



# MINUTES

AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING  
**Tuesday 17 August 2021**

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## **TERMS OF REFERENCE**

**Regulation 16 of the *Local Government (Audit) Regulations 1996* states that:**

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.

### **1.0 INTRODUCTION**

The Council of the Shire of Corrigin (hereinafter called the Council) hereby establishes a committee under the powers given in Section 5.8 and Section 7.1 A of the *Local Government Act 1995*, *Local Government Amendment Act 2004* and *Audit Regulations*, such committee to be known as the Audit and Risk Management Committee, (hereinafter called the "Committee"). The Council appoints to the Committee those persons whose names appear in Section 4.0 below.

Membership of the Committee shall, unless otherwise specified, be for a term ceasing at the date of the Local Government election in the year the Shire's local government elections are held, after which time the Council may appoint members for a further term. The Committee shall act for and on behalf of Council in accordance with provisions of the *Local Government Act 1995*, the *Local Government Amendment Act 2004* and the *Local Government (Audit) Amendment Regulations 2005*, local laws and policies of the Shire of Corrigin and this Instrument.

### **2.0 NAME**

The name of the Committee shall be the Audit and Risk Management Committee.

### **3.0 ROLE**

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its objectives in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

#### **4.0 OBJECTIVES OF THE COMMITTEE**

- 4.1 To provide guidance and assistance to the Council in:
- a) carrying out its audit functions under Part 7 of the *Local Government Act 1995*;
  - b) the development of a process to be used to select and appoint an auditor;
  - c) determining the scope and content of the external and internal audit and advising on the general financial management of the Shire;
  - d) overseeing the audit process and meeting with the external auditor after each visit to discuss management issues and monitoring administration's actions on, and responses to, any significant matters raised by the auditor;
  - e) evaluating and making recommendations to Council on internal and external audit reports prior to them being presented to Council;
  - f) receiving and verifying the annual Local Government Statutory Compliance Return;
  - g) review reports provided by the CEO on the Shire's systems and procedures in relation to:
    - i. risk management;
    - ii. internal control; and
    - iii. legislative compliance;
  - h) at least once every 3 years and report to Council the results of that review. Ref: Functions of Audit Committees (Audit Regulations).
- 4.2 To advise Council on significant high level strategic risk management issues related to the Shire of Corrigin including issues involving:
- a) the community;
  - b) the workforce;
  - c) vehicles and plant;
  - d) buildings and similar property;
  - e) revenue streams;
  - f) legal liability;
  - g) electronically stored information;
  - h) environmental impact;
  - i) fraud; and
  - j) reputation.

#### **5.0 MEMBERSHIP**

The Committee shall consist of all Councillors. Additionally up to two independent consultants with expertise in financial or legal matters will be called upon as required to provide additional independent external advice to the Committee. The external independent persons will have senior business, legal or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements.

Appointments of external consultants shall be made by the CEO following a decision of Council and the allocation of sufficient funds to provide consultation fees using relevant professional fee schedules. No member of staff including the CEO is to be a member of the Committee, but the CEO may participate as Council's principal advisor, unless expressly excluded by resolution of the Committee.

## **6.0 PRESIDING MEMBER**

The President will take the role of Presiding Member and Deputy President the role of Deputy Presiding Member to conduct its business. The Presiding Member shall ensure that minutes of the proceedings are kept and that business is conducted in accordance with the Shire of Corrigin Standing Orders (Local Law). The *Local Government Act 1995* places responsibility for speaking on behalf of Council with the President, or the CEO if the President agrees. The Presiding Member if different from the President is to refrain from speaking publicly on behalf of the committee or Council, or to issue any form of written material purporting to speak on behalf of the committee or Council without the prior approval of the President.

## **7.0 CONDUCT OF MEETINGS**

The Committee shall meet at least three times per year. A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines, for example in February to discuss the Statutory Compliance Return, in July to discuss the year's financial performance and to discuss the annual audit program and in November to discuss the Annual Financial Report. Additional meetings shall be convened at the discretion of the Presiding Member.

Any three members of the Committee collectively or the internal or external auditor themselves may request the Presiding Member to convene a meeting. From a time management point of view, urgent matters which may arise should be referred directly to Council through the bi-monthly meetings or to a Special Council meeting.

- 7.1 Notice of meetings shall be given to members at least 3 days prior to each meeting.
- 7.2 The Presiding Member shall ensure that detailed minutes of all meetings are kept and shall, not later than 5 days after each meeting, provide Council with a copy of such minutes. Council shall provide secretarial and administrative support to the Committee.
- 7.3 All members of the Committee shall have one vote. If the vote of the members present is equally divided, the person presiding must cast a second vote.
- 7.4 The Chief Executive Officer should attend all meetings, except when the Committee chooses to meet in camera with the exclusion of the CEO.
- 7.5 Representatives of the external auditor should be invited to attend at the discretion of the Committee but must attend meetings either in person or by telephone link up considering the draft annual financial report and results of the external audit.
- 7.6 The internal auditor or representative shall be invited to attend meetings, at the discretion of the Committee, to consider internal audit matters.

## **8.0 QUORUM**

Quorum for a meeting shall be at least 50% of the number of officers, whether vacant or not. A decision of the Committee does not have effect unless a simple majority has made it.

## **9.0 DELEGATED POWERS**

The Committee has no delegated powers under the *Local Government Act 1995* and is to advise and make recommendations to Council only. The Audit and Risk Management Committee is a formally appointed committee of Council and is responsible to that body. The Audit and Risk Management Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The following guidelines are to provide further direction from Council for the operation of the Committee:

### **9.1 The External Audit**

The Committee shall:

- Develop the process of appointment of the external auditor and recommend a suitable Auditor for appointment by Council. Prior to appointment, discuss the scope of the audit and any additional procedures required from the external auditor. Invite the external auditor to attend audit committee meetings to discuss the audit results and consider the implications of the external audit findings.
- Inquire of the auditor if there have been any significant disagreements with management and whether they have been resolved.
- Monitor management responses to the auditor's findings and recommendations.
- Review the progress by management in implementing audit recommendations and provide assistance on matters of conflict.
- Provide a report and recommendations to Council on the outcome of the external audit.

### **9.2 Co-ordination of Auditors**

The Committee shall:

- Oversee the work of the internal audit function to facilitate co-ordination with the external auditor.
- Meet periodically with the Chief Executive Officer, senior management staff and internal and external auditors to understand the organisation's control environment and processes.

### **9.3 Duties and Responsibilities**

The following duties and responsibilities of the Committee will include:

- i. To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
  - internal controls over significant areas of risk, including non-financial management control systems;
  - internal controls over revenue, expenditure, assets and liability processes;
  - the efficiency, effectiveness and economy of significant Council programs; and
  - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- ii. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer.
- iii. Review the level of resources allocated to internal audit and the scope of its authority.
- iv. Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
- v. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- vi. Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference.
- vii. Review management's response to, and actions taken as a result of the issues raised.
- viii. Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- ix. Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- x. Review Council's draft annual financial report, focusing on:
  - accounting policies and practices;
  - changes to accounting policies and practices;

- the process used in making significant accounting estimates;
  - significant adjustments to the financial report (if any) arising from the audit process;
  - compliance with accounting standards and other reporting requirements;
  - significant variances from prior years.
- xii. Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- xiii. Discuss with the external auditor the scope of the audit and the planning of the audit.
- xiv. Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.
- xv. Review tendering arrangements and advise Council.
- xvi. Review the annual performance statement and recommend its adoption to Council.
- xvii. Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators.
- xviii. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.
- xix. Monitor the progress of any major lawsuits facing the Council.
- xx. Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
- xxi. Report to Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.
- xxii. The Committee in conjunction with Council and the Chief Executive Officer should develop the Committee's performance indicators.
- xxiii. The Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.
- xxiv. Advise Council on significant risk management issues related to the Shire of Corrigin including major issues involving:
- The Community;
  - The Workforce;
  - Vehicles and Plant;
  - Buildings and Similar Property;
  - Revenue Streams;
  - Legal Liability;
  - Electronically Stored Information;
  - Environmental Impact;
  - Fraud; and
  - Reputation.
- xxv. Review reports on the appropriateness and effectiveness of the Shire's systems and procedures in relation to:
- Risk management;
  - Internal control; and
  - Legislative compliance and report to Council.

#### **9.4 Reporting Powers**

The Committee:

- Shall report to Council and provide recommendations on matters pertaining to its terms of reference by assisting elected members in the discharge of their responsibilities for oversight and corporate governance of the local government.
- Does not have executive powers or authority to implement actions in areas that management has responsibility.
- Is independent of the roles of the Chief Executive Officer and his senior staff as it does not have any management functions.
- Does not have any role pertaining to matters normally addressed by the Local Emergency Management Committee and Council in relation to financial management responsibilities in relation to budgets, financial decisions and expenditure priorities.
- Is a separate activity and does not have any role in relation to day-to-day financial management issues or any executive role or power.
- Shall after every meeting forward the minutes of that meeting to the next Ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes.
- Shall report annually to the Council summarising the activities of the Committee during the previous financial year.

#### **10.0 TERMINATION OF COMMITTEE**

Termination of the Committee shall be:

- a) in accordance with the *Local Government Act 1995*; or
- b) at the direction of the Council.

#### **11.0 AMENDMENT TO THE INSTRUMENT OF APPOINTMENT AND DELEGATION**

This document may be altered at any time by the Council.

#### **12.0 COMMITTEE DECISIONS**

The Committee recommendations are advisory only and shall not be binding on Council

**1 DECLARATION OF OPENING**

The Chairperson, Cr Des Hickey opened the meeting at 12.01pm.

**2 ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE**

Shire President

Cr. D Hickey  
Cr. M Weguelin  
Cr. S Jacobs  
Cr. S Coppen  
Cr. J Mason

Chief Executive Officer  
Executive Support Officer

N A Manton  
K L Biglin

**APOLOGIES**

Deputy Chief Executive Officer

K A Caley  
Cr. F Gilmore  
Cr. M Dickinson

**LEAVE OF ABSENCE**

**3 DECLARATIONS OF INTEREST**

**NIL**

**4 CONFIRMATION AND RECEIPT OF MINUTES**

**4.1 CONFIRMATION AUDIT AND RISK MANAGEMENT COMMITTEE MEETING**

Minutes of the Audit and Risk Management Committee meeting held on Tuesday 8 June 2021 (Attachment 4.1).

**COMMITTEE'S RESOLUTION**

**Moved: Cr Mason                      Seconded: Cr Weguelin**

*That the minutes of the Audit and Risk Management Committee meeting held on Tuesday 8 June 2021 (Attachment 4.1).*

**Carried 5/0**

**5 MATTERS ARISING FROM MINUTES**

**6 REPORTS**



## **7 MATTERS REQUIRING A COMMITTEE DECISION**

### **7.1 INTERIM AUDIT 2020/2021 FINDINGS AND MANAGEMENT COMMENT**

Applicant:	Shire of Corrigin
Date:	5/08/2021
Reporting Officer:	Kylie Caley, Deputy Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0274
Attachment Ref:	Attachment 7.1 – Interim Management Letter for year ended 30 June 2021

#### **SUMMARY**

The Audit and Risk Management Committee is to consider the feedback from the interim audit conducted by AMD between 10 and 11 May 2021.

#### **BACKGROUND**

AMD conducted the interim audit on behalf of the Office of the Auditor General from 10 to 11 May 2021 onsite. The Shire of Corrigin administration staff responded to the numerous requests for information prior to the auditors arriving onsite and during this period.

The auditors provided feedback on findings from the interim audit that will require attention prior to the final audit in September 2021 including:

1. Information Technology Usage Policy
2. Employee operating private business from shire premises
3. Purchasing and payment procedures

#### **COMMENT**

The Information Technology Usage Policy will be presented to Council at the Ordinary Meeting of Council in August in order to comply with the final audit deadline as the policy manual review is after the audit dates.

The Pool Manager Contract is to be renegotiated prior to September 2021 and the sale of food and drink has been included in the employee's new employment contract.

Item 3 has been partially rectified with staff being reminded of their responsibilities in regards to purchasing. The final issue will be rectified prior to the audit with a review of the Petty Cash Policy presented to Council for consideration in September 2021.

#### **STATUTORY ENVIRONMENT**

*Local Government Act 1995, 7.12A – Duties of a Local Government in respect to the Audit.*

#### **POLICY IMPLICATIONS**

3.1 Risk Management Policy

#### **FINANCIAL IMPLICATIONS**

NIL

## COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2021 - 2031 and Corporate Business Plan 2021 - 2025:

### Objective: Governance and Leadership

#### Strong Governance and leadership

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.4	Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community.	4.4.4	Provide Council adequate and appropriate financial information on a timely basis.
4.5	Implement systems and processes that meet legislative and audit obligations	4.5.1	Continual improvement in governance and operational policies, processes and implementation.

### VOTING REQUIREMENT

Simple Majority

### COMMITTEE'S RESOLUTION

**Moved: Cr Coppen**                      **Seconded: Cr Jacobs**

*That the Audit and Risk Management Committee recommend that Council receive the Interim Audit findings from AMD and notes the areas that have been addressed and issues to be completed prior to the final audit.*

**Carried 5/0**

### 8 NEXT MEETING

Audit and Risk Management Committee meeting on Tuesday 14 December 2021 at 6.00pm.

### 9 MEETING CLOSURE

The Chairperson, Cr Des Hickey closed the meeting at 12.09pm.

President: \_\_\_\_\_



Date: \_\_\_\_\_

16-9-21