Heart of North Midlands

MINUTES
FOR THE
AUDIT AND RISK COMMITTEE OF COUNCIL MEETING
HELD ON
WEDNESDAY
23 MARCH 2022 @ 4.00PM

WILDFLOWER COUNTRY

Shire of Three Springs
PO Box 117, Three Springs
WA 6519

Disclosure of Interest Form

(Elected Members/Committee Members/Employees/Contractors)

Local Government Act 1995 (Section 5.65, 5.70 & 5.71)

To: Chief Executive Officer

☐ **Ordinary Council Meeting held on** ______________________

☐ **Special Council Meeting held on** ______________________

☐ **Committee Meeting held on** ______________________

☐ **Other** ______________________

Report No ______________________

Report Title ______________________

Name ______________________

☐ **Elected Member** ☐ **Committee** ☐ **Employee** ☐ **Contractor**

Type of Interest *(*see overleaf for further information)*

☐ **Proximity** ☐ **Financial** ☐ **Impartiality**

Nature of Interest

____

____

____

Extent of Interest (if intending to seek Council approval to be involved with debate and/or vote)

____

____

Name:______________________ **Signed:**______________________**Date:** ______________________

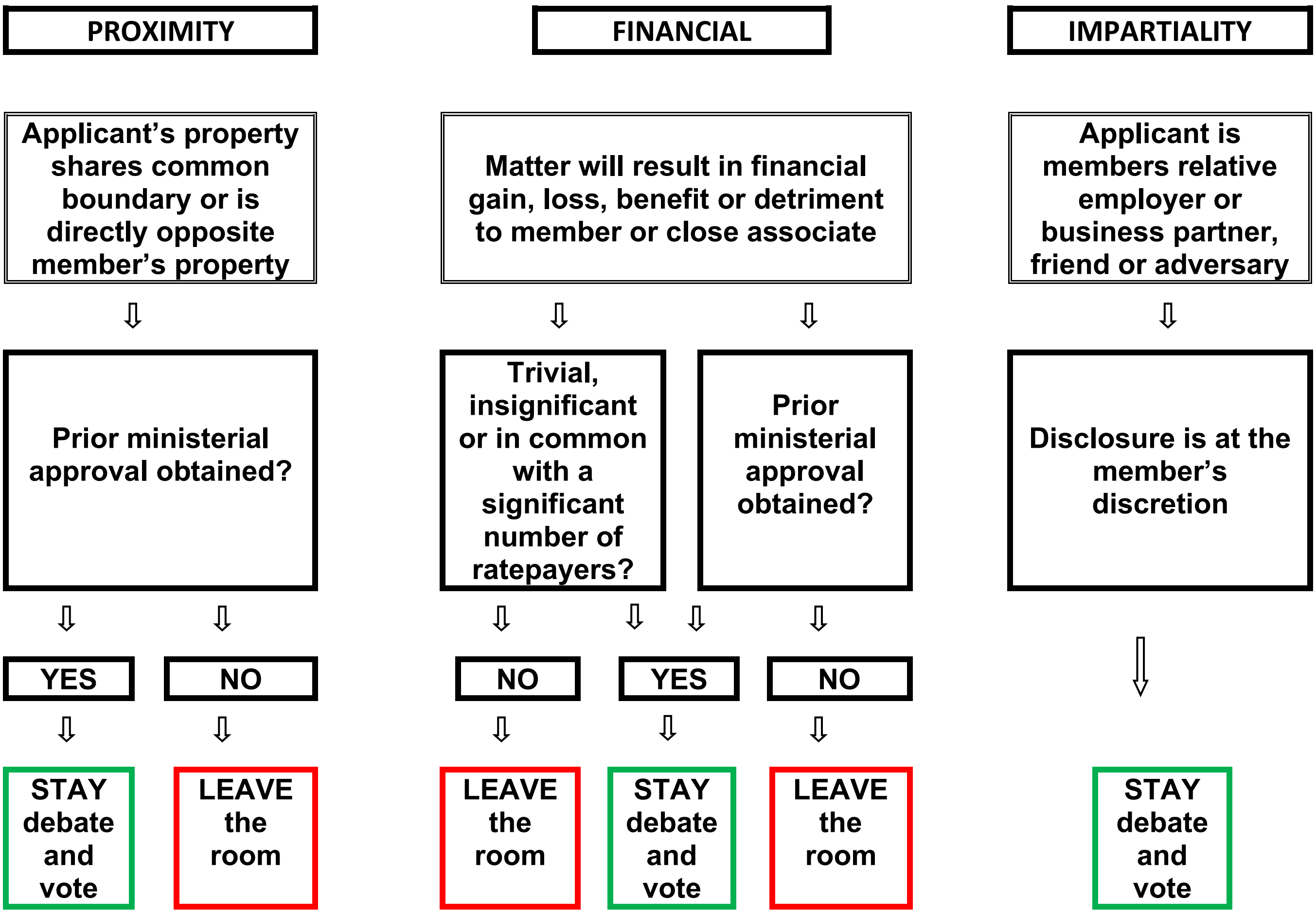
Note 1: For <u>Ordinary meetings of Council</u>, elected members and employees are requested to submit this completed form to the Chief Executive Officer prior to the meeting. Where this is not practicable, disclosure(s) must be given to the Chief Executive Officer prior to the matter being discussed.

Note 2: Employees or Contractors disclosing an interest in <u>any matter apart from at meetings</u>, where there is a conflict of interest including disclosures required by s5.71 are required to submit this form to the CEO as soon as practicable.

OFFICE USE ONLY

CEO: ______________________ **Signed:** ______________________ **Date:** ______________________

* Declaring an Interest



Local Government Act 1995 **- Extract**

5.65 - Members' interests in matters to be discussed at meetings to be disclosed.

(1) A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest:

(a) in a written notice given to the CEO before the meeting; or (b) at the meeting immediately before the matter is discussed. (Penalties apply).

(2) It is a defence to a prosecution under this section if the member proves that he or she did not know:

(a) that he or she had an interest in the matter; or (b) that the matter in which he or she had an interest would be discussed at the meeting.

(3)This section does not apply to a person who is a member of a committee referred to in section 5.9(2)(f).

5.70 - Employees to disclose interests relating to advice or reports.

(1) In this section: 'employee' includes a person who, under a contract for services with the local government, provides advice or a report on a matter.

(2) An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report.

(3) An employee who discloses an interest under this section must, if required to do so by the council or committee, as the case may be, disclose the extent of the interest. (Penalties apply).

5.71 - Employees to disclose interests relating to delegated functions.

If, under Division 4, an employee has been delegated a power or duty relating to a matter and the employee has an interest in the matter, the employee must not exercise the power or discharge the duty and:

(a) in the case of the CEO, must disclose to the mayor or president the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter; and (b) in the case of any other employee, must disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter. (Penalties apply)

'Local Government (Administration) Regulations 1996 **– Extract**

In this clause and in accordance with Regulation 34C of the Local Government (Administration) Regulations 1996:

"Interest" means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.

SHIRE OF THREE SPRINGS
AGENDA OF THE AUDIT and RISK COMMITTEE MEETING
HELD IN THE COUNCIL CHAMBERS, THREE SPRINGS
ON WEDNESDAY 23 March 2022

MINUTES

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Shire President declared the meeting open at 4.06pm

Acknowledgement of Country:-

The Shire of Three Springs acknowledges the traditional owners of this land – the Yamatji people, and their continuing connection to land, water and community. We pay our respects to them and their cultures, and to elders both past, present and emerging.

2. RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE

	Attendance	Apologies	Approved Leave of Absences
Councillor Lane	**Present**		
Councillor Connaughton	**Present**		
Councillor Heal	**Present**		
Councillor Mutter	**Present**		
Councillor Mills	**Present**		
Councillor Ennor	**Present**		
Councillor Eva	**Present**		
Chief Executive Officer	**Present**		
Executive Secretary	**Present**		

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

Nil

5. APPLICATIONS FOR LEAVE OF ABSENCE

		OCM Month	Moved	Seconded	Vote	Date
5.1	Cr.		Cr.	Cr.		
5.2	Cr.		Cr.	Cr.		
5.3	Cr.		Cr.	Cr.		

6. CONFIRMATION OF PREVIOUS MEETING MINUTES

That the Minutes of the Audit Committee Meeting are confirmed as true and accurate record of proceedings.					
		Date	**Moved**	**Seconded**	**Vote**
6.1					

7. ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION

Nil

8. ANNOUNCEMENTS/REPORTS OF ELECTED MEMBERS

Councillor	Activity
Cr. Lane	
Cr. Connaughton	
Cr. Heal	
Cr. Mutter	
Cr. Mills	
Cr. Ennor	
Cr. Eva	

9. PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

Nil

10. Audit Committee

10.1 Annual Financial Report for the year ending 30 June 2021	
Agenda Reference:	CEO
Location/Address:	Shire of Three Springs
Name of Applicant:	Shire of Three Springs
File Reference:	
Disclosure of Interest:	Nil
Date:	23 March 2022
Author:	Chief Executive Officer
Attachment (s):	10.4.1 Audited Annual Financial Report 2020-2021 10.4.2 Auditors Opinion 10.4.3 Transmittance Letters

Council Role:

☐	Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
■	Executive	The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
■	Legislative	Includes adopting local laws, local planning schemes and policies.
☐	Review	When Council reviews decisions made by Officers.
☐	Quasi-judicial	When Council determines an application/matter that directly affects a person's rights and interests. The judicial character arises from the obligation to abide by the principles of natural justice e.g. local planning applications, building permits, other permits/licences (e.g. under Health Act, Dog Act or local laws) and other decisions that may be appealable to the State Administrative Tribunal (SAT).

Report Purpose:
1. That the Audit and Risk Committee receive the Audit Finding.

2. The Audit and Risk Committee recommends that the Council accepts the Annual Financial Statements, Audit Report and Management Report for 2020-2021 and set the date for the Annual Electors Meeting.

Background:
Following the proclamation of the Local Government Amendment (Auditing) Act 2017, the Auditor General was made responsible for the financial and performance auditing of local governments.

Officer's Comment:
17 March 2022, Butler Settineri and the Office of the Auditor General for Western Australia conducted an audit exit meeting with the Shire President and the Chief Executive Officer.

As per the Local Government Act 1995 Council is required to accept the Audit Report, Management Report and set the date for the Annual Electors Meeting.

The audit report raised concerns with Supplier Masterfile changes, Accuracy of employee timesheets, Municipal Bank Reconciliations - Long outstanding items and Procurement Practices.

The auditor comments are clearly identified below (the navy text being the findings from the audit, and the black text being the Chief Executive Officer comment).

1. *Supplier Masterfile changes*

Finding:
From our review of changes to the supplier Masterfile, we noted 1 instance where the Supplier Masterfile Amendments Form did not contain any evidence of review before the change was processed.

Management Comment:
Financial staff advised of the audit finding and future Masterfile Form changes will be reviewed, dated and signed.

2. *Accuracy of employee timesheets*

Finding:
We noted 1 instance where the hours paid to an employee as recorded in the payroll report exceeded the hours recorded in the employee's approved timesheet.

Management Comment:
Financial staff advised of the audit finding.

3. *Municipal Bank Reconciliations - Long outstanding items*

Finding:
During our review of municipal bank reconciliations, we noted an outstanding cheque payment dating back to 2017 for $354. We understand that the recipient(s) did not receive the cheque and the Shire has been unable to contact or trace the recipient.

Management Comment:
Financial staff advised of the audit finding.

4. *Procurement practices*

Finding Status - 2021
During our sample testing of payments made throughout the year we noted:

- *11 instances where the required number of quotes was not obtained prior to engaging a supplier for goods/services*
- *3 instances where verbal quotes were obtained, but not documented on the purchase order*
- *5 invoices without purchase orders;*
- *2 purchase orders were raised after the invoice date.*

2020 Management Comment:

1. The CEO will review the appropriateness and effectiveness of the Shire purchasing policy.

2. The Shire has implemented the Altus Procurement System. This system improves governance controls and transparency. The Altus system has the ability to customise the purchasing rules to meet policy requirements.

Consultation:
Bob Waddell & Associates, Senior Finance and Admin Officer, Butler Settineri audit staff and OAG Assistant Director Financial Audit.

Statutory Environment:
Local Government Act 1995 Section 6.10 & 7.9(1)
Local Government Financial Management Regulation 1996 Part 2
Local Government (Audit) Regulations 1996 – Reg 10

Policy Implications:
Nil

Financial/Resources Implications:
Nil

Strategic Implications:
This item is relevant to the Council's approved 'Strategic Community Plan 2018-2028'

Strategic Community Plan 2018-2028	
Council Objectives:	**Outcome:**
Nil	Nil

This item is relevant to the Council's approved 'Corporate Business Plan 2020 – 2024'.

Corporate Business Plan 2020– 2024	
Scope Statement:	**Project Outputs:**
Nil	Nil

Voting Requirements:
Absolute Majority

Officer's Recommendation:

017/2022 OFFICER'S RECOMMENDATION and COUNCIL DECISION: 10.1

MOVED: Cr. Eva
SECONDED: Cr. Ennor

That the Audit and Risk Committee:

1. Accept the Annual Financial Report for the year ended 30 June 2021.
2. Accept the Audit Report for the year ended 30 June 2021.
3. The CEO to be instructed to give notice of the availability of the Annual Report for the year ended 30 June 2021 and to publish the Annual Report on the Shire of Three Springs's official website.
4. The Audit and Risk Committee recommends to Council that the Annual Financial Report for the year ended 30 June 2021 be adopted.
5. Schedule the Annual Electors meeting in Council Chambers for 27 April 2022 at 6:00 PM.

CARRIED:
VOTED: 7/0

10. Audit Committee

10.2 Compliance Audit Return 2021	
Agenda Reference:	CEO
Location/Address:	Shire of Three Springs
Name of Applicant:	Shire of Three Springs
File Reference:	ADM0057
Disclosure of Interest:	Nil
Date:	24 March 2021
Author:	Keith Woodward, Chief Executive Officer
Attachment (s):	Compliance Audit Return

Council Role:

☐	Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
☐	Executive	The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
■	Legislative	Includes adopting local laws, local planning schemes and policies.
☐	Review	When Council reviews decisions made by Officers.
☐	Quasi-judicial	When Council determines an application/matter that directly affects a person's rights and interests. The judicial character arises from the obligation to abide by the principles of natural justice e.g. local planning applications, building permits, other permits/licences (e.g. under Health Act, Dog Act or local laws) and other decisions that may be appealable to the State Administrative Tribunal (SAT).

Report Purpose:
That the Audit and Risk Committee advises Council that the Compliance Audit Return 2021 be adopted.

Background:
Under Section 14 of the of the Local Government (Audit) Regulations 1996, a local government is to carry out a Compliance Audit Return. The Audit Committee is to review the report and report to Council the results of the review. Once approved by Council the Compliance Audit Return must be by signed by the President and Chief Executive Officer and forwarded to the Department of Local Government, Sport and Cultural Industries along with a copy of the minutes.

Officer's Comment:
The Compliance Audit Return covers the 1 January 2020 to 31 December period 2021 and has been completed by staff who have oversight of that section of legislation that the Compliance Audit Return covers.

Consultation:
Nil

Statistical Environment:

Local Government (Audit) Regulation 1996) s. 14, 15 & 16.

14. Compliance audits by local governments

(1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.

(2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.

(3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.

(3) After the audit committee has reported to the council under sub regulation (3A), the compliance audit return is to be —

(a) presented to the council at a meeting of the council; and

(b) adopted by the council; and

(c) recorded in the minutes of the meeting at which it is adopted.

15. Certified copy of compliance audit return and other documents to be given to Departmental CEO

(1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —

(a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and

(b) any additional information explaining or qualifying the compliance audit,

is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.

(2) In this regulation —

Certified in relation to a compliance audit return means signed by —

(a) the mayor or president; and

(b) the CEO.

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.

Policy Implications:
Council Policy 1100 Risk Management. The risk management objectives of this policy are:

1. *Optimise the achievement of our vision, mission, strategies, goals and objectives.*
2. *Provide transparent and formal oversight of the risk and control environment to enable effective decision making.*
3. *Enhance risk versus return within our risk appetite.*
4. *Embed appropriate and effective controls to mitigate risk.*
5. *Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.*
6. *Enhance organisational resilience.*
7. *Identify and provide for the continuity of critical operations*

The Good Governance in Practice Principles 'compliance and reporting' align with Council policy and legislation reducing organisation's risk.

Financial/Resources Implications:
Nil

Strategic Implications:
This item is relevant to the Councils approved Strategic Community Plan 2018-2028

Strategic Community Plan 2018 - 2028	
Council Objectives:	**Outcome:**

4. A long term strategically focused Shire that is efficient, respected and accountable.	4.3.2 Ensure compliance with all relevant legislation.

This item is relevant to the Councils approved Corporate Business Plan 2020 – 2024

Corporate Business Plan 2020 – 2024	
Scope Statement:	**Project Outputs:**
Nil	Nil

Voting Requirements:
Absolute Majority

Officer's Recommendation:

018/2022 OFFICER'S RECOMMENDATION and COUNCIL DECISION: 10.2

MOVED: Cr. Connaughton
SECONDED: Cr. Mills

That the Audit and Risk Committee recommends to Council that the Compliance Audit Return 2021 be adopted.

CARRIED:
VOTED: 7/0

TIME AND DATE OF NEXT MEETING

The date and time of the next Audit Committee are to be confirmed.

11. MEETING CLOSURE

There being no further business the Presiding Officer closed the meeting at 4.10pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: ______________________________
Presiding Officer

Date: 23 March 2022