
- Remove key criteria (c) “Diversification” as diversification has already been provided for in item (b) and was contradicting the policy by having two differing percentages for diversification across counterparties/institutions in items (b) and (c).

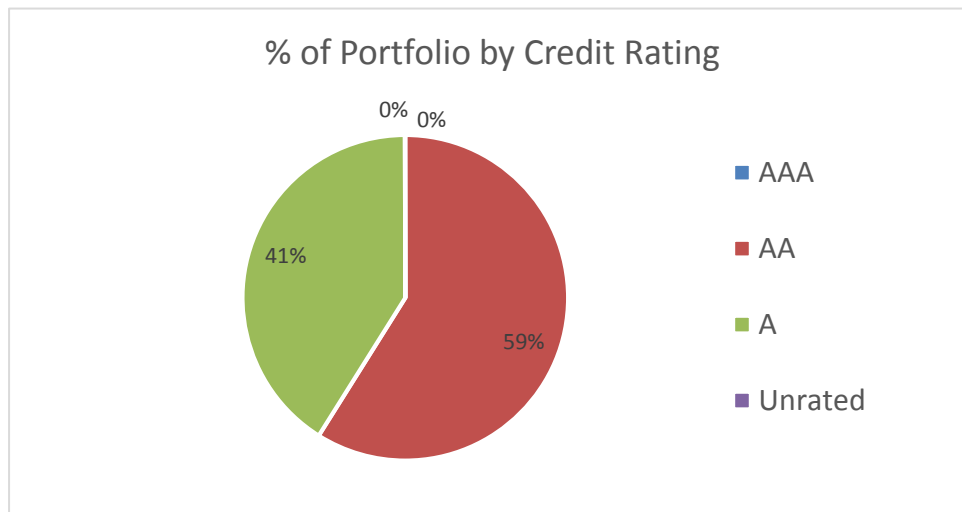
- Amend counterparty direct investment percentage limits. These changes allow officers to ensure that Bendigo Bank is provided with equal opportunity to hold invested funds. Bendigo Banks current long term credit rating is A.
- Increase the maximum term for a fixed term deposit from 12 month to 3 years. This has been amended in the *Local Government (Financial Management) Regulations 1996* and is explained in the Ministerial Circular provided with the attachments.

The investment summary provided as part of the Monthly Financial Report for April 2017 highlights our current adherence to any of the proposed minor changes to this policy.

Portfolio by Institution	Funds Invested	% of Portfolio
ANZ	9,040,557.06	36.49%
Bankwest	5,556,967.06	22.43%
Bendigo Bank	10,152,948.56	40.98%
Byford & Districts Community Development Services Ltd	10,000.00	0.04%
Peel Infrastructure Holdings Pty Ltd	25.00	0.00%
Telstra Ltd	12,660.00	0.05%
Total	24,773,157.68	100.00%



Portfolio by Long Term Credit Rating	Funds Invested	% of Portfolio
AAA	-	0.00%
AA	14,597,524.12	58.92%
A	10,165,608.56	41.03%
Unrated	10,025.00	0.04%
Total	24,773,157.68	100.00%



Attachments

- [ARG003.1/06/17](#) – Amended Council Policy G006 – Investments (E17/3940)
- [ARG003.2/06/17](#) – Ministerial Circular 04-2017 – Regulation Amendment – Changes to Fixed Term Deposit Investment Period (IN17/10397)

Alignment with our Strategic Community Plan

Objective 2.1	Responsible Management
Key Action 2.1.1	Undertake best practice financial and asset management.

Statutory Environment

Section 6.14 of the *Local Government Act 1995* provides for Council's power to invest.

6.14. Power to invest

(1) *Money held in the municipal fund or the trust fund of a Local Government that is not, for the time being, required by the Local Government for any other purpose may be invested as trust funds may be invested under the Trustees Act 1962 Part III.*

(2A) *A Local Government is to comply with the regulations when investing money referred to in subsection (1).*

(2) *Regulations in relation to investments by Local Governments may —*

(a) *make provision in respect of the investment of money referred to in subsection (1); and*

(c) *prescribe circumstances in which a Local Government is required to invest money held by it; and*

(d) *provide for the application of investment earnings; and*

(e) *generally provide for the management of those investments.*

The *Local Government (Financial Management) Regulations 1996* provides further regulations that the Local Government must adhere to when investing surplus monies.

19C. Investment of money, restrictions on (Act s. 6.14(2)(a))

(1) *In this regulation — authorised institution means —*

- (a) an authorised deposit-taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or*
 - (b) the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986; foreign currency means a currency except the currency of Australia.*
- (2) When investing money under section 6.14(1), a Local Government may not do any of the following —*
- (a) deposit with an institution except an authorised institution;*
 - (b) deposit for a fixed term of more than 3 years;*
 - (c) invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;*
 - (d) invest in bonds with a term to maturity of more than 3 years; (e) invest in a foreign currency.*

Financial Implications

There are no financial implications associated with this report.

Voting Requirements Simple Majority

ARG003/06/17 ARG COMMITTEE DECISION / Officer Recommendation:

Moved Cr Hawkins, seconded Cr Rich

That the Audit, Risk and Governance Committee reviews Council Policy G006 – Investments and recommends in accordance with 2.7(2)(b) of the *Local Government Act 1995*, that Council adopts the amended policy, as contained in attachment ARG003.1/06/17.

CARRIED UNANIMOUSLY

7. Motions of which notice has been given:

Nil

8. Urgent Business:

Nil

9. Committee Member questions of which notice has been given:

Nil

10. Closure:

There being no further business the Presiding Member declared the meeting closed at 5.35pm

I certify that these minutes were confirmed at the
Ordinary Council Meeting held on 26 June 2017

.....
Presiding Member

.....
Date