



SHIRE OF NORTHAM

**MINUTES OF THE
AUDIT COMMITTEE MEETING
HELD
WEDNESDAY
19 NOVEMBER 2014**

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MINUTES
AUDIT COMMITTEE MEETING HELD ON 19 NOVEMBER 2014

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SHIRE OF NORTHAM

**Minutes of the Audit Committee Meeting of Council held in the Council Chambers
on WEDNESDAY, 19 November 2014 at 4:48pm**

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1. DECLARATION OF OPENING AND WELCOME

The presiding member, Cr SB Pollard declared the meeting open at 4:48pm.

2. DECLARATION OF INTEREST

Parts of Division 6 Subdivision 1 of the Local Government Act 1995 requires Council members and employees to disclose any direct or indirect financial interest or general interest in any matter listed in this agenda.

The Act also requires the nature of the interest to be disclosed in writing before the meeting or immediately before the matter being discussed.

NB A Council member who makes a disclosure must not preside or participate in, or be present during, any discussion or decision making procedure relating to the disclosed matter unless the procedures set out in Sections 5.68 or 5.69 of the Act have been complied with.

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3. ATTENDANCE

COUNCIL

President
Councillors

Cr S B Pollard
K D Saunders at 5:17pm
U Rumjantsev
D A Hughes
D G Beresford
J E Williams
A W Llewellyn
R W Tinetti

Chief Executive Officer
Executive Manager Corporate Services
Executive Assistant to the CEO
UHY Haines Norton Auditor

J B Whiteaker
D R Gobbart
A C Maxwell
G Goodwin

4. APOLOGIES

5. LEAVE OF ABSENCE

Cr T M Little from 1 November 2014 to 30 November 2014 inclusive.

6. CONFIRMATION OF MINUTES

RECOMMENDATION

Minute No: AU.047

Moved: Cr Llewellyn

Seconded: Cr Hughes

That the Minutes of the Audit Committee Meeting held on Wednesday, 11 June 2014 be confirmed as a true and correct record of that meeting.

CARRIED 7/0

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Cr K D Saunders entered the Council Chambers at 5:17pm.

7. AGENDA ITEMS

7.1 MEETING WITH THE SHIRE OF NORTHAM AUDITORS

Name of Applicant:	Internal Report
File Ref:	8.2.7.1
Officer:	Denise Gobbart
Officer Interest:	N/A
Policy:	Local Government Act 1995, Local Government (Audit) Regulations 1996, DLGRD Operational Guidelines-Audit Committees in Local Government No 9
Voting:	Simple Majority
Date:	14 November 2014

PURPOSE

Council to accept discussion with Council's Auditor Mr Greg Godwin from UHY Haines Norton.

BACKGROUND

On appointment of the audit committee, it was given delegated authority to meet with the Auditor of the local government at least once in every year, pursuant to Section 7.12A(2) the Local Government Act 1995.

The Local Government Act does not require the Audit Committee to meet with the Auditor rather the local Government is to meet with the Auditor at least once each year.

Council's Auditor Mr Greg Godwin from UHY Haines Norton will be attendance of this Audit Committee Meeting. It should be noted that there will be a fee involved for the auditor to visit the Shire of Northam in person due to travelling and time.

STATUTORY REQUIREMENTS

Local Government Act 1995 Section 7.12A. Duties of local government with respect to audits

(1) A local government is to do everything in its power to —

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- (a) assist the auditor of the local government to conduct an audit and carry out his or her 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.

CONFORMITY WITH THE COMMUNITY STRATEGIC PLAN

Key Result Area: Improve organisational capability and capacity

Outcome: Operate in a financially sustainable manner

BUDGET IMPLICATIONS

A fee will be involved for the auditor to visit the Shire of Northam in person due to travelling and time. This will be expended from account 04052072 (Audit Fees).

OFFICER'S COMMENT

Topics to be discussed with the auditor include;

- Review of Shire of Northam Auditors Report
- Review of Shire of Northam Management Report - Ratios
- General Business

RECOMMENDATION

Minute No: AU.048

Moved: Cr Rumjantsev

Seconded: Cr Llewellyn

That Council;

1. **Endorse that the meeting between the Audit Committee and the Auditor at the Audit Committee Meeting held on 19 November 2014, satisfy the requirements of Section 7.12A(2) the Local Government (Audit) Regulations 1996 and that the minutes of the meeting show the auditor was involved and the matters discussed; and**

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- 2. Agree the verbal report by the Shire Auditor Mr Greg Godwin from UHY Haines Norton be noted in the minutes and received.**

CARRIED 8/0

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7.2 SHIRE OF NORTHAM 2013/2014 ANNUAL REPORT

Name of Applicant:	Internal Report
File Ref:	8.2.7.1
Officer:	Denise Gobbart
Officer Interest:	N/A
Policy/Legislation:	Local Government Act 1995 & LG (FM) Regs 1996
Voting:	Simple Majority
Date:	13 November 2014

PURPOSE

For Council to consider and if acceptable receive the Annual Report for the year ended 30 June 2014 for the Shire of Northam.

BACKGROUND

The Annual Financial Report for the year ended 30 June 2014 was completed and presented to the Shire of Northam's auditor on Tuesday, 30 September 2014, for audit. The Audit was completed and signed off on Friday, 13 November 2014.

Section 5.54 'Acceptance of Annual Reports' of the Local Government Act 1995 requires an Annual Report to be accepted by Council by 31 December in each year unless the Auditors Report is not available in time. The Local Government Act 1995 Section 5.54(2) requires that if the Annual Report is not accepted by the Local Government by 31 December then it must be presented within two (2) months of the Auditors Report becoming available.

It is proposed that a late item will be presented to Council at the Ordinary Council meeting held on Wednesday, 19 November 2014. Should the 2013/2014 Annual Report be endorsed, it is intended that local public notice be published advising of the Annual Electors Meeting and 2013/2014 Annual Report availability. The notice shall be placed into the West Australian and Avon Valley Advocate on Wednesday, 26 November and the Hills Gazette on Saturday, 29 November 2014. Notices will also be placed on our Notice Boards and the Shire of Northam website.

STATUTORY REQUIREMENTS

Local Government Act 1995 Section 5.53 Annual Reports;

(1) *The local government is to prepare an annual report for each financial year.*

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- (2) *The annual report is to contain -*
- (a) *a report from the mayor or president; and*
 - (b) *a report from the CEO; and*
 - [(c), (d) deleted]*
 - (e) *an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and*
 - (f) *the financial report for the financial year; and*
 - (g) *such information as may be prescribed in relation to the payments made to employees; and*
 - (h) *the auditor's report for the financial year; and*
 - (ha) *a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and*
 - (hb) *details of entries made under section 5.121 during the financial year in the register of complaints, including —*
 - (i) *the number of complaints recorded in the register of complaints;*
 - (ii) *how the recorded complaints were dealt with; and*
 - (iii) *any other details that the regulations may require; and*
 - (i) *such other information as may be prescribed.*

Local Government Act 1995 Section 5.54 Acceptance of Annual Reports;

- (1) *Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.*

** Absolute majority required.*

- (2) *If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.*

Local Government Act 1995 Section 5.55 Notice of Annual Reports;

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

CONFORMITY WITH THE COMMUNITY STRATEGIC PLAN

N/A

BUDGET IMPLICATIONS

N/A

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OFFICER'S COMMENT

Council is requested to accept the Annual Report for the year ended 30 June 2014 for the Shire of Northam.

RECOMMENDATION

Minute No: AU.049

Moved: Cr Llewellyn

Seconded: Cr Hughes

That the Audit Committee in accordance with;

- 1. Sections 5.53 and 5.54 of the Local Government Act 1995, accepts the Annual Report for the 2013/2014 financial year subject to confirmation of final ratios; and**
- 2. Section 5.55 of the Local Government Act 1995, authorise the Chief Executive Officer to give public notice of the availability of the Annual Report from Friday, 21 November 2014.**

CARRIED 8/0

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7.3 2013/2014 ANNUAL ELECTORS GENERAL MEETING

Name of Applicant:	Internal Report
File Ref:	8.2.7.1
Officer:	Denise Gobbart
Officer Interest:	N/A
Policy/Legislation:	Local Government Act 1995 & LG (FM) Regs 1996
Voting:	Simple Majority
Date:	13 November 2014

PURPOSE

For Council to consider and endorse the date for the Annual Electors General Meeting set by the Chief Executive Officer.

BACKGROUND

The Annual Electors General Meeting is to be held within 56 days of the local government accepting the Annual Report.

A requirement of setting the date is that 14 days local public notice is required for advertising the meeting. Providing the Annual Report is endorsed at Council meeting held on 19 November 2014, the last eligible day for holding the meeting would be Wednesday, 14 January 2015 however it is recommended that this be held prior to the December Ordinary Council Meeting which is scheduled on 17 December 2014.

Providing the 2013/2014 Annual Report is endorsed at Council Meeting held on 19 November 2014. It is intended that local public notice will be published into the West Australian and Avon Valley Advocate on Wednesday, 26 November and the Hills Gazette on Saturday, 29 November 2014.

STATUTORY REQUIREMENTS

Local Government Act 1995 Section 5.27 Electors' general meetings;

- (1) *A general meeting of the electors of a district is to be held once every financial year.*
- (2) *A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.*

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- (3) *The matters to be discussed at general electors' meetings are to be those prescribed.*

Local Government (Administration) Regulation No 15 Matters for discussion at general electors' meetings - s. 5.27(3)

For the purposes of section 5.27(3), the matters to be discussed at a general electors' meeting are, firstly, the contents of the annual report for the previous financial year and then any other general business.

Local Government Act 1995 Section 5.29 Convening Electors' Meetings;

- (1) *The CEO is to convene an electors' meeting by giving –*
- (a) *at least 14 days' local public notice; and*
 - (b) *each council member at least 14 days' notice, of the date, time, place and purpose of the meeting.*
- (2) *The local public notice referred to in subsection (1)(a) is to be treated as having commenced at the time of publication of the notice under section 1.7(1)(a) and is to continue by way of exhibition under section 1.7(1)(b) and (c) until the meeting has been held.*

CONFORMITY WITH THE COMMUNITY STRATEGIC PLAN

N/A

BUDGET IMPLICATIONS

N/A

OFFICER'S COMMENT

Council is requested to endorse the date set, in accordance with the Local Government Act, for the Annual Electors Meeting.

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RECOMMENDATION

Minute No: AU.050

Moved: Cr Hughes

Seconded: Cr Rumjantsev

That Council;

Holds the Annual Electors General Meeting on Wednesday, 17 December 2014 at 4.00pm in the Shire of Northam Council Chambers.

CARRIED 8/0

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7.4 REVIEW OF SYSTEMS AND PROCEDURES (ATTACHMENT 2)

Name of Applicant:	Shire of Northam
Name of Owner:	Shire of Northam
File Ref:	
Officer:	Chief Executive Officer
Officer Interest:	N/A
Policy:	N/A
Voting:	Simple Majority
Date:	13 November 2014

PURPOSE

For the Audit Committee and Council to give consideration to the review undertaken by the Chief Executive Officer in relation to the Shire of Northam risks, internal controls and legislative compliance

BACKGROUND

Section 17 of the Local Government (Audit) Regulations requires the Chief Executive Officer to review the appropriateness and effectiveness of the Council's systems and procedures as they relate to the following areas;

- Risk management
- Internal controls, and
- Legislative compliance

In order to undertake the review the Council engaged LGIS, in partnership with four adjoining local governments, to provide advice and assistance in meeting the regulation requirements.

LGIS have provided a template and one and half days of training to assist staff commence the process. Outside of this the Executive Management Group spent in excess of three days (over a three month period) undertaking the review.

STATUTORY IMPACTS

Local Government Audit Regulation 17 requirement for the CEO to undertake a review of the local government systems and procedures not less than once in every two years and report the findings to the Audit Committee.

CONFORMITY WITH THE STRATEGIC COMMUNITY PLAN / CORPORATE PLAN

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Strategy G1.1: Continue to develop Council's policy framework to guide decision making

FINANCIAL IMPLICATIONS

The LGIS engagement was at a total cost of \$6,773 expended from account 04042132 (consultants).

OFFICER'S COMMENT

In assessing the Council's risk management, internal controls and legislative compliance a risk based approach has been applied. Appended to the agenda is a risk assessment which has been undertaken by the Executive Management team across the identified key themes for the organisation. These risk themes include;

- Misconduct
- **Business disruption**
- Damage to physical assets
- **Errors, omissions & delays**
- External theft & fraud
- Failure of IT and/or communications
- Failure to fulfil statutory, regulatory or compliance requirements
- **Inadequate safety and security practices**
- Providing inaccurate advice / information
- Inadequate organisation and community emergency management
- Document management
- Inadequate project management / change management
- **Inadequate engagement with community/stakeholders/elected members**
- Inadequate procurement, disposal or tender practices
- **Inadequate asset sustainability practices**
- **Inadequate stock management**
- **Inadequate supplier/contract management**
- Ineffective people management / employment practices
- Inadequate environmental management
- Not meeting community expectations
- **Ineffective management of facilities**
- Inadequate financial. Accounting, business acumen

The assessment undertaken looks at potential causes of risk to Council within each of these themes, the key controls which currently exist to mitigate the risk, an assessment of the quality of the controls and an overall assessment of the risk rating for the theme. Additionally the assessment looks at the key indicators which are currently in place to ensure we are monitoring the controls and a risk tolerance level, which implies the organisations appetite for risk in each of the areas. Finally the report / assessment undertaken identifies the actions required to improve areas within each of the themes which are deemed inadequate or requiring attention.

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There are a number of current internal controls which are not considered adequate. These are clearly identified within the appended report, along the strategies to bring these up to an acceptable standard. The areas within which the controls are considered inadequate are highlighted in the above themes list (they are marked red).

Each of these areas will receive attention to ensure that adequate controls are in place into the future, in accordance with the action plan contained within the provided assessment. In addition to this the Council is aware of the current focus of the organisation on processes and systems. The program which Council recently supported (process design/mapping) is due to commence in the coming months. It is envisaged that the program of process mapping and documentation will address a number of the issues raised within the provided assessment.

RECOMMENDATION

Minute No: AU.051

Moved: Cr Hughes

Seconded: Cr Tinetti

That Council accepts the 2014 review undertaken by the Chief Executive Officer of the systems and procedures relating to;

- **Risk Management**
- **Internal controls**
- **Legislative compliance**

CARRIED 8/0

Thanks was made by Cr S B Pollard to Denise Gobbart, Executive Manager Corporate Services, staff and the Chief Executive Officer for their efforts in respect to the preparation of the Shire of Northam's Audit.

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8. CLOSURE OF MEETING

There being no further business the Presiding Officer declared the meeting closed at 5:25pm.

"I certify that the Minutes of the Audit Committee Meeting held on 19 November 2014 have been confirmed as a true and correct record."

_____ Presiding Officer

_____ Date