

Shire of Lake Grace

Audit Committee Meeting

MINUTES

21 July 2021

Meeting Commencing at 10:00 am



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SHIRE OF LAKE GRACE

Minutes of the Audit Committee Meeting held at Council Chambers, 1 Bishop Street, Lake Grace, WA on Wednesday 21 July 2021.

1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member declared the meeting opened at 10:01am.

1.1 ELECTION OF PRESIDING MEMBER

2.0 DISCLAIMER READING

A recording of the disclaimer is to be played aloud.

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3.0 RECORD OF ATTENDANCE/APOLOGIES/ LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

Present

Cr P Stoffberg	Chairperson
Cr L Armstrong	
Cr B Hyde	
Mr O Farrelly	

In Attendance

Mr C Paget	Deputy Chief Executive officer
Mr K Wilson	Manager Corporate Services

Apologies Nil

Observers/Visitors Nil

4.0 RESPONSE TO PREVIOUS PULIC QUESTIONS TAKEN ON NOTICE

5.0 PUBLIC QUESTION TIME

6.0 PETITIONS/DEPUTATIONS/PRESENTATIONS

7.0 NOTATIONS OF INTEREST

7.1 DECLARATIONS OF FINANCIAL INTEREST – LOCAL GOVERNMENT ACT 1995 SECTION 5.60A

7.2 DECLARATIONS OF PROXIMITY INTEREST – LOCAL GOVERNMENT ACT 1995 SECTION 5.60B

7.3 DECLARATIONS OF IMPARTIALITY INTEREST – ADMINISTRATION REGULATIONS 1996 SECTION 34C

8.0 APPLICATIONS FOR LEAVE OF ABSENCE

9.0 ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

10.0 CONFIRMATION OF MINUTES

10.1 AUDIT COMMITTEE MEETING – 18 MARCH 2021

RESOLUTION 0166

Moved Cr Len Armstrong
 Seconded Mr Ollie Farrelly



That the minutes of the Audit Committee Meeting of Council held on 18 March 2021 be confirmed as a true and accurate record.

CARRIED: 4/0

The following persons joined the meeting at 10:05 am after Resolution 0166 was made:

- Cr Allan Marshall
- Mr Alan George – Chief Executive Officer
- Mr Craig Elefsen – Manager Infrastructure Services

11.0 REPORTS OF OFFICERS**11.1 REVIEW OF RISK MANAGEMENT, LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS**

Applicant:	Internal Report
File No.	0528
Attachments:	Paxon Group – Shire of Lake Grace Regulation 17 Review
Author:	 Mr Chris Paget Deputy Chief Executive Officer
Disclosure of Interest:	Nil
Date of Report:	19 July 2021
Senior Officer:	 Mr Alan George Chief Executive Officer

Summary

For the Audit Committee to review the Chief Executive Officer's report on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance, and to report to the Council the results of the Regulation 17 review.

Background

The Local Government (Audit) Regulations 1996 state the functions and responsibilities of the Audit Committee include reviewing the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance.

Furthermore, the Regulations require a local government's Chief Executive Officer to review, at least once every two years, the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and provide a report of that review to the local governments Audit Committee for their consideration.

The Audit Committee is to consider the Chief Executive Officer's review and report the results of the consideration of that review to the Council.

Comment

As best as can be ascertained from available records, the last Audit Regulation 17 review for the Shire of Lake Grace was undertaken by the then CEO and accepted by Council on 22 March 2017, which was therefore outside the prescribed period and this has been noted in the Shire's annual Compliance Audit Return for 2020.

External consultants Paxon Group were engaged to assist management with the Regulation 17 review process, and this work was undertaken between May and June 2021. The Paxon Group draft report was received on 28 June 2021, whereupon staff provided additional feedback and commentary on matters raised; the finalised version was received on 29 June.

Many of the key findings and recommendations in the Paxon report reflect the current efforts of the Shire administration in identifying potential risk management and compliance shortcomings, and in particular legacy issues arising from past years which are already being addressed through appropriate policy and procedures development.

Paxon's reviewed the appropriateness and effectiveness of the Shire of Lake Grace systems and procedures across the period 1 July 2020 to 30 April 2021 in relation to:

- Risk management;
- Internal control; and
- Legislative compliance.

Their primary findings from examination and testing for the above-mentioned three (3) areas are as follows:

Risk Management:

The Shire has a comprehensive "Risk Management" policy and a comprehensive risk register, however risk management documents requiring attention are:

- "Adverse Events Plan" (Plan) which appears to be a draft document;
- "Record Disaster Recovery Plan - 2015" which is outdated; and
- "Business Continuity Plan – January 2021" which is marked as a draft document.

The Shire's risk management framework is incomplete regarding:

- Risk monitoring; and

- Evaluation of the realization of risk management objectives.

Internal Control:

The Shire's internal control environment is not altogether satisfactory as evidenced by:

- Shire plans/documents requiring attention:
- "Corporate Business Plan - 2019-2023" which has not been reviewed annually as stipulated in regulation 19DA(4) of the Local Government (Administration) Regulations 1996 (2021 excluded);
- "All Assets – Summary Asset Management Plan", as prepared by Core Business – Australia is dated 12/11/2012 and consequently outdated; and
- "Draft Workforce Plan 2019-2022" which has been a draft for far too long (prepared by the former Administration but never presented to Council).
- The Shire's "2019/20 Register of Delegations" is not reviewed annually as stipulated in section 5.46(2) of the Local Government Act 1995;
- No procedures exist for specific operational financial activities;
- The Shire have not applied findings regarding local government financial controls as included in reports published by the Office of the Auditor General in the recent past;
- No policy, procedures and schedule exist for building maintenance activities;
- No procedures and maintenance schedule exist for standpipes and drainage assets;
- No policy and procedures exist for library services;
- The Shire's record keeping controls are insufficient; and
- No policy and procedures exist for the Lake Grace rubbish tip.

Legislative Compliance:

The Shire identifies applicable legislation and keep track of amendments to such legislation. Except for the Waste and Fleet business unit's employees, Shire employees are educated as to the Shire's and their own legislative responsibilities.

While there is still some minor debate on the relevance of some of the points raised relating to libraries and legislative knowledge/responsibilities for some operational staff, management acknowledge and accept the review findings and have commenced work on addressing the issues identified. The Deputy CEO is currently compiling an Action and Implementation Plan which will guide the process and allow for regular updates and monitoring on progress by the Audit Committee and Council.

Statutory Implications

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.

[Regulation 16 inserted in Gazette 31 Mar 2005 p. 1043; amended in Gazette 8 Feb 2013 p. 867.]

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 at least once every 3 calendar years.
 - (3) The CEO is to report to the audit committee the results of that review. [Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Policy Implications

Council Policies: 1.13 - Risk Management
1.21 – Internal Controls
1.22 – Legislative Compliance

Consultation

Nil

Financial Implications

The Regulation 17 Review was undertaken with the assistance of consultants Paxon Group at a cost of \$11,000 (GST included) which was included in Council's 2020-2201 annual budget. There are no further financial implications arising from this report and review as any necessary follow up work will be undertaken in-house by the Shire's Deputy CEO and support staff.

Strategic Implications

Shire of Lake Grace Strategic Community Plan 2017 - 2027

Leadership Objective – Strong governance and leadership, demonstrating fair and equitable community values

Outcome 4.1 A strategically focused, unified Council functioning efficiently

4.1.1 Provide informed leadership on behalf of the community

4.1.3 Provide strategic leadership and governance

Outcome 4.2 An efficient and effective organisation

4.2.1 Maintain accountability and financial responsibility through effective planning

4.2.2 Comply with statutory and legislative requirements

Voting Requirements

Simple majority required.

RESOLUTION 0167

Moved Cr Len Armstrong

Seconded Cr Ben Hyde

That the Audit Committee:

1. Notes the results of the Chief Executive Officer's review on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance;
2. Notes that the implementation of the improvements outlined will continue in a staged approach through an Action Plan currently being developed;
3. Reports to the Council every 6 months on the progress of implementing the improvements; and
4. Provides a copy of this report to Council.

CARRIED: 5/0

**Point no. 3 of the above Resolution was discussed and the Committee Members agreed that instead of the quarterly report recommendation, it was preferred that a six (6) monthly report be provided to the Audit Committee and Council regarding the progress and implementation.*

12.0 CLOSURE

There being no further business, the Presiding Member closed the meeting at 10:24 am.

13.0 CERTIFICATION

I, STEPHEN GORDON HUNT certify that the Minutes of Meeting held
(Full Name of the Presiding Member

on 21 July 2021 as shown were confirmed as a true record of the meeting.



Signature
Presiding Member

24 / 3 / 2022
Date