



Audit Committee Meeting Minutes

Monday, 12 October 2015

Minutes of the Audit Committee Meeting held in the Council Chambers, 6 Paterson Street, Mundijong on Monday 12 October 2015. The Shire President declared the meeting open at 5.35pm and welcomed those present.

1. Attendances and Apologies:

In Attendance:

Councillors: K EllisPresiding Member
J Rossiter
B Urban
J Erren

Officers: Mr R Gorbunow Chief Executive Officer
Mr A HartDirector Corporate and Community
Mr G Allan Director Engineering
Mr L LongActing Manager Planning
Ms K Peddie Executive Assistant to CEO (Minute Taker)

Apologies: Nil

Observer: Cr J Kirkpatrick
Cr S Hawkins
Ms K Cornish
Ms K Bartley
Ms S Clark

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

2. Public Question Time:

Nil

3. Public Statement Time:

Nil

4. Petitions and Deputations:

Nil

5. President's Report:

Nil

6. Declarations of Councillors and Officers Interest:

Nil

7. Motion of which notice has been given:

AC003/10/15 Procurement Review (SJ893-02)	
Author:	Alan Hart – Director Corporate and Community
Senior Officer/s:	Richard Gorbunow – Chief Executive Officer
Date of Report:	22 September 2015
Disclosure of Officers Interest:	No officer involved in the preparation of this report is required to declare an interest in accordance with the provisions of the Local Government Act

Introduction:

The purpose of this report is that the Committee receive the Procurement Review Report and recommendations outlined in the roadmap. The Audit Committee is requested to consider the Procurement Review Report prepared by the Western Australian Local Government Association (WALGA) and the recommendations made within the report.

Background:

Following the announcement from the State Government that Local Government reform was abandoned, the Shire engaged the services of the WALGA to review the procurement processes of the Shire to ensure that this process achieves a maximum return on ratepayers' funds and is completed using best practice methods.

Relevant Previous Decisions of Council:

There is no previous Council decision relation to this issue.

Community / Stakeholder Consultation:

No community consultation is required.

Comment:

The function of purchasing goods or services is a key function for the Shire, it is essential that this is completed complying with the requirements of the *Local Government Act of 1995* as amended, associated regulations and Council Policies. It is a complex process that can be very time consuming for staff and is essential to ensure the smooth operations of the Shire and the continuation of service delivery.

The purpose of the review was to ensure that the Shire is undertaking the function efficiently and effectively. The outcome of the review was a total of 32 recommendations and these can be categorised into the following categories, the attached report details all of the recommendations with suggested timeframes for implementation:

Dimension	# Recommendations
Procurement Framework	11
Procurement Processes	15
Contract Management	1
Training & Development	2
Technology	3
Total	32

The majority of the recommendations in the report focus on framework and process, ensuring that the Shire has an appropriate purchasing framework in place to purchase efficiently and processes in place to comply with the framework.

Purchasing Framework

The investigation and report focussed on this as it is the key determiner of efficient purchasing. The key message from the recommendations is that the Shire must have a robust purchasing policy and procedure manual structured in a way that it does not impede on the Shire from undertaking its daily duties. The recommendations with an implementation period of within 3 months are mostly procedural and will be incorporated into the Shire's business processes within the recommended timeframe.

The medium term (3-6 months) and long term (over 6 months) implementation recommendations will be completed during the course of the 2015-16 financial year. There are some recommendations (e.g: expansion of the Shire's purchasing card program) which are not appropriate for an organisation the size of the Shire of Serpentine Jarrahdale and these will not be implemented.

Procurement Processes

The recommendations that relate to processes are more complex to implement and in some cases require a combination of staff training and systems modification to implement. The Shire will work through all of these recommendations, include in the training plans for staff as part of their annual training and development and will incorporate into the purchasing systems that the Shire has. It is expected that all of the recommendations will be implemented by the 30 June 2016.

Other Recommendations and General Comments

The other recommendations in the report are longer term aspirations and require investment in either training, systems or staff and these will be assessed based on merit as part of the Annual Budget Process and against other competing priorities.

The report has highlighted that as a growing organisation, changes need to occur to ensure that procedures, systems and staff keep up to date with this growth. Some of the recommendations involve cultural change within the organisation at both a staff and Councillor expectation level as some of the recommendations will formalise processes, make systems more stringent and will ensure that staff follow due process and comply with legislation. In some instances this may slow the delivery of projects because of a more comprehensive acquisition process. On the other hand, it is expected that this would deliver dividends through more efficient purchasing so over the long term the changes required will out-way the challenges that may be experienced along the way.

Conclusion

It is recommended that the Committee receive the Procurement Review Report and recommendations outlined in the Roadmap.

Attachments:

- [AC003.1/10/15](#) – Procurement review report (IN15/19897)
- [AC003.2/10/15](#) – Recommended roadmap (IN15/19825)

Alignment with our Strategic Community Plan:

Objective 2.4	Business Efficiency
Key Action 2.4.2	Critically examine service delivery to ensure efficiency and effectiveness.

Statutory Environment:

Local Government (Financial Management) Regulations 1996 states that the CEO must establish efficient and procedures for the proper authorisation for the incurring of liabilities and making payments. The CEO is to also ensure that resources of the Local Government are efficiently and effectively managed.

Financial Implications:

There are no financial implications relating to this report.

Voting Requirements: Simple Majority

AC003/10/15 AUDIT COMMITTEE DECISION / Officer Recommendation:

Moved Cr Urban, seconded Cr Rossiter

That the Audit Committee:

- 1. Receive the Procurement Review Report and recommendations outlined in the Roadmap as contained in attachments AC003.1/10/15 and AC003.2/10/15.**
- 2. Request the CEO to provide an update to the Audit Committee on the progress of the recommendations in July 2016.**

CARRIED UNANIMOUSLY

AC004/10/15	Report on Review of Risk Management, Legislative Compliance and Internal Controls (SJ893-02)
Author:	Alan Hart – Director Corporate and Community
Senior Officer/s:	Richard Gorbunow – Chief Executive Officer
Date of Report:	22 September 2015
Disclosure of Officers Interest:	No officer involved in the preparation of this report is required to declare an interest in accordance with the provisions of the Local Government Act

Introduction:

The purpose of this report is to request the Audit Committee to consider the Report on Risk Management, Legislative Compliance and Internal Controls prepared by UHY Haines Norton.

Background:

In November 2014, the Shire engaged UHY Haines Norton to undertake a report on Risk Management, Legislative Compliance and Internal Controls as required by Regulation 17 of the Local Government (Audit) Regulations 1996 (as amended). Following the announcement from the State Government that Local Government reform was abandoned, the Shire requested the report be modified to consider the Shire as a continuing entity and this report was finalised in May 2015. The purpose of the report is to ensure that the Shire complies with the requirements of Regulation 17, of the audit regulations.

Relevant Previous Decisions of Council:

There is no previous Council decision relation to this issue.

Community / Stakeholder Consultation:

No community consultation is required.

Comment:

The report details its approach to each aspect of the review to ensure that the regulations are complied with. Each section of the report assesses the Shire's appropriateness and effectiveness of documentary evidence provided to each aspect of the audit and makes recommendations for improvement.

This is the first year that the Shire has undertaken this review as the regulation was introduced in February 2013 and the Shire had 2 years to undertake the review. The next review will be conducted in 2016.

The recommendations from the review are fully detailed in Appendix A, B & C of the report. The Shire is currently working through the comments/suggestions section and assessing these and implementing into either Council Policy or Internal Procedures where necessary.

Conclusion

It is recommended that the Committee receive the report on a Review of Risk Management, Legislative Compliance and Internal Controls undertaken by UHY Haines Norton dated May 2015.

Attachments:

- [AC004.1/10/15](#) – Report on Report on a Review of Risk Management, Legislative Compliance and Internal Controls (Regulation 17 Review Report) - (IN15/17742)

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:

Regulation 17 of the Local Government (Audit) Regulations 1996 (as amended) require 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. This review must be undertaken at least every 2 years and the CEO must report to the Audit Committee on the results of the review.

Financial Implications:

There are no financial implications relating to this report.

Voting Requirements: Simple Majority

AC004/10/15 AUDIT COMMITTEE DECISION / Officer Recommendation:

Moved Cr Rossiter, seconded Cr Urban

That the Audit Committee receive the Report on a review of the Risk Management, Legislative Compliance and Internal Controls dated May 2015 as per attachment AC004.1/10/15.

CARRIED UNANIMOUSLY

AC005/10/15 Credit Card Audit Report (Probity Audit) (SJ893-02)	
Author:	Alan Hart – Director Corporate and Community
Senior Officer/s:	Richard Gorbunow – Chief Executive Officer
Date of Report:	22 September 2015
Disclosure of Officers Interest:	No officer involved in the preparation of this report is required to declare an interest in accordance with the provisions of the Local Government Act

Introduction:

The purpose of this report is to request the Audit Committee to consider the Corporate Credit Card Audit (Probity Audit) report prepared by the Western Australian Local Government Association (WALGA) and the recommendations made within the report.

Background:

Following the announcement from the State Government that Local Government reform was abandoned, the Shire engaged the services of the WALGA to undertake a Probity Audit on the Shire's purchasing cards to ensure compliance with Council Policy and the Local Government Act and to ensure that purchasing cards maximise return on ratepayers' funds and is completed using best practice methods.

Relevant Previous Decisions of Council:

There is no previous Council decision relation to this issue.

Community / Stakeholder Consultation:

No community consultation is required.

Comment:

The function of purchasing goods or services is a key function for the Shire, it is essential that this is completed complying with the requirements of the *Local Government Act (1995)* as amended, associated regulations and Council Policies.

The use of credit cards is one of many methods used by the Shire to acquire goods or services and whilst the use of the credit cards is verified during the annual audit process, it does not review the process against best practice and statutory requirements.

The probity audit was undertaken by an independent, qualified Probity Auditor. The Audit has made a total of 22 recommendations for improvement. Most of the recommendations relate to process and recording of information about the users of the cards. These recommendations will be implemented without delay. There was no finding of misuse of Corporate Credit Cards by the Shire.

Conclusion

It is recommended that the Committee receive the Credit Card Audit Report (Probity Audit) conducted by WALGA in June 2015.

Attachments:

- [AC005.1/10/15](#) – Corporate Credit Card Audit (IN15/19898)

Alignment with our Strategic Community Plan:

Objective 2.4	Business Efficiency
Key Action 2.4.2	Critically examine service delivery to ensure efficiency and effectiveness.

Statutory Environment:

Local Government (Financial Management) Regulations 1996 states that the CEO must establish efficient and procedures for the proper authorisation for the incurring of liabilities and making payments. The CEO is to also ensure that resources of the Local Government are efficiently and effectively managed.

Financial Implications:

There are no financial implications relating to this report.

Voting Requirements: Simple Majority

AC005/10/15 AUDIT COMMITTEE DECISION / Officer Recommendation:

Moved Cr Urban, seconded Cr Rossiter

That the Audit Committee receive the Corporate Credit Card Audit Report as contained in attachment AC005.1/10/15.

CARRIED UNANIMOUSLY

8. Urgent Business:

Nil

9. Councillors' questions of which notice has been given:

Nil

10. Closure:

There being no further business the Presiding Member declared the meeting closed at 5.36pm.

I certify that these minutes were confirmed at the
Ordinary Council Meeting held on 26 October 2015.

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Presiding Member

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Date