



# Audit Committee Meeting Minutes

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Held on

Wednesday, 15 February 2017

Commencing at 4.12pm

Function Room, Donnybrook Recreation Centre  
Steere Street, Donnybrook WA

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**Ben Rose**  
Chief Executive Officer

**20 February 2017**

## **DISCLAIMER**

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Please note this agenda contains recommendations, which have not yet been adopted by Council.

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## **AUDIT COMMITTEE MEETING AGENDA**

**15 February 2017**

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# SHIRE OF DONNYBROOK/BALINGUP

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## AUDIT COMMITTEE MEETING MINUTES

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Held in the Function Room, Donnybrook Recreation Centre  
on Wednesday, 15 February 2017 at 4.12pm

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### MEMBERS PRESENT

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#### COUNCILLORS

Cr Logiudice (President)  
Cr Crowley  
Cr King  
Cr Mills  
Cr Mitchell

#### STAFF

Ben Rose - Chief Executive Officer  
Greg Harris – Manager Finance and Administration  
Jeff Somes – Principal Environmental Health Officer

#### GUEST

Tim Partridge - Auditor, AMD Chartered Accountants

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### PUBLIC GALLERY

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Nil

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### APOLOGIES

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Cr Tan (approved Leave)

Cr Dilley

Cr Bailey

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### 1 PUBLIC QUESTION TIME

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Nil

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### 2 DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST

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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.

Nil

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### 3 PETITIONS/DEPUTATIONS/PRESENTATIONS

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Mr Tim Partridge, Auditor, AMD Chartered Accountants attended the meeting to answer Councils questions on the Financial Audits.

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## **Consultation**

N/A

## **Policy/Statutory/Voting Implications**

Under Regulation 14 of the *Local Government (Audit) Regulations 1996* the 2016 CAR is to be reviewed by Council's Audit Committee and report the results of that review to Council for adoption.

A printed copy of the CAR is to be presented to Council at the Ordinary Council Meeting and adopted.

Once the CAR has been presented to Council a certified copy, along with an extract of the minutes of the meeting at which the CAR was adopted by Council and any additional information explaining or qualifying the compliance audit, is to be submitted in hard copy format to the Director General, Department of Local Government and Communities by 31 March 2017. The online Return is to be forwarded to the Department providing a permanent record of the submission on the Department of Local Government website.

## **Financial Implications**

N/A

## **Strategic Implications**

Community Strategic Plan Outcome 4.3: An open and accountable local government that is respected, professional and trusted.

## **Committee's Decision (Officer's Recommended Resolution)**

**Moved: Cr King**

**Seconded: Cr Mitchell**

**That the 2016 Local Government Compliance Audit Return for the Shire of Donnybrook-Balingup, as completed and presented to Council, be endorsed.**

**Carried 5/0**

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|              |                     |                                                              |
|--------------|---------------------|--------------------------------------------------------------|
| <b>5.1.2</b> | <b>SUBJECT:</b>     | <b>2015/2016 AUDIT REPORT AND AUDITORS MANAGEMENT REPORT</b> |
|              | <b>Location:</b>    | <b>Shire of Donnybrook/Balingup</b>                          |
|              | <b>Applicants:</b>  | <b>Administration</b>                                        |
|              | <b>Zone:</b>        | <b>N/A</b>                                                   |
|              | <b>File Ref:</b>    | <b>FNC 02</b>                                                |
|              | <b>Author:</b>      | <b>Greg Harris, Manager Finance &amp; Administration</b>     |
|              | <b>Report Date:</b> | <b>7 February 2017</b>                                       |
|              | <b>Attachments:</b> | <b>Nil</b>                                                   |

## Background

At the Ordinary Meeting of Council held on 21 December 2016, Council, based upon the recommendations of the Audit Committee, adopted the following two resolutions:

1. *“That the Audit Report for the Financial Year ending 30 June 2016 be received by Council.”*

and:

2. *“(1) That the Auditor’s Management Report for the year ended 30 June 2016 be received by Council and the recommendations of the Auditor be noted; and  
2) That the Chief Executive officer prepare a report to the Minister for Local Government and Communities outlining the outcomes of the 2015/16 year audit, in accordance with the requirements of section 7.12 (4) of the Local Government Act 1995.”*

There is a legislative requirement that the Auditor is to meet with the local government at least once in every year. It has been customary for Council to meet with its Auditor after the completion of the Annual Financial Audit, thereby providing members of the Audit Committee with the opportunity to discuss the outcomes of the annual audit and any matters that have been raised by the Auditor in either the Audit Report or the Auditor’s Management Report.

## Comment

Due to other commitments Council’s Auditor, Mr Tim Partridge of AMD Chartered Accountants was unable to meet with the Audit Committee at the 21 December 2016 meeting. Mr Partridge will however be attending the Audit Committee Meeting on 15 February 2017.

Although Council has formally received both the Audit Report and Auditor’s Management Report at the December meeting, an opportunity is now provided for Elected Members to discuss any aspect of the Annual Financial Report and/or the reports provided with Council’s Auditor.

Copies of the Audit Report and Auditor’s Management Report were provided to Elected Members with the December 2016 agenda however further copies can be made available upon request.

## Consultation

N/A

## Policy/Statutory/Voting Implications

### Statutory

Section 7.12A (2) of the *Local Government Act 1995* states:

#### **“7.12A. Duties of local government with respect to audits**

- (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.”*

### Voting

Technically, no voting is actually required on this item.

## Financial Implications

As per the Audit Report and Auditor’s Management Report.

## Strategic Implications

Outcome 4.3 – An open and accountable local government that is respected, professional and trusted.

## Committee Decision

**That the report in regard to the 2015/16 Audit Report and Auditor’s Management Report be noted.**

Chief Executive Officer’s Comment: The 2015/16 Audit Report and Auditors Management Report was received at the Ordinary Meeting of Council on 21 December 2016 therefore no further resolution of Council is required.

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|              |                     |                                                                            |
|--------------|---------------------|----------------------------------------------------------------------------|
| <b>5.1.3</b> | <b>SUBJECT:</b>     | <b>LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996 – REGULATION 17 REVIEW</b>    |
|              | <b>Location:</b>    | <b>Shire of Donnybrook / Balingup</b>                                      |
|              | <b>Applicants:</b>  | <b>Administration</b>                                                      |
|              | <b>Zone:</b>        | <b>N/A</b>                                                                 |
|              | <b>File Ref:</b>    | <b>ADM 24</b>                                                              |
|              | <b>Author:</b>      | <b>Benjamin Rose (Jeff Somes - Principal Environmental Health Officer)</b> |
|              | <b>Report Date:</b> | <b>8 February 2017</b>                                                     |
|              | <b>Attachments:</b> | <b>5.13 – Regulation 17 Review</b>                                         |

## Background

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Local Government Chief Executive Officer to review the appropriateness and effectiveness of the local government’s systems and procedures in relation to risk management, internal controls and legislative controls. This review is to be undertaken at least once every two years with the results reported to the Council’s Audit Committee.

To facilitate the above report, Council made allowance within the 2016/17 budget to engage Council's Auditors to undertake a review on behalf of the Chief Executive Officer. AMD Chartered Accountants undertook this review in November 2016 and has subsequently provided a report to the Chief Executive Officer.

## **Comment**

Council's Auditor, Tim Partridge of AMD Chartered Accountants attended the Audit Committee Meeting to provide an overview of the audit process and discuss the outcomes of the audit. Councillors were encouraged to ask questions in regards to any issues relating to the risk management audit.

The audit undertaken by AMD Chartered Accountants provides Council with a comprehensive assessment of the systems and processes of the Shire of Donnybrook Balingup at that point in time in regards to the three focus areas of risk management, internal controls and legislative compliance. The findings provide a direction for the further enhancement of controls within these three areas.

The issues identified in the report have been considered by the Administration with their responses in the "management comments" section of the report. The actions are to be addressed by management in a systematic way over the next 12 to 18 months.

An Organisational Risk Management Action Plan for the period January 2017 to June 2018 shall be prepared and a copy shall be included in the agenda for the next Audit Committee meeting.

The Action Plan will outline the following information:

- Recommendations from the November 2016 review categorised into three different focus areas; risk management, internal controls and legislative compliance.
- The task required to address each recommendation from the report.
- A proposed timeline.
- Responsible Officer/s.
- Details of Action to date.

## **Consultation**

Consultation occurred between AMD Chartered Accountants and Shire staff during the onsite work undertaken by AMD.

## **Policy/Statutory Implications**

Regulation 17 of the *Local Government (Audit) Regulations 1996* states the following:

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;
    - (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 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

### **Financial Implications**

Council's budget for the 2016/17 financial year provided sufficient allocations for the conduct of the review.

It should be noted however that many recommendations and proposed actions outlined in the report will place future demands on internal staff resources.

### **Strategic Implications**

- Strategy 4.3.3 – Ensure compliance with relevant legislation.
- Strategy 4.3.5 – Implement Risk Management.
- Strategy 4.5.2 – Maintain, review and ensure relevance of Council Policies and laws.

### **Risk Assessment**

The review as required by Regulation 17 of the *Local Government (Audit) Regulations 1996* provides a comprehensive assessment of Council's risk management controls and framework in which they operate.

### **Committee's Recommended Resolution (Officer's Recommended Resolution)**

**Moved: Cr Mitchell**

**Seconded: Cr King**

- 1. That Council receive the report on the appropriateness and effectiveness of the Shire of Donnybrook Balingup's systems and procedures in relation to risk management, internal controls and legislative compliance.**
- 2. That Council endorse the proposed actions to be undertaken by the Chief Executive Officer as outlined in the "Management comment" section of the report.**

**Carried 5/0**

Cr Mitchell requested that the Chief Executive officer and team be congratulated on the results of the report.

|              |                     |                                                          |
|--------------|---------------------|----------------------------------------------------------|
| <b>5.1.4</b> | <b>SUBJECT:</b>     | <b>2016/17 BUDGET REVIEW</b>                             |
|              | <b>Location:</b>    | <b>Shire of Donnybrook/Balingup</b>                      |
|              | <b>Applicants:</b>  | <b>Administration</b>                                    |
|              | <b>Zone:</b>        | <b>N/A</b>                                               |
|              | <b>File Ref:</b>    | <b>FNC 04/1</b>                                          |
|              | <b>Author:</b>      | <b>Greg Harris, Manager Finance &amp; Administration</b> |
|              | <b>Report Date:</b> | <b>8 February 2017</b>                                   |
|              | <b>Attachments:</b> | <b>Nil</b>                                               |

## Background

The *Local Government (Financial Management) Regulations 1996*, regulation 33A as amended, requires that local governments conduct a budget review between 1 January and 31 March in each financial year. A copy of the review and determination is to be provided to the Department of Local Government within 30 days of the adoption of the review.

## Comment

Shire staff have commenced work on the mid-year budget review which will be done effective as at 28 February 2017. The review process assesses all projected income and expenditure to 30 June and identifies material variances that are expected to occur during the financial year. The report also provides recommendations in regard to any proposed budget adjustments and projects the end-of-year carried forward position based upon these recommendations.

The projections made during the mid-year budget review also form the basis of the comparative figures to be used in the next financial year budget.

The mid-year budget review is to be presented to Council at the Ordinary meeting of Council to be held on 22 March 2017.

The purpose of this agenda item is to inform Council of the impending budget review and outline the legislative requirements in regard to the review.

Council's Auditor, Mr Tim Partridge, will also provide an overview of the Auditor's expectations in regard to the review and explain the role of Elected Members and staff in the review process.

## Consultation

Chief Executive Officer and Managers.

## Policy/Statutory/Voting Implications

### Policy

The budget is based on the principles contained in the Community Strategic Plan and Corporate Business Plan.

### Statutory

Regulation 33A of the *Local Government (Financial Management) Regulations 1996* states:

- (1) *Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.*
- (2A) *The review of an annual budget for the financial year must –*
  - (a) *consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and*
  - (b) *consider the local government's financial position as at the date of the review; and*
  - (c) *review the outcomes for the end of that financial year that are forecast in the budget.*
- (2) *Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.*
- (3) *A council is to consider a review submitted to it and is to determine\* whether or not to adopt the review, any parts of the review or any recommendations made in the review.*

*\* Absolute majority required*
- (4) *Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.*

#### Voting

Absolute majority decision will be required to adopt the budget review and recommendations.

#### **Financial Implications**

The budget review is an important internal financial control.

#### **Strategic Implications**

The Budget Review will be developed based on existing strategic planning documents adopted by Council.

The budget will be reviewed based on sound financial management and accountability principles and will aim to deliver a sustainable economic outcome for Council and the community.

#### **Committee Decision**

**That the report in regard to the 2016/17 Budget Review be noted.**

Chief Executive Officer's Comment: This report was presented to the Audit Committee for information only; therefore no formal resolution of the Council is actually required. The 2016/17 Budget was subsequently adopted at the Ordinary Meeting of Council held on 22 March 2017.

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**6 CLOSURE OF MEETING**

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The Shire President advised that members will be notified when the date for the next Audit Committee Meeting is set.

Shire President to declare the meeting closed at 4.54pm.

| <b>These Minutes were confirmed as a true and accurate record at the Audit Committee Meeting held on _____.</b> |  |                         |
|-----------------------------------------------------------------------------------------------------------------|--|-------------------------|
|                                                                                                                 |  |                         |
| <b>Shire President</b>                                                                                          |  | <b>Presiding Member</b> |