



**AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
AGENDA**

To be held on
Tuesday 7 December 2021

Commencing at 5.00pm

Shire of Donnybrook Balingup Council Chambers, Donnybrook

A handwritten signature in black ink, appearing to read "BGR" followed by a flourish.

Ben Rose
Chief Executive Officer

2 December 2021

Disclaimer

Please note the items and recommendations in this document are not final and are subject to change or withdrawal.

TABLE OF CONTENTS

1	DECLARATION OF OPENING	3
2	ATTENDANCE	3
	2.1 APOLOGIES	3
	2.2 APPROVED LEAVE OF ABSENCE	3
3	ANNOUNCEMENTS FROM CHAIRPERSON.....	3
4	DECLARATION OF INTEREST	4
5	CONFIRMATION OF MINUTES.....	4
6	REPORTS OF OFFICERS	5
	6.1 INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2021	5
	6.2 INTERNAL AUDIT	7
7	CLOSURE	11

SHIRE OF DONNYBROOK BALINGUP
AUDIT AND RISK MANAGEMENT COMMITTEE AGENDA

To be held at the Council Chambers
7 December 2021 at 5.00pm

1 DECLARATION OF OPENING

Chairperson – Acknowledgment of Country

The Chairperson to acknowledge the traditional custodians of the land, the Wardandi People of the Noongar Nation, paying respects to Elders, past and present and emerging.

The Chairperson to declare the meeting open and welcome the members of the Committee.

2 ATTENDANCE

MEMBERS PRESENT

COUNCILLORS Cr Leanne Wringe (Shire President) Cr Chaz Newman Cr Chris Smith	STAFF Mr Kim Dolzadelli – Director Corporate Community Mr Ben Rose – Chief Executive Officer
EXTERNAL MEMBERS Mr Ian Telfer – Chairperson Ms Carly Anderson	GUESTS Nil.

2.1 APOLOGIES

2.2 APPROVED LEAVE OF ABSENCE

Nil.

3 ANNOUNCEMENTS FROM CHAIRPERSON

4 DECLARATION OF INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee Members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the *Act*.

5 CONFIRMATION OF MINUTES

Minutes of the Audit and Risk Management Committee meeting held **14 October 2021** are attached (Attachment 5(1)).

EXECUTIVE RECOMMENDATION

That the Minutes of the Audit and Risk Management Committee Meeting held 14 October 2021 be confirmed as a true and correct record.

6 REPORTS OF OFFICERS

6.1 INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2021

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	FNC 02A
Author	Kim Dolzadelli, Director Corporate and Community
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	Office of the Auditor General – Interim Audit Opinion
Voting Requirements	Simple Majority

Executive Recommendation

That the Audit and Risk Management Committee receive and note the Interim Audit results for the year ending 30 June 2021.

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

The Officer of the Auditor General (OAG) provided the Interim Audit results for the year ending 30 June 2021 on 10 November 2021. Moore Australia were the appointed contractors on behalf of the OAG.

No matters were raised as a result of the Interim Audit undertaken by the OAG.

BACKGROUND

The ARMC Charter adopted in October 2020, outlines that the Committee shall meet as often as it determines. In addition, the Committee Chairperson (or presiding person) may call such additional meetings as may be necessary to address any matters referred to the Committee or in respect of matters that the Committee wishes to pursue.

The Interim Audit is a standard legislated process under the Local Government (Audit) Regulations 1996.

FINANCIAL IMPLICATIONS

The annual audit costs estimated by the OAG for the Shire of Donnybrook Balingup are \$30k (includes Interim and Annual Audit).

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Local Government Act 1995 Part – 7 Audit

Local Government (Audit) Regulations 1996

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.*

CONSULTATION

Not Applicable.

OFFICER CONCLUSION

The Interim Audit of the Shire’s finances, conducted by Moore Australia for the OAG, has identified no issues for closer consideration; however, the Interim Audit process is not designed to identify all internal control deficiencies that may require management attention. The full Annual Report will interrogate the Shire’s financial management processes in more detail.

6.2 INTERNAL AUDIT

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	FNC 02A
Author	Kim Dolzadelli, Director Corporate and Community
Responsible Manager	Kim Dolzadelli, Director Corporate and Community
Attachments	Nil
Voting Requirements	Simple Majority

Executive Recommendation
<p>That the Audit and Risk Management Committee notes that a Request for Quotation for Internal Audit functions will be prepared by Officers to encompass the following requirements:</p> <ol style="list-style-type: none"> 1. To be undertaken in accordance with the Institute of Internal Auditors Code of Ethics; 2. To be undertaken in accordance with the Internal Auditors Professional Practices Framework; and 3. The broad scope of the Internal Audit program will include, at least, the following items: <ol style="list-style-type: none"> a. Information technology; b. Security and emergency procedures including accident / incident reporting; c. Vehicle fleet management; d. Lease management (where Local Government Lessor); e. Service contract management; f. FBT/GST review; g. Assessment of attractive asset control – i.e., phones, tablets and fraud awareness;

- h. Compliance (Local Government Act and local laws);**
- i. Asset management (capital expenditure, asset control, depreciation schedules and preventative maintenance programs);**
- j. Insurance management;**
- k. Stock control; and**
- l. Policy and procedure maintenance.**

4. The more refined scope for the Internal Audit program will be reviewed by the Audit and Risk Management Committee and resolved by the Council.

STRATEGIC ALIGNMENT

The following outcomes from the Corporate Business Plan relate to this proposal:

Outcome	4.2	A respected, professional and trusted organisation
Strategy	4.2.1	Effective and efficient operations and service provision
Action	4.2.1.3	Monitor and measure organisational performance

EXECUTIVE SUMMARY

Council has included a provision of \$15,000 in the 2021/22 Budget for the completion of an Internal Audit to be completed before 30 June 2022.

The role of an internal auditor is to operate as an independent appraisal function, for the review of operations and effectiveness of systems and controls, as a service to both Audit Committees and management.

The Institute of Internal Auditors Code of Ethics states:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve /he effectiveness of risk management, control and governance processes."

The Institute of Internal Auditors Professional Practices Framework identifies three broad categories in respect to Internal Audit as follows:

- Risk Management

"The internal audit activity should assist the organisation by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems".

- Controls

"The internal audit activity should assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement."

Broad Scope

Broad scope for the Internal Audit will include the following:

- Information technology;
- Security and emergency procedures including accident / incident reporting;
- Vehicle fleet management;
- Lease Management (where Local Government Lessor);
- Service contract management;
- FBT/GST review;
- Assessment of attractive asset control – i.e. phones, tablets and fraud awareness;
- Compliance (Local Government Act and local laws);
- Asset Management (Capital Expenditure, Asset Control, Depreciation Schedules and Preventative Maintenance programs);
- Insurance Management;
- Stock Control; and
- Policy and Procedure Maintenance

The Internal Audit is to be in addition to the requirement for the Chief Executive Officer to undertake the following reviews in the 2021/22 financial Year:

1. Local Government (Audit) Regulations 1996.

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 the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review*

2. Local Government (Financial Management) Regulations 1996

5. CEO's duties as to financial management

(2) *The CEO is to —*

- (c) *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 3 financial years) and report to the local government the results of those reviews.*

BACKGROUND

Council has included a provision of \$15,000 in the 2021/22 Budget for the completion of an Internal Audit to be completed before 30 June 2022.

FINANCIAL IMPLICATIONS

The 2021/22 Budget has provision of \$15,000 for the undertaking of an Internal Audit.

POLICY COMPLIANCE

Not Applicable.

STATUTORY COMPLIANCE

Local Government Act 1995 Part – 7 Audit

Local Government (Audit) Regulations 1996

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.*

CONSULTATION

Not Applicable.

OFFICER CONCLUSION

The Internal Audit function is to operate as an independent appraisal function, for the review of operations and effectiveness of systems and controls, as a service to both Audit Committees and management.

7 CLOSURE

The Chairperson to declare the meeting closed at _____.