

# Audit & Risk Committee Meeting

Minutes for 20 March 2017

**CONFIRMED**



**shire of  
kalamunda**

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## MINUTES

### 1.0 OFFICIAL OPENING

The Presiding Member opened the meeting at 7.28pm and welcomed Councillors and Staff.

### 2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

#### 2.1 Attendance

##### Councillors

Andrew Waddell JP	(Shire President)	North West Ward
Sara Lohmeyer		North West Ward
Dylan O'Connor	(Presiding Member)	North West Ward
Sue Bilich		North Ward
Simon Di Rosso		North Ward
Michael Fernie		South East Ward
John Giardina		South East Ward
Geoff Stallard		South East Ward
Allan Morton		South West Ward
Brooke O'Donnell		South West Ward

##### Members of Staff

Rhonda Hardy	Chief Executive Officer
Peter Varelis	A/Director Development Services
Dennis Blair	Director Asset Services
Gary Ticehurst	Director Corporate & Community Services
Darrell Forrest	Manager Governance, Strategy & Legal Services
Donna McPherson	Executive Research Officer to Chief Executive Officer
Carrie Parsons	Manager Customer & Public Relations
Rajesh Malde	Manager Financial Services
Sara Slavin	Council Support Officer

**Members of the Public** 5

**Members of the Press** Nil.

#### 2.2 Apologies

##### Councillors

Tracy Destree	North Ward
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**Members of Staff** Nil.

#### 2.3 Leave of Absence Previously Approved

Noreen Townsend	South West Ward
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### **3.0 PUBLIC QUESTION TIME**

A period of not less than 15 minutes is provided to allow questions from the gallery on matters relating to the functions of this Committee. For the purposes of Minuting, these questions and answers are summarised.

3.1 Nil.

### **4.0 PETITIONS/DEPUTATIONS**

4.1 Nil.

### **5.0 CONFIRMATION OF THE MINUTES OF PREVIOUS MEETING**

5.1 That the Minutes of the Audit & Risk Committee Meeting held on 12 December 2016, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved: **Cr Andrew Waddell**

Seconded: **Cr Sue Bilich**

Vote: **CARRIED UNANIMOUSLY (10/0)**

### **6.0 ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION**

6.1 Nil.

### **7.0 MATTERS FOR WHICH MEETING MAY BE CLOSED**

4.1 Nil.

### **8.0 DISCLOSURE OF INTERESTS**

#### **8.1 Disclosure of Financial and Proximity Interests**

- a. Members must disclose the nature of their interest in matters to be discussed at the meeting. (Section 5.65 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

8.1.1 Nil.

#### **8.2 Disclosure of Interest Affecting Impartiality**

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

8.2.1 Nil.

**9.0 REPORTS TO COUNCIL**

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

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**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**

**01. 2016 Compliance Audit Return**

Previous Items	N/A
Responsible Officer	Chief Executives Office
Service Area	Governance, Strategy & Legal Services
File Reference	FI-AUD-004
Applicant	N/A
Owner	N/A
Attachment 1	2016 Compliance Audit Return

**EXECUTIVE SUMMARY**

1. To consider and adopt the 2016 Compliance Audit Return (CAR) (Attachment 1).
2. The completion of the CAR in its current format has been an annual requirement for all local governments for the past 11 years. It focuses on areas considered by the Department of Local Government and Communities as key compliance requirements of the *Local Government Act 1995* (the Act).
3. No items of non-compliance were detected with respect to the matters examined in the 2016 CAR.

**BACKGROUND**

4. Every local government in Western Australia is required, under section 7.13 (1) (i) of the Act, to complete a CAR each year.
5. The CAR is produced by the Department of Local Government and Communities (DLGC) and, once presented to Council and adopted is to be submitted to the DLGC by 31 March.
6. The CAR is designed to be a tool for local government, allowing it to identify those areas where legislative requirements have not been met and then implement processes to ensure that such instances of non-compliance do not continue.

**DETAILS**

7. The Terms of Reference of the Audit and Risk Committee require the Committee to review and make recommendations to Council on the completed CAR.
8. The Terms of Reference state that *“the report presented to the Audit and Risk Committee should specifically highlight those cases of non-compliance which have reoccurred”*.
9. The 2016 CAR covered the nine specific topics and 87 questions compared to nine topics and 78 questions in 2015 and 2014.

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10. No items of non-compliance were detected with respect to the items examined in the 2016 CAR.

### **STATUTORY AND LEGAL CONSIDERATIONS**

11. Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996* provide for the completion, adoption by Council and certification by the Shire President and Chief Executive Officer of the CAR. Additionally, the regulations require the certified return to be submitted to the DLGC by 31 March 2017.

### **POLICY CONSIDERATIONS**

12. There are no policy considerations related to the CAR.

### **COMMUNITY ENGAGEMENT REQUIREMENTS**

#### **Internal Referrals**

13. Input to completion of the CAR was provided by a number of Business Units.

#### **External Referrals**

14. Public engagement is not required with respect to the CAR.

### **FINANCIAL CONSIDERATIONS**

15. There are no financial implications arising from the CAR.

### **STRATEGIC COMMUNITY PLAN**

#### **Strategic Planning Alignment**

16. *Kalamunda Advancing: Strategic Community Plan to 2023*

OBJECTIVE 6.7: To provide a business environment that strives for continuous improvement through the use of highly effective business systems and processes.

Strategy 6.7.2 Regularly review services, business processes and standards offered by the Shire to ensure they meet community needs.

### **SUSTAINABILITY**

#### **Social Implications**

17. Nil.

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### Economic Implications

18. Nil.

### Environmental Implications

19. Nil.

### RISK MANAGEMENT CONSIDERATIONS

20.

Risk	Likelihood	Consequence	Rating	Action/Strategy
Failures within Administration result in detection of non-compliance.	Possible	Moderate	Medium	Ensure improvements are introduced to eliminate non-compliance.
That the Compliance Audit Return is not adopted as required by the legislation.	Unlikely	Significant	Medium	Sufficient information is provided that satisfies Council the Compliance Audit Return has been completed as required and should be adopted.

### OFFICER COMMENT

21. Whilst the document presented to Council indicates that all responses have been provided by one particular officer, this relates to the online input process for the CAR. Answers to various sections of the CAR have been provided by relevant Business Units.
22. To improve the probity of the process for the 2016 CAR, the Internal Auditor has undertaken an assessment of the completed Return. The outcome of this assessment concluded that relevant information had been provided to support the completion of the CAR.
23. It is satisfying that the Shire continues to maintain its high standards of compliance with respect to those areas examined by the CAR.



<b>Voting Requirements: Simple Majority</b>
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**COMMITTEE RECOMMENDATION TO COUNCIL (A&R 01/2017)**

That Council:

1. Adopts the Compliance Audit return for the year ending 31 December 2016.

Moved: **Cr Geoff Stallard**

Seconded: **Cr Sara Lohmeyer**

Vote: **CARRIED UNANIMOUSLY (10/0)**

**Attachment 1**

2016 Compliance Audit Return

**2016 Compliance Audit Return**

[Click HERE to go directly to the document](#)

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**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**

**02. Internal Audit Report March 2017**

Previous Items	
Responsible Officer	Director Corporate & Community Services
Service Area	Internal Audit
File Reference	
Applicant	Nil
Owner	Nil
Attachment 1	Internal Audit Plan
Attachment 2	Internal Audit Report - Rates and Rate Rebates
Attachment 3	Internal Audit Report – Fees and Charges
Attachment 4	Internal Audit Report – Record Keeping
Attachment 5	Internal Audit Report - Trust Funds Cell 9 Developers Contribution
Attachment 6	Internal Audit Report – Compliance Audit Return 2016
Attachment 7	Review of Key Control Activities
Attachment 8	Review of Recommended Monitoring Activities
Attachment 9	Review and update of Audit Risk Register

**EXECUTIVE SUMMARY**

1. This Report provides Council with the findings and recommendations arising from recently completed Financial Management Reviews conducted in accordance with the provisions of the *Local Government Act 1995, associated regulations, Australian Accounting Standards*.

**BACKGROUND**

2. Internal Audit conducted a review of several Financial Management Review areas in accord with the Annual Internal Audit Plan (Attachment 1) to assess compliance with legislative requirements and accounting policies. The Audit findings were discussed with management.
3. Details of each audit review is contained in the Internal Audit Reports (Attachments 2 to 9).
4. The Audit Risk Register (Attachment 9) has been updated with the findings of the completed Financial Management Review areas. This enables the monitoring of audit findings.
5. In accordance with the Audit and Risk Committee Terms of Reference, it is recommended that a total of four meetings are held per year. It is proposed that the following future meeting dates be scheduled:
  - Monday 19 June 2017
  - Monday 18 September 2017
  - Monday 20 November 2017

It may be necessary to adjust the last meeting date so as to coincide with the release of the final audit for the Annual Financial Statements.

## **DETAILS**

### **Review of Rates, Rate Rebates**

6. Reviewed the effectiveness of internal controls for the assessment of rates.

### **Review of Fees and Charges**

7. Ensured that fees and charges are reviewed regularly and changes have been approved by Council.

### **Review of Record Keeping**

8. Reviewed and updated the risk control assessments for record keeping to ensure records are adequately safeguarded and being properly maintained.

### **Review of Trust Funds – Cell 9 Developers Contribution**

9. Reviewed the calculation and determination of developers' contributions for Cell 9.

### **Review of Compliance Audit Return for 2016**

10. Established whether the information contained in the draft Compliance Audit Return for 2016 was correct.

### **Review of Key Control Activities**

11. Reviewed and updated Key Control Activities.

### **Review of Recommended Monitoring Activities**

12. Reviewed and updated Recommended Monitoring Activities.

### **Review and Update of Audit Risk Register**

13. Conducted a review and update of the Audit Risk Register.

## **STATUTORY AND LEGAL CONSIDERATIONS**

14. *Local Government Act 1995*  
*Local Government (Financial Management) Regulations 1996*  
*Local Government Functions and General) Regulations 1996*

## **POLICY CONSIDERATIONS**

15. Nil.

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## **COMMUNITY ENGAGEMENT REQUIREMENTS**

### **Internal Referrals**

16. The matters reported were discussed internally with the appropriate staff and managers.

### **External Referrals**

17. Nil.

## **FINANCIAL CONSIDERATIONS**

18. The implementation of the recommendations will reduce exposure to financial risk and any potential loss to the Shire, and ensure the Shire complies with legislative requirements.

## **STRATEGIC COMMUNITY PLAN**

### **Strategic Planning Alignment**

19. *Kalamunda Advancing: Strategic Community Plan to 2023*
- Strategy 6.3.3 Regularly review the organisations structure and procedures in response to changing circumstances.
- Strategy 6.8.4 Provide effective financial services to support the Shire's operations and to meet sustainable planning, reporting and accountability requirements.

## **SUSTAINABILITY**

### **Social Implications**

20. Nil.

### **Economic Implications**

21. Nil.

### **Environmental Implications**

22. Nil.

## RISK MANAGEMENT CONSIDERATIONS

Risk	Likelihood	Consequence	Rating	Action/Strategy
The Shire raises incorrect rate levels.	Possible	Moderate	Medium	Rate modelling with exception checking
Cash flow impacted by backlog of interim rates	Possible	Moderate	Medium	Program in place reducing interim rates
Fees and charges not raised in accordance with legislation.	Unlikely	Moderate	Low	Monitoring and review of fees and charges per legislation.
Ineffective Disaster Recovery Plan	Possible	Moderate	Medium	Additional test of Disaster Recovery Plan Cloud migration strategy
Incorrect calculation of Cell 9 Contributions.	Unlikely	Moderate	Low	Contribution levels subject to review. Cell 9 subject to Audit Review.
Compliance Audit Return incomplete	Unlikely	Moderate	Low	Return reviewed and Manager of Governance aware of deadline
Breakdown in Key Control Activities	Possible	Insignificant	Low	Some testing completed and proved satisfactory
Breakdown in Recommended Monitoring Activities	Possible	Insignificant	Low	Some testing completed and proved satisfactory

### OFFICER COMMENT

24. The Financial Management Review was conducted in accordance with the Annual Internal Audit Plan (Attachment 1) to assess compliance with legislative requirements and accounting policies.
25. There were no material control weaknesses or deficiencies identified within the Financial Management Review. All audit findings were discussed with management and management responses along with audit findings are included in the Audit Risk Register (Attachment 9) for monitoring and review.

26. The proposed dates for future Audit & Risk Committee Meetings are:

- Monday 19 June 2017
- Monday 18 September 2017
- Monday 20 November 2017

*Queries were clarified for Cr Andrew Waddell and Cr Dylan O'Connor before the vote took place.*

<b>Voting Requirements: Simple Majority</b>
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### **COMMITTEE RECOMMENDATION TO COUNCIL (A&R 02/2017)**

That Council:

1. Notes the following recommendations included in the Internal Audit Report for March 2017 (Attachments 2 to 9).

#### **Review of Rates and Rate Rebates**

- It would be prudent to conduct a review of rates by district over a four year period with district maps to ensure all properties are being rated.
- Interim rates are brought up to date to improve the shires cash flow.
- A person independent from entering data reviews all changes to property master files.

#### **Review of Records**

- There should be a follow up of the disaster recovery plan to ensure all material issues identified have been addressed.

#### **Compliance Audit Return 2016**

- Officer responding to each question in the Compliance Audit Return for 2016 should be the officer responsible for the response and not the Manager of Governance.

#### **Review of Key Control Activities**

- When the IT System is reviewed and upgraded it would be preferable to have preventive and monitoring controls built into the system which are currently being done manually.

#### **Audit & Risk Register**

- There continues to be close monitoring of the Audit & Risk Register to ensure matters identified are being addressed.

2. Approves the following proposed dates for Audit and Risk Committee meetings:

- Monday 19 June 2017
- Monday 18 September 2017
- Monday 20 November 2017

Moved: **Cr Geoff Stallard**

Seconded: **Cr Sue Bilich**

Vote: **CARRIED UNANIMOUSLY (10/0)**



**Attachment 1**

Internal Audit Report March 2017

**Internal Audit Plan**

[Click HERE to go directly to the document](#)

## Attachment 2 – Internal Audit Report – Rates, Rate Rebates, Concessions, Discount and Interest

### Internal Audit Report - Key area of audit focus

Audit Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Revenue	Rates and Rate Rebates, Concessions, Discount and Interest	Estimate \$100	Medium	Yes	Yes

#### Details of risk

1. Council does not raise the correct level of rate income.
2. Interim rates not being processed promptly affecting the cash flow of the Shire.
3. The property master file does not remain pertinent.

#### Audit procedures performed

Reviewed and updated the Risk Control Assessment Worksheet for details of risk (listed above) with the Manager and Coordinator to establish whether core and additional controls are in place. This included:

1. Whether reconciliations are undertaken of all rateable properties within the Shire with district maps to ensure all properties are rated (excluding properties exempt from rates).
2. Whether Interim and back rates are being raised promptly.
3. Whether independent reviews are carried out of all property master file changes to ensure information is entered correctly and any errors corrected.

#### Conclusions

1. There are over 24,000 properties within the Shire which makes it an onerous task the Shire is not resourced to carry out on a regular basis.
2. There is a six month backlog of interim rates to be raised with steps being taken to address the backlog.
3. There are no independent reviews of master file changes which may result in errors going undetected and the property master file being inaccurate and not pertinent.

#### Control deficiencies

1. Council may not be raising the correct level of rateable income as no systematic detailed checks are being done with area maps.
2. There is a backlog of interim rates to be processed which will have a detrimental impact on the cash flow of the Shire.
3. Errors in the property master file going undetected and the file not being pertinent.

### Audit Recommendations

1. It would be prudent to consider doing a reconciliation of districts by location (i.e. Forrestfield, Kalamunda, Wattle Grove etc.) covering the whole shire over three to four years as legislation allows the recovery of rates for up to five years if a property has not been rated.
2. Interim rates are brought up to date as early as possible.
3. A person independent from entering data reviews all changes to the property master file.

### Managements Response

Rates modelling is undertaken together with exception checking.

Interim rates are currently being updated with an expected completion date of mid- May 2017.

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### Attachment 3 – Internal Audit Report – Fees and Charges

#### Internal Audit Report - Key area of audit focus

Audit Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Income	Fees and Charges	Unquantifiable	Low	Yes	Yes

#### Details of risk

1. Fees and charges are not reviewed regularly and updated with potential loss in revenue.
2. Non-compliance with legislation, namely amendments to fees and charges following adoption of the annual budget, have not been approved by Council.

#### Audit procedures performed

1. Establish whether fees and charges have been reviewed and whether GST was applicable for new fees or charges
2. Ascertained whether amendments to fees and charges following adoption of the annual budget had been approved by Council.

#### Conclusions

1. Fees and charges were properly reviewed and updated prior to the adoption of the annual budget, and included with the budget adoption papers presented to Council.
2. Amendments to fees and charges (bonds) were taken and approved by Council following the adoption of the annual budget.

#### Control deficiencies

Nil.

#### Audit Recommendations

Nil.

#### Management Response

Nil.

## Attachment 4 – Internal Audit Report – Record Keeping

### Internal Audit Report - Key area of audit focus

Audit Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Records	Record Keeping	N/A	Medium	Yes	Yes

#### Details of risk

1. Records are inadequately safeguarded.
2. Records are either not recorded, inaccurately recorded or not recorded at all.
3. Inadequate response from a disaster event.

#### Audit procedures performed

Reviewed and updated the Risk Control Assessment working papers with the Corporate Information Coordinator to ascertain whether important core and additional controls for safeguarding and recording of records and compliance with legislation are in place.

Controls assessments included whether:

- 1.1 Records are stored in a secure and safe location.
- 1.2 Access to records is in accordance with security classifications and protected from potential violation.
- 1.3 There is a proper Records Keeping Plan in place approved by Council and submitted every five years to the State Records Commission (SRO).
- 1.4 Minutes of Council Meetings are secured in bound minute books and minutes are signed and dated.
- 1.5 There are proper procedures in place for access to Shire records by the general public under the Freedom of Information Act 1992.
- 1.6 Access to Shire records by Elected Members to be through the Chief Executive Officer in accordance with the Local Government Act 1995.
- 1.7 Disaster Recovery Plan is in place and there is a Vital Records register.
- 1.8 There are procedures for the authorised disposal of Shire records.
- 1.9 Changes for access to Shire records is based on authorised approvals.
  
- 2.1 Officers that have custody of records are aware of their statutory obligations under the State Records Act 2000.
- 2.2 Regular training is provided to records staff on their statutory obligations.
- 2.3 There is good record keeping of all digital records as they can be more vulnerable to loss or unauthorised modification.
- 2.4 Records required to be permanently retained are held with the Shire archives.
- 2.5 All employees and contractors providing services to or on behalf of the Shire comply with the Records Keeping Plan.
- 2.6 The Code of Conduct (under Section 7 – Working Ethically with Shire Resources) documents the appropriate use of Shire resources which is reviewed and updated regularly

### Conclusions

1. Records are adequately safeguarded and protected from potential violation. There is a Record Keeping Plan in place presented to Council on 15 September 2014 and submitted to SRO. Amendments to Plan approved on 15 December 2014. The next review is due by 5 December 2019.
2. Minutes are signed and dated, being bound regularly and placed in a fire proof safe in the strongroom.
3. There is a Disaster Recovery Plan and Vital Records register in place.
4. The State Records Commission approved the amended Record Keeping Plan for the Shire. Recommendations made by the State Records Commission around strengthening training and improving the Shire's Record Keeping Plan are being implemented.

### Control deficiencies

Only one test of the Disaster Recovery Plan has been undertaken since the plan was adopted highlighting some deficiencies regarding the timeliness of service resumption.

### Audit Recommendations

There should be a follow up test of the Disaster Recovery Plan to ensure all material issues identified are effectively addressed.

### Management Response

The Shire is currently developing a cloud migration strategy. In addition, there is current off site Disaster Recovery site which is operating in parallel with the proposed cloud migration testing.

Additional Disaster Recovery testing will be carried out as part of the cloud migration strategy.

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## Attachment 5 – Internal Audit Report – Trust Funds Cell 9

### Internal Audit Report - Key area of audit focus

Audit Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Trust Funds	Wattle Grove Cell 9 Developers Contribution	N/A	Low	Yes	No

#### Details of risk

1. The developers' contributions for Cell 9 is inaccurately determined.
2. The calculation did not exclude restricted funds.

#### Audit procedures performed

1. Reviewed the determination and calculation of the developers contribution for Cell 9
2. Tested the calculation with supporting substantive information.
3. Ensured the determination of the developers' contribution excluded restricted funds.
4. Reviewed the final agenda report.
5. Confirmed the balance of funds held in trust.

#### Conclusions

1. The final draft agenda report is backed by proper substantive information, and excludes restricted funds of approximately \$3.9 million belonging to the Education Department.
2. The calculation of the developers' contribution is accurately determined.

#### Control deficiencies

Nil.

#### Audit Recommendations

Nil.

#### Management Response

Nil.

## Attachment 6 – Internal Audit Report – Compliance Audit Return 2016

### Internal Audit Report - Key area of audit focus

Audit Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Compliance Audit Return 2016	Governance – Legislative Compliance	N/A	Low	Yes	Yes. Return to be presented to A&R Committee and Council and submitted to DLGC by 31 March 2017 (the due date)

#### Details of risk

1. Non-compliance with legislation for the period 1 January 2016 to 31 December 2016, due to failure to report matters of non-compliance to the external auditors.
2. Failure to lodge the Compliance Return through the A&R Committee and subsequently to the Department of Local Government and Communities (DLGC) by the 31st March 2017, resulting in an audit qualification and criticism from the DLGC.

#### Audit procedures performed

1. Reviewed the draft compliance return for 2016 and discussed proposed amendments with the Manager of Governance.
2. Tested whether the information contained in the return is accurate.

#### Conclusions

1. Information contained in the Draft Compliance Return for 2016 is incomplete and not endorsed by the officer responsible for the response.
2. The Compliance Return 2016 is on the agenda for the next Audit and Risk Committee Meeting to be held on the 20 March 2017, and is to be accepted by Council for approval and presented to the Department by the 31 March 2017 (the due date).
3. There were no reported complaints recorded in the 2016 Complaints Register.
4. There were gaps in the return to be completed namely on disposal of property questions 1 and 2, and on Official Conduct questions 21 to 25. These were brought to the attention of the Manager of Governance for updating.
5. The responses tested and comments made to questions tested appear correct and accurate.



### Control deficiencies

Nil. The draft return has the Manager of Governance as the respondent. It is preferable for the officer responsible for each response to be the preferred respondent as opposed to the Manager Governance.

The completion of the return as per the " Completion Checklist " using the Smart Hub Portal for respondents to be completed individually by a number of staff members is preferred, as it would identify the individuals responsible for the completion of their appropriate section of the return.

### Audit Recommendations

The respondent for the Audit and Risk Committee in the draft return is the Manager of Governance. This has occurred for a number of years and although acceptable by the Department of Local Government and Communities, a councillor raised this matter before and would prefer to have the officer responsible for the response being the preferred respondent to each of the questions. This should be carried out as it is permissible using the Smart Hub Portal and distinctly identifies the responsible officer.

### Management Response

The Compliance Audit Return 2016 will be submitted to Council and the DLGC by the 31 March 2017, and responses will include the names of officers responsible for the compliance function.

## Attachment 7 – Internal Audit Report – Key Control Activities

### Internal Audit Report - Key area of audit focus

Audit Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Risk Management Review	Key Control Activities		Low	Yes	Yes

#### Details of risk

1. Reliance on manual controls to prevent general ledger postings exceeding budget allocations.

#### Audit procedures performed

1. Reviewed and update of Key Control Activities.
2. Established whether controls continue to remain in place.

#### Conclusions

1. There are manual controls in place to monitor and explain significant variances by nature and type and program each month
2. The Shire undertakes two budget reviews per annum, the Statutory Mid Term Review and an additional first term review.
3. Monthly management reporting by business unit is undertaken reporting variances against budget.

#### Control deficiencies

1. The computer system does not have inbuilt controls in place to prevent or detect errors e.g. flagging actual amounts that exceed budget by more than \$50,000 or 10% of the general ledger line item.

#### Audit Recommendations

1. When the system is reviewed and upgraded, it would be beneficial to have these controls built into the upgraded Synergy financial reporting accounting system.

#### Management Response

Management will look into these improvements and discuss them with IT Vision (the software supplier) to establish if these improvements can be made.

Monthly reporting is reviewed by business units and Directors to ensure budget monitoring.

Monthly management reporting will continue to be closely scrutinised ensuring that budget variances are closely monitored.

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## Attachment 8 – Internal Audit Report – Review of Recommended Monitoring Activities

### Internal Audit Report - Key area of audit focus

Audit Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Risk Management Review	Recommended Monitoring Activities		Low	Yes	Yes

#### Details of risk

1. Internal controls put in place as part of the reported Recommended Monitoring Activities have not operated effectively.

#### Audit procedures performed

1. Reviewed and updated documented Recommended Monitoring Activities to ensure important controls remain in place.
2. Tested whether the documented controls in the Recommended Monitoring Activities have continued to function.

#### Conclusions

1. The documented Recommended Monitoring Activities have operated effectively for the past quarter.
2. There were a few minor changes in relation to who undertakes and monitors the recommended monitoring activities. The review process in a few areas previously conducted by the Manager Financial Services is now performed by the Financial Services Coordinator. This person has the necessary skills to undertake this review and is independent of the preparation function.

#### Control deficiencies

Nil.

#### Audit Recommendations

Nil.

#### Management Response

Nil.

**Attachment 9**

Internal Audit Report March 2017

**Review and update of Audit Risk Register**

[Click HERE to go directly to the document](#)

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**10.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

10.1 Nil.

**11.0 QUESTIONS BY MEMBERS WITHOUT NOTICE**

11.1 Tender Process (Cr Andrew Waddell)

Q. What processes have the Shire got in place to highlight where a tenderer is in fact excluding provisions of our initial tender specifications, so that it is clear that the tender has now moved outside of specification?

A. The Director Asset Services responded, the Shire has a section that deals with qualifications, so when you sort through all the tender submissions they all put in qualifications and ask questions about the specification. Generally the Shire would provide the response to all the tenderers so they all received the same information at the same time. Or you may consider that their particular qualification is something you can negotiate during the implementation of the contract. There are a number of ways of dealing with it, but certainly the Shire looks at addressing all qualifications from tenders as part of the tender evaluation report.

Q. Can there be a process in place that highlights to the Council that in fact a tender document that is coming to Council for endorsement has in fact had that something excise from the original scope?

A. The Director Corporate & Community Services responded that the procurement area are responsible for signing off that contract or tender to ensure it has met the compliance requirements. There is actually a review and compliance process.

Tender Process (Cr Dylan O'Connor)

Q. The tender submitted complied, it sounds like it was a qualification or an exclusion is that correct?

A. The Director Corporate & Community Services responded, I am not across all the details in that particular tender however in reference to compliance I am referring to compliance with the tender specification such as are they duly qualified, have they met general conditions, have they got insurance those sorts of compliance issues.

**12.0 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN**

12.1 Nil.

**13.0 URGENT BUSINESS APPROVED BY THE PRESIDING MEMBER OR BY DECISION**

13.1 Nil.

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**14.0 TABLED DOCUMENTS**

14.1 Nil.

**15.0 MEETING CLOSED TO THE PUBLIC**

15.1 Nil.

**16.0 CLOSURE**

16.1 There being no further business the Presiding Member declared the meeting closed at 7.49pm

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

Signed: \_\_\_\_\_  
Presiding Member

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017