

Audit & Risk Committee Meeting

Minutes for Monday 16 March 2015

UNCONFIRMED



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kalamunda**

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MINUTES

1.0 OFFICIAL OPENING

The Presiding Member opened the meeting at 6.54pm and welcomed Councillors and Staff.

2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

2.1 Attendance

Councillors

Sue Bilich	(Shire President) North Ward
Margaret Thomas JP	North Ward
Simon Di Rosso	North Ward
Noreen Townsend	South West Ward
Justin Whitten	South West Ward
Allan Morton	South West Ward
Geoff Stallard	South East Ward
Frank Lindsey	South East Ward
Andrew Waddell JP	North West Ward
Dylan O'Connor	(Presiding Member) North West Ward

Members of Staff

Rhonda Hardy	Chief Executive Officer
Andrew Fowler-Tutt	Acting Director Development Services
Dennis Blair	Director Infrastructure Services
Gary Ticehurst	Director Corporate Services
Darrell Forrest	Manager Governance & PR
Rajesh Malde	Manager Financial Services
Darren Jones	Manager Community Development
Peter Hayes	Internal Auditor
Meri Comber	Governance Officer

2.2 Apologies

Councillors

John Giardina	South East Ward
Bob Emery	North West Ward

2.3 Leave of Absence Previously Approved

Nil.

3.0 CONFIRMATION OF THE MINUTES OF PREVIOUS MEETING

3.1 That the Minutes of the Audit and Risk Committee Meeting held on 17 November 2014, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved: **Cr Justin Whitten**

Seconded: **Cr Noreen Townsend**

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

4.0 CONFIDENTIAL ITEMS

4.1 Nil.

5.0 DISCLOSURE OF INTERESTS

5.1 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*.)

5.1.1 Nil.

5.2 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.

5.2.1 Nil.

6.0 REPORTS TO COUNCIL

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

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

01. 2014 Compliance Audit Return

Previous Items	N/A
Responsible Officer	Chief Executive Officer
Service Area	Governance
File Reference	FI-AUD-004
Applicant	N/A
Owner	N/A
Attachment 1	2014 Compliance Audit Return

PURPOSE

1. To consider and adopt the 2014 Compliance Audit Return (CAR) (Attachment 1).

BACKGROUND

2. Every local government in Western Australia is required, under section 7.13 (1) (i) of the *Local Government Act 1995* (the Act), to complete a CAR each year.
3. 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.
4. 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

5. The Terms of Reference of the Audit and Risk Committee require the Committee to review and make recommendations to Council on the completed CAR.
6. 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"*.
7. The 2014 CAR covered the nine specific topics and 78 questions as it did in the 2013 CAR.
8. No items of non-compliance were detected with respect to the items examined in the 2014 CAR.

STATUTORY AND LEGAL CONSIDERATIONS

9. 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 2015.

POLICY CONSIDERATIONS

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

COMMUNITY ENGAGEMENT REQUIREMENTS

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

FINANCIAL CONSIDERATION

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

STRATEGIC COMMUNITY PLAN

Strategic Planning Alignment

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

SUSTAINABILITY

Social Implications

14. Nil

Economic Implications

15. Nil

Environmental Implications

16. Nil

RISK MANAGEMENT CONSIDERATONS

17.

Risk	Likelihood	Consequence	Rating	Action/Strategy
That the Compliance Audit Return is not adopted by Council as required by the legislation.	Unlikely	Major	Medium	Ensure relevant information is provided to Council in order that the Compliance Audit Return is adopted in accordance with legislative requirements.

OFFICER COMMENT

18. To improve the probity of the process for the 2014 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.
19. It is satisfying that the Shire continues to maintain its high standards of compliance with respect to those areas examined by the CAR.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL (A&R 01/2015)

That Council:

1. Adopts the Compliance Audit return for the year ending 31 December 2014.

Moved: **Cr Margaret Thomas**

Seconded: **Cr Sue Bilich**

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

Attachment 1

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

Kalamunda - Compliance Audit Return 2014

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government and Communities together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2014.	N/A	The Shire did not operate a major trading undertaking in the period covered by the return	Darrell Forrest
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2014.	N/A	No major land transaction occurred in the period covered by the return	Darrell Forrest
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2014.	N/A	See answer to Q2	Darrell Forrest
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2014.	N/A	See answers to Q1 and Q2	Darrell Forrest
5	s3.59(5)	Did the Council, during 2014, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A	See answers to Q1 and Q2	Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A	No Committee has been delegated powers	Darrell Forrest
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A	See comment for Q1	Darrell Forrest
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A	See comment for Q1	Darrell Forrest
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A	See comment for Q1	Darrell Forrest
5	s5.18	Has Council reviewed delegations to its committees in the 2013/2014 financial year.	N/A	See comment for Q1	Darrell Forrest
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Darrell Forrest
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Darrell Forrest
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Darrell Forrest
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Darrell Forrest
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Darrell Forrest
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Darrell Forrest
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2013/2014 financial year.	Yes		Darrell Forrest
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Darrell Forrest

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Darrell Forrest
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	N/A	No requests made for a decision under this section	Darrell Forrest

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Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
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No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Darrell Forrest
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A	No newly elected members in the period covered by this return	Darrell Forrest
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	N/A		Darrell Forrest
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2014.	Yes		Darrell Forrest
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2014.	Yes		Darrell Forrest
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Darrell Forrest
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Darrell Forrest
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Darrell Forrest
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Darrell Forrest
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Darrell Forrest
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Darrell Forrest
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Darrell Forrest

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Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
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No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Darrell Forrest
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Darrell Forrest

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Darrell Forrest
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes		Darrell Forrest

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	N/A	There was no election at the Shire of Kalamunda during 2014	Darrell Forrest

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	N/A	Committee was established prior to the year under review	Darrell Forrest
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A	No powers delegated	Darrell Forrest
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Darrell Forrest
4	s7.3	Was the person(s) appointed by the local government to be its auditor, an approved auditor.	N/A		Darrell Forrest
5	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Darrell Forrest

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Department of Local Government and Communities - Compliance Audit Return



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No	Reference	Question	Response	Comments	Respondent
6	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2014 received by the local government within 30 days of completion of the audit.	Yes		Darrell Forrest
7	s7.9(1)	Was the Auditor's report for 2013/2014 received by the local government by 31 December 2014.	Yes		Darrell Forrest
8	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	Yes	Issues raised in the Management report have been addressed	Darrell Forrest
9	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	Yes		Darrell Forrest
10	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	Yes		Darrell Forrest
11	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Darrell Forrest
12	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Darrell Forrest
13	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Darrell Forrest
14	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Darrell Forrest
15	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A	It was not necessary during this year for the Shire of Kalamunda to recruit a CEO	Darrell Forrest
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A	See comments for Q1	Darrell Forrest
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A	See comments for Q1	Darrell Forrest
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A	See comments for Q1	Darrell Forrest
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A	No Designated Senior staff were recruited or dismissed during 2014	Darrell Forrest

Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A	CEO is complaints officer	Darrell Forrest
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Darrell Forrest
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Darrell Forrest
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Darrell Forrest
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Darrell Forrest
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) (c).	Yes		Darrell Forrest

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Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Darrell Forrest
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A		Darrell Forrest
3	F&G Reg 14(1)	Did the local government invite tenders via Statewide public notice.	Yes		Darrell Forrest
4	F&G Reg 14, 15 & 16	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Darrell Forrest
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Darrell Forrest
6	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Darrell Forrest
7	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Darrell Forrest
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Darrell Forrest
9	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Darrell Forrest
10	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Darrell Forrest
11	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	Yes		Darrell Forrest

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
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No	Reference	Question	Response	Comments	Respondent
12	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes		Darrell Forrest
13	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes		Darrell Forrest
14	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Darrell Forrest
15	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$100,000 or less.	Yes		Darrell Forrest

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, Kalamunda

Signed CEO, Kalamunda

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

02. Internal Audit Report January 2015

Previous Items	N/A
Responsible Officer	Director Corporate Services
Service Area	Internal Auditor
File Reference	
Applicant	Nil
Owner	Nil
Attachment 1	Internal Audit Plan
Attachment 2	Internal Audit Report January 2015
Attachment 3	Internal Audit Risk Register

PURPOSE

1. To provide the Audit and Risk Committee with assurance that:
 - The financial and statutory functions of the Shire are being undertaken in accordance with the provisions of the *Local Government Act 1995*, associated regulations, Australian Accounting Standards; and
 - The local government processes and financial systems in relation to risk management, internal control and legislative compliance are appropriate.

BACKGROUND

2. The Internal Auditor conducted a review of a number of areas for compliance with legislative requirements and accounting policies. Items noted in this review were discussed with management. The Internal Audit is guided by an Annual Internal Audit Plan (Attachment 1).
3. The Internal Audit Function reviewed a number of areas to assess their compliance with Financial and Statutory Functions and to assess the adequacy of the current control environments. Details of each audit review is contained in the Internal Audit Report (Attachment 2).

DETAILS

Tenders

4. Tenders tested comply with Division 2 of the *Local Government (Functions and General) Regulations 1996*.

WA Local Government Association E-Quotes System

5. The E-Quotes tested comply with legislative requirements.

Review and Update of Audit and Risk Register

6. Items with respect to Records and Payroll items recorded in the Audit and Risk register have been addressed. An update of the register is included for information purposes and continues to be regularly monitored.

Review of Financial Assistance Grants and Draw Down of Grants

7. The Shire of Kalamunda has commenced work on two major projects being funded by grants and the draw down of these grants has commenced in accordance with the terms and conditions of the grant for Kostera Oval and Hartfield Park.

Monthly Management Reports

8. Monthly Financial Management Reports are provided to all business units.

Bank Reconciliations

9. Bank reconciliations have been regularly carried out and are being reviewed by a person independent of preparation.

Investments

10. Investments are being undertaken in accordance with legislative requirements and in accordance with the Investment Policy – (C-FIN02).

Corporate Credit Card Transactions

11. Credit card transactions reviewed to ensure they are supported by invoices and vouchers, were for shire services and approved by the appropriate persons before payment. External unauthorised transactions on one card was addressed immediately, the card cancelled and a new card issued to the holder. The bank was contacted and the unauthorised payments reversed.

Rubbish and Waste Services

12. Tested bin and waste services for potential understatement of income and overstatement of expenditure. Although the review indicated a variance in the number of bins being collected and the number of services being charged to ratepayers, the income was not materially understated, and expenditure for waste services not materially overstated.

STATUTORY AND LEGAL CONSIDERATIONS

13. *Local Government Act 1995*
Local Government (Financial Management) Regulations 1996
Local Government Functions and General) Regulations 1996
Australian Accounting Standards

POLICY CONSIDERATIONS

14. Purchasing Policy, Investment Policy, Credit Card Policy.

COMMUNITY ENGAGEMENT REQUIREMENTS

15. Nil.

FINANCIAL CONSIDERATIONS

16. 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

17. *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

18. Nil.

Economic Implications

19. Nil.

Environmental Implications

20. Nil.

RISK MANAGEMENT CONSIDERATIONS

21.

Risk	Likelihood	Consequence	Rating	Action/Strategy
Failure to meet the legislative requirements for tenders	Possible	Minor	Medium	Having proper check list for statutory compliance in the E-Quote Register
Failure to meet all the legislative requirements for E-Quotes	Possible	Minor	Medium	Having proper check lists for statutory compliance in the Tender Register
Failure to effectively monitor budget variances	Possible	Major	High	Introducing new templates for summarising major variances to be reviewed by managers should address the risk.

Risk	Likelihood	Consequence	Rating	Action/Strategy
Failure to reconcile data between the Synergy rates data base and Perth Waste's data base	Possible	Minor	Medium	Undertaking an in-house reconciliation of total number of bin services charged to ratepayers with services billed by contractors

OFFICER COMMENT

22. The issues identified and recommendations were discussed with management to mitigate risk, strengthen the internal control practices of the Shire and ensure the Shire was compliant with legislation. The items noted will be placed in the Audit Risk Register for monitoring and actioning.
23. The establishment of an Audit Risk Register provides the mechanism to ensure that audit findings are addressed in a satisfactory and timely manner.

A Councillor asked for the details of the use of a credit card by a third party; the Director Corporate Services informed the Committee the unauthorised use of the card had been a security breach not employee based, the financial institution had notified the card holder, the Shire have been reimbursed for the amount.

With regard to Attachment 3 a Councillor asked if there were any outstanding issues that needed to be examined urgently. The Director Corporate Services noted that all outstanding items would be addressed in the final quarter of the year. The slippage on these items was largely around the uncertainty regarding local government reform as a number were system related changes.

A Councillor in reference to Attachment 3, items P1, P2 and P3 on page 3, asked for clarification with regard to which items were proposed and which had been completed. The Chief Executive Officer confirmed that there would be two people to back-up payroll for added security, this would be covered by expanded roles for existing personnel.

Voting Requirements: Simple Majority

COMMITTEE RECOMMENDATION TO COUNCIL (A&R 02/2015)

That Council:

1. Notes the following recommendations included in the Internal Audit Report for January 2015 (Attachment 2).

Tenders

A check list is placed on the tender register in support of the steps and procedures performed in compliance with legislative requirements signed by procurement.

WA Local Government Association E-Quotes System

A check list is placed on the E-Quotes register in support of the steps and procedures performed in compliance with legislative requirements signed by procurement.

Review and Update of the Audit and Risk Register

The Audit and Risk Register is kept updated and reviewed on a regular basis to ensure management is taking action to reduce the Shire's exposure to risk.

Review of Financial Assistance Grant Agreements and Drawdown of Grants

There is close monitoring of grant drawdowns when stages of completion have occurred to reduce the use of the Shire's own resources.

Monthly Financial Management Reports

The Monthly Financial Management Reports are reviewed and monitored by all business units. This will ensure that monitoring of all significant variances and proper explanations for these variance. This will ensure that budget variances are managed in a timely fashion.

Credit Card Transactions

Management needs to be commended on following due process and taking action promptly on being made aware of unauthorised transactions by an external party.

Rubbish and Waste Services

Before the 30 June 2015, the information held in the rates data base needs to be checked with the Perth Waste data base to ensure all persons being provided with a bin service by external contractors are being billed for the service.

Moved: **Cr Margaret Thomas**

Seconded: **Cr Justin Whitten**

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

Attachment 2

Internal Audit Report January 2015
Financial Management Review

Objectives and Scope of the Internal Audit

The objectives and scope of the internal audit is to provide the CEO and the Audit and Risk Committee with surety that the financial and statutory functions of the Shire are being undertaken in accordance with the provisions of the *Local Government Act 1995*, associated regulations, the Australian Accounting Standards, any other legislation, and that key controls have operated effectively during the financial year.

Amendments in 2013 to the *Local Government (Audit) Regulations 1996*, now require all reports prepared for the CEO and the Audit and Risk Committee to examine the appropriateness of the local government's system in regard to risk management, internal control and legislative compliance.

The report covers areas examined in accordance with the Audit Plan and legislative requirements and includes:

- Tenders
- WA Local Government Association E-Quotes System
- Review and Update of Audit and Risk Register
- Review of Financial Assistance Grant Agreements and Draw Down of Grants
- Monthly Management Reports
- Bank Reconciliations
- Investments
- Credit Card Transactions
- Rubbish and Waste Services

Tenders

Background

Tenders need to comply with legislative requirements in relation to Division 2 of the *Local Government (Functions and General) Regulations 1996*. This includes:

- Public advertising;
- Anti-avoidance provisions;
- Minimum time allowed for submitting tenders;
- Receiving and opening of tenders;
- Rejecting and accepting tenders;
- Evaluation process; and
- Maintaining a tender register.

Work Performed

Reviewed 3 out of 9 tenders called between 1 July to 30 November 2014 to ensure the tender process was being properly followed and documented for compliance with legislation.

Findings

The tenders tested comply with Division 2 of the *Local Government (Function and General) Regulations 1996*. Tenders were being advertised in the West Australian allowing tenderers at least a minimum of two weeks to submit tenders in the prescribed form as specified in the advertisement and selection criteria.

Tenders were entered in the tender register and the evaluation team prepared an evaluation report which summarised the assessment scores of each panel member. The report included the preferred tenderer for acceptance and signing off by the CEO or by Council.

Risk

The risk of tenders not complying with legislation is considered medium as the assessment panel and the procurement team follow the tender guidelines and use standard formats and templates. The area of greatest risk lies in not following this transparent process when it comes to evaluation and scoring of tenders that may be challenged if a tenderer is unsuccessful. This process is reviewed by the procurement team before tenders are approved and awarded.

Management Response

The evaluation and procurement team understand the procedures to be followed and the legislative requirements.

Recommendation

A check list is placed on the tender register in support of the steps and procedures performed in compliance with legislative requirements signed by procurement.

WA Local Government Association E-Quotes

Background

Using WA Local Government Association (WALGA) preferred suppliers and its E-Quote system, local governments are able to obtain three quotes without calling tenders by using the list of WALGA's preferred suppliers for various types of services.

Work Performed

Reviewed 4 of the 16 E-Quotes called between 1 July and 30 November 2014 to ensure the procedures used and followed complies with legislation and is suitably documented.

Findings

The E-Quotes tested comply with the requirements of Division 2 of the *Local Government (Function and General) Regulations 1996*. The procedures although similar to tenders, requires the downloading of electronic quotations, and notification of successful and unsuccessful recipients using the WALGA's portal. This does not provide a hard copy of the notification.

Risk

The risk of E-Quotes not complying with legislation is considered medium. The procedures and practices being followed are similar to the calling of tenders with the processes being done electronically. The areas of greatest risk is the assessment and evaluation of quotations. Procedures being followed are similar to those used for tenders. All evaluations are reviewed and checked by the procurement team and a separate E-Quotes register is maintained with a copy of the evaluation report.

Management Response

Nil.

Recommendation

A check list is placed with the E-Quotes register in support of the steps and procedures performed in compliance with legislative requirements signed by procurement.

Review of Audit and Risk Register

Background

The Audit and Risk Register includes audit findings, risk rating and management response; identified through both internal and external audits. The Audit and Risk Register is a key element of our compliance framework, providing a framework to enable monitoring of audit findings.

Items identified were discussed with the appropriate section managers with an estimated action date.

Work Performed

A review of the Audit Risk Register was carried out in order to ascertain whether action has been taken to address many of the outstanding items listed in the register and to include new findings identified in recent reports. A copy of the updated Audit and Risk Register is attached (refer Attachment 1).

Findings

A number of item recorded in the Audit Risk Register have been addressed. These include:

- Records

R1. Requirement for the Record Keeping Plan to be reviewed and submitted to the State Records Office by 2 October 2014.

Action R1. The Record Keeping Plan was reviewed, presented to Council on the 22 September 2014 and submitted to the State Records Commission on the 23 September 2014. The State Records Commission approved the amended Record Keeping Plan for the Shire of Kalamunda (refer Attachment 2).

- Payroll

P1. Independent check for when a person is entered in the payroll system to ensure information is entered accurately.

Action P1. Both the Coordinator Integrated Planning and HR Officer independently review any changes made in system by payroll officer and sign off on sighting of changes.

P2. There is no independent review of audit trails for changes to master file information.

Action P2. The Coordinator Integrated Planning has recently attended Payroll Training (November 2014). This person and the HR Officer are the independent reviewers.

P3. There is only one person in payroll that has a full understanding of the IT System There is a risk if this person leaves there is no other person who fully understands the payroll system.

Action P3. The second person has been trained up in Strategic and Peoples Services recently. The Payroll officer will now schedule rotational rosters with the HR officer and Coordinator Integrated Planning on a 6 weeks basis to maintain their knowledge and skills in the payroll system.

P4. Not all managers confirm a person's entitlement with HR before granting approval on the leave application form.

Action P4. Although most supervisors check leave entitlements before signing off on leave forms and bringing it to HR, there are some that need to remember to do this. A reminder will be sent out to staff reminding to check leave entitlements before approving any leave.

New items identified have been included in the updated version of the Audit Risk Register. These include:

Unbound minutes not being placed in the fireproof strongroom with the potential risk of loss during fire, and loose leaf minutes for over 12 months not being bound for protection and security of these documents.

Internal training on the New Code of Conduct for elected members and employees to ensure they understand the ethical requirements imposed under legislation in the conduct of their roles and responsibilities.

Risk

Items identified are being addressed by management which reduces and mitigates any exposure to risk.

Management Response

Items recorded in the Audit and Risk Register are being addressed. Management will continue to monitor and reduce the exposure to risk by reviewing the items reported and included in the Audit and Risk Register.

Recommendation

The Audit and Risk Register is kept updated and reviewed on a regular basis to ensure management is taking action to reduce the Shire's exposure to risk.

Review of Financial Assistance Grant Agreements and Draw Down of Grants

Work Performed

Reviewed the Financial Assistance Grants for Hartfield Park and Kostera Oval to ascertain whether funds are being drawn down in accordance with the grant agreement.

Findings

Work has commenced at both projects, Kostera Oval and Hartfield Park. The initial grant of \$150,000 for Hartfield Park has been received with application being made for the next instalment. In the case of Kostera Oval, work has commenced but there has been no drawdown of the grant.

Risk

Not utilising external sources of funds in accordance with the terms of the grant agreement results in the greater use of the Shire's resources when these limited resources could be invested for longer terms earning interest.

Management Response

Another drawdowns of grant has been arranged for the Hartfield Park Grant, and the first draw down of the grant for Kostera Oval.

Recommendation

There is close monitoring of grant drawdowns when stages of completion have occurred to reduce the use of the Shire's own resources.

Monthly Management Reports

Background

The Shire issues monthly financial management reports for each business unit within the organisation. These reports are prepared to provide management with updates of operating and capital income and expenditure for the year compared to budget.

These reports are designed to ensure their actual income and expenditure is within budget and significant variances are investigated.

Work Performed

Reviewed the October 2014 Monthly Management Report for significant variances of actual year to date expenditure with budget, and to establish if action was being taken to ascertain whether these variances were due to timing or permanent differences.

Findings

Variances are reported to Corporate Services by some managers on a regular basis. However this does not occur in all areas which may result in there being significant variances identified early that could be addressed in order to reduce their impact during budget reviews.

Risk

Not identifying major variances at an early stage especially if the item is not a timing but a permanent difference may require early intervention.

Management Response

New monthly management report templates have been compiled which summarises variances by business units. These highlight major variances using traffic lights to flag significant variances by value and percentage. This will be used for closer scrutiny of actual income and expenditure by each business unit and directorates.

The Executive Management Team meetings will now be requiring Directors to provide commentary on all significant budget variations.

Recommendation

There should be close monitoring of all significant variances and proper explanations of the reasons for the variance. This will ensure any non-timing variances are addressed early and not become an issue during budget review.

Bank Reconciliations

Background

The Shire should conduct monthly bank reconciliations of all its current accounts to ensure that all receipts and payments have been cleared by the bank and recorded in the general ledger

Work Performed

Reviewed bank reconciliations for November 2014 to ensure they have been properly carried out by:

- Confirming the closing balance with the general ledger;
- Confirming reconciling items with bank reconciliation;
- Confirming balance with bank statement;
- Checked additions;
- Ensured bank reconciliations had been signed off by the Manager Financial Services.

Bank accounts reviewed included:

- Municipal CBA (G/L 110000010)
- Municipal 2 – Trybooking (G/L 110000080)
- Municipal MOW ANZ (G/L 110000030)
- Municipal 3 Surplus CBA (G/L 110000040)
- Municipal 7 Health CBA (G/L 110000130)
- Municipal KHACC Bankwest (G/L 110000070)
- Municipal 4 Overdraft CBA (G/L 110000090)
- Municipal 6 Loans CBA (G/L 110000120)
- Municipal 5 Reserves CBA (G/L 110000110)
- Municipal CIP CBA (G/L 110000050)
- Trust POS CBA (G/L 160900030)
- Trust 2 CBA (G/L 170000010)
- Trust – Environmental Friends Group (G/L 170000040)
- Trust Forrestfield Industrial Area (G/L 160900060)

Findings

Bank reconciliations for November 2014 have been completed and signed off by the Manager Financial Services as evidence of review.

Risk

Risk is considered low as bank reconciliations are carried out each month and is being independently reviewed.

Management Response

Nil.

Recommendation

Nil.

Investments

Background

The Department of Local Government and Communities introduced a new restriction on local government investment practices from the 4 April 2012 by inserting a new head of power under section 6.14(1) of the *Local Government Act 1995 (the Act)* which allows regulation to prescribe limitations on the institutions that local government can invest with and the types of investment products that can be utilised by local government. The new restrictions also restricts the term of investments to no more than 12 months.

Work Performed

Ensured the Investment Policy – (C-FIN02) has been updated to incorporate the legislative changes and tested the investments held by the Shire in December to ensure they comply with the policy, procedures and legislative changes.

Findings

At the 31 December 2014, the Shire had approximately \$23.1 million of municipal funds invested in 12 separate investments with six different banks that are Authorised Deposit Taking Institutions (ADI's). These sums were invested for periods of up to 6 months. There was approximately \$11.9 million of trust funds invested in 9 separate investments with 5 separate banks for up to 6 months.

The investments comply with the Shire's policy and legislative requirements of investing no more than 25% on funds in any one institution and investing in ADI's for a period of less than 12 months.

Risk

Risk is considered low as there has been a good spread of investments with different investment institutions.

Management Response

Nil.

Recommendation

Nil.

Corporate Credit Card Transactions

Background

The use of Corporate Credit Cards has been underpinned by the preparation of a Corporate Credit Card Policy and Procedures adopted by the Audit and Risk Committee in May 2013. This was a recommendation which emanated from the Forensic Audit into the procurement activities of the former CEO.

Only a small number of credit cards have been issued with restricted limits for each card holder and to be used only for payment of expenses associated with official Shire business activities.

Work Performed

Reviewed payments of a sample of Credit Card transactions to ensure the payments did not exceed an individual's authorised limit and were for transactions associated with the business of the Shire. Ensured payments of monthly credit card statements were supported by invoices and vouchers, coded, signed by the cardholder and approved for payment.

Findings

The credit card transactions tested for the period July to December 2014 were supported by invoices and vouchers. Payments made were for services and goods in support of the Shire business and credit card statements were signed by the credit card holder and approved by the credit card holder's manager prior to payment.

Noted that on one credit card that an external party had made up to four unauthorised purchases during November 2014. This was brought to the attention of the bank by the credit card holder and the transactions reversed. The credit card was cancelled and a new card issued to the credit card holder.

Risk

Risk is considered low as key controls are in place and working effectively.

Management Response

Any unauthorised payments are brought to the attention of procurement who follow this up with the bank to have unauthorised transactions reversed. In the case of the one card holder with four unauthorised transactions the credit card was cancelled and a new card issued to the holder.

Recommendation

Management needs to be commended on following due process and taking action promptly on being made aware of unauthorised transaction by an external party.

Rubbish and Waste Services

Background

Leading up to a statutory budget review it was considered prudent to review rubbish and waste collection services for potential understatement of income and overstatement of expenditure.

Work Performed

Compared the number of ratepayers receiving a bin service in the rates records data base with the number of bin collections by Perth Waste.

Compared the rate charged by the contractor for collection of rubbish and waste collections with the tender rates adopted by Council.

Compared the weigh bridge dockets with the charges billed by Eastern Metropolitan Council (EMRC).

Compared the actual expenditure for the six months to December 2014 with the budget to ensure actual expenditure was in line with budget

Ensured the budgeted bulk waste costs included increases in government levies applicable from January 2015.

Findings

The number of ratepayers receiving a bin service compared to those being billed through the rates system differs by approximately 250 or 1 % of the total number of bin services provided to ratepayers. Although not material it reflects an understatement of potential income that needs to be addressed.

The rates charged by Perth Waste agrees with the tender and an accepted 3.1% increase for CPI.

The increase in the government waste levy has been factored into the budget estimate and comparison of the first six months actual to budget indicates that actual expenditure is within budget.

Risk

The risk of income being materially understated and expenditure overstated is considered low.

Management Response

Management concurs that there needs to be a complete and full reconciliation of services provided to ratepayers by contractors with the rate debtors information. This will be undertaken when the data base from Perth Waste is made available to be matched with the rates data base.

Recommendation

Before the 30 June 2015, the information held in the rates data base need to be checked with the Perth Waste data base to ensure all persons being provided with a bin and waste service by external contractors are being billed for the service.

Attachment 3

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Financial								Page 1
Rates R1	Regular updating of rating documentation procedures for new staff to prevent errors in data entry	Possible	Minor	Medium	Proper documentation of rates systems and procedures will be updated for new staff	Manager Financial Services	30-Jun-15	Outstanding
Rates R2	No external training for new staff on rates system and legislative compliance requirements.	Possible	Minor	Medium	External training on the use of the Synergy rates system and on compliance with legislation will be conducted after completion of probation period of new rates officers	Manager Financial Services	30-Jun-15	Outstanding
Rates R3	Front counter having access to master file information and making unauthorised changes	Possible	Minor	Medium	IT controls established to restrict front counter staff to master file information	Manager Technology & Corporate Support	Sep-14	Outstanding
Assets A1	Asset management plans are up to date and support the Long Term Financial Plan (LTFFP)	Unlikely	Minor	Medium	Asset management plans brought up to date in support of LTFFP	Manager Operations	30-Jun-15	Outstanding
Payroll P1	There is no independent review performed when a person is entered in the payroll system to ensure information is entered accurately.	Likely	Minor	High	The proposed appointment of a new independent person to undertake this work will address this matter	Manager Strategy & People Services	Oct-14	Completed

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Financial								Page 2
Payroll P2	There is no independent review of audit trails for changes to master file information.	Likely	Minor	High	The proposed appointment of a new independent person to undertake this work will provide the independent support, and the manager will check and approve all changes to the master file.	Manager Strategy & People Services	Oct-14	Completed
Payroll P3	There is only one person in payroll that has a full understanding of the IT system. There is a risk if this person leaves there is no other person who fully understands the payroll system.	Likely	Minor	High	A second person is being taught on how to use the payroll system. A proposal has been developed to have an officer from Financial Services trained in how to use the Synergy payroll system.	Manager Strategy & People Services/ Manager Financial Services	Dec-14	Completed
Payroll P4	Not all managers confirm a persons leave entitlement with HR before granting approval on the leave application form.	Possible	Minor	Medium	System will not allow the processing of a leave application greater than a persons accrued entitlement. However to avoid disputes managers should check a persons entitlement with HR before approving leave entitlement forms	All Managers	Dec-14	Completed
Purchases Tendering PU 1	Training is required for all staff involved in the procurement of goods and tendering to prevent breaches in legislation	Likely	Minor	High	Suitable training will be organised.	Manager Financial Services	Sep-14	Overdue

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Financial								Page 3
Purchases Tendering PU 2	Despite controls being in place to monitor purchases from one supplier not exceeding the \$100,000 threshold, there were a small number of suppliers that exceeded this threshold.	Likely	Minor	High	Management considers the development of computer system blocks to prevent the raising of purchase requisitions once they get near to reaching the \$100,000 threshold to prevent the raising of a purchase order. Centralising the raising of purchase orders will reduce the risk of this happening.	Manager Financial Services	Sep-14	Outstanding
FBT on Motor Vehicles FBT 1	Staff with commuting rights are using shire vehicles for private use subjecting both commuting and private use to FBT	Likely	Minor	High	All staff with commuting rights are made aware of their employment obligations when using a shire vehicle. The review and update of the Light Vehicle Policy will largely address this issue.	Manager Financial Services	Sep-14	Outstanding
Journals J 1	Lack of evidence that entries have been approved prior to being entered.	Likely	Minor	Medium	Carried out but not always being signed as evidence of approval. Reconciliation of accounts and budget reviews will pick up misallocations.	Manager Financial Services	Sep-14	Outstanding
Annual Reports and Annual Budgets AR 1	Failure to meet statutory compliance requirements has occurred in the past by lodging these documents on time	Unlikely	Minor	Low	Having check lists to ensure statutory compliance in completing annual audited financial statements, annual reports and annual budgets on time and submitted on time with the Department	Manager Financial Services	Jun-15	Outstanding

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Records								Page 1
Records R 1	Record Keeping Plan to be reviewed and submitted to the State Records Office by 2nd October 2014	Unlikely	Minor	Low	Record Keeping Plan will be reviewed by records and submitted to Council for approval before the due date for submission	Corporate Information Coordinator	Aug-14	Completed
Unbound Minutes R 2	Unbound minutes not placed in fireproof strongroom with potential for loss during a fire	Possible	Major	High	This will be addressed with unbound minutes being placed in the fireproof strongroom	Corporate Information Coordinator	Mar-15	Outstanding

Internal Audit Plan - Audit Risk Register								
Risk ID	Audit Findings	Likelihood	Consequences	Risk Rating	Management Response	Business Owner	Est Date Actioned	Current Status
Governance								Page 1
Policy PO 1	The Record Keeping and Councillor Record Keeping Policy has not been reviewed in over 5 years	Unlikely	Minor	Low	These policies will be reviewed with other policies	Manager of Governance	Dec-14	Outstanding
New Code of Conduct	Training required for elected members and employees on new Code of Conduct	Unlikely	Minor	Low	Training will be arranged	Manager of Governance	Mar-15	Outstanding

7.0 URGENT BUSINESS APPROVED BY THE PERSON PRESIDING OR BY DECISION

7.1 Nil.

8.0 CLOSURE

8.1 There being no further business, the Presiding Member declared the meeting closed at 7.03pm.

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

Signed: _____
Presiding Member

Dated this _____ day of _____ 2015