

AC2.	PRESENT	2
AC3.	APOLOGIES	2
AC4.	QUESTION TIME	2
AC5.	CONFIRMATION OF MINUTES	2
AC6.	BUSINESS ARISING FROM MINUTES	6
AC7	FINANCIAL MANAGEMENT/REGULATION 17 REVIEW	6
AC8	RISK MANAGEMENT COMPLIANCE CALENDAR	12
AC9.	CLOSURE	16

AC1. OPENING

The Chairperson Cr Peter Stewart declared the meeting open at 11.30 am and thanked everyone for their attendance.

AC2. PRESENT

Cr P Stewart (Chairperson)	Kalbarri Ward
Cr L Sudlow (President)	Northampton Ward
Cr R Suckling	Northampton Ward
Mr Grant Middleton (minutes)	Deputy Chief Executive Officer
Mr Maurice Battilana (observer)	Acting Chief Executive Officer
Cr T Gibb (Observer)	Kalbarri Ward
Cr D Pike (Observer)	Kalbarri Ward

AC3. APOLOGIES

Cr T Hay	Northampton Ward
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AC4. QUESTION TIME

Nil

AC5. CONFIRMATION OF MINUTES

Moved Cr SUCKLING, seconded Cr SUDLOW

That the minutes of the Audit Committee Meeting held on the 18<sup>th</sup> February 2022 be received as a true and correct record.

CARRIED 3/0

**AC5**



**SHIRE OF NORTHAMPTON**

**Minutes of the Audit Committee held at the Allen Centre, Grey Street, Kalbarri, on Friday 18<sup>th</sup> February 2022.**

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AC1.	OPENING	2
AC2.	PRESENT	2
AC3.	APOLOGIES	2
AC4.	ELECTION OF CHAIRPERSON/DEPUTY CHAIRPERSON	2
AC5.	QUESTION TIME	3
AC6.	CONFIRMATION OF MINUTES	3
AC7.	BUSINESS ARISING FROM MINUTES	3
AC8.	REVIEW OF THE 2020/2021 ANNUAL REPORT	3
AC9.	COMPLIANCE AUDIT RETURN 2021	3
AC10.	RISK MANAGEMENT COMPLIANCE CALENDAR	3
AC11.	CLOSURE	3

**SHIRE OF NORTHAMPTON**

**Minutes of the Audit Committee held at the Allen Centre, Grey Street, Kalbarri, on Friday 18<sup>th</sup> February 2022.**

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AC1. OPENING

There being no elected Chairperson the Deputy Chief Executive Officer declared the meeting open at 10.35 am.

AC2. PRESENT

Cr L Sudlow (President)	Northampton Ward
Cr R Suckling	Northampton Ward
Cr P Stewart	Kalbarri Ward
Mr Grant Middleton (minutes)	Deputy Chief Executive Officer
Mr Garry Keeffe (observer)	Chief Executive Officer
Cr T Hay	Northampton Ward
Cr R Horstman (Deputy President)	Northampton Ward
Cr T Gibb	Kalbarri Ward

AC3. APOLOGIES

Nil

AC4. ELECTION OF CHAIRPERSON/DEPUTY CHAIRPERSON

Due to the nomination of new Audit Committee members at the Special Council Meeting held on the 19<sup>th</sup> October 2021 the Chairperson and Deputy Chairperson positions are vacant. Accordingly the Deputy CEO called for nominations for the position of Chairperson and Deputy Chairperson.

Cr Suckling nominated Cr Stewart for the position of Chairperson, Cr Stewart accepted the nomination. There being no further nominations Cr Stewart was elected to the position of Chairperson of the Audit Committee. The Deputy CEO handed the meeting to Cr Stewart.

Cr Stewart called for nominations for the position of Deputy Chairperson. Cr Suckling nominated Cr Sudlow for the position of Deputy Chairperson, Cr Sudlow accepted the nomination. There being no further nominations Cr Sudlow was elected to the position of Deputy Chairperson of the Audit Committee.

AC5. QUESTION TIME

Nil

AC6. CONFIRMATION OF MINUTES

Moved Cr SUDLOW, seconded Cr SUCKLING

That the minutes of the Audit Committee Meeting held on the 19<sup>th</sup> February 2021 be received as a true and correct record.

CARRIED 3/0

AC7. BUSINESS ARISING FROM MINUTES

Nil

AC8. REVIEW OF THE 2020/2021 ANNUAL REPORT

Moved Cr SUCKLING, seconded Cr SUDLOW

1. That it be recommended to Council that the 2020/2021 Annual Report including the Annual Financial Statements and Audit Report as presented be received.
2. That the Audit Committee notes that whilst the Operating Surplus Ratio is below the target set by the Department the Shire is in a sound financial position.
3. The audit committee recommends that the Chief Executive Officer correspond with the Minister for Local Government; Culture and the Arts in relation to the Operating Surplus Ratio.

CARRIED 3/0

AC9. COMPLIANCE AUDIT RETURN 2021

Moved Cr SUCKLING, seconded Cr SUDLOW

That the Compliance Audit Return for 2021 as presented be received and recommended for presentation to Council.

CARRIED 3/0

AC10. RISK MANAGEMENT COMPLIANCE CALENDAR

Moved Cr SUDLOW, seconded Cr SUCKLING

That the Risk Management Compliance Calendar as presented be received and recommended for adoption by Council.

CARRIED 3/0

AC11. CLOSURE

There being no further business, the Chairperson thanked all present for their attendance and declared the meeting closed at 10.55am.

Date: 18 February 2022

Page 3

AC6. BUSINESS ARISING FROM MINUTES

Nil

<b>AC7</b>	<b>FINANCIAL MANAGEMENT/REGULATION 17 REVIEW</b>	
	<b>FILE REFERENCE:</b>	<b>1.1.3</b>
	<b>DATE OF REPORT:</b>	<b>9 November 2022</b>
	<b>REPORTING OFFICER:</b>	<b>Maurice Battilana &amp; Grant Middleton</b>
	<b>APPENDICES:</b>	<b>Improvements Identified – Appendix F</b>
	<b>ATTACHMENT:</b>	<b>Review of Financial; Management, Risk Management, Legislative Compliance and Internal Controls.</b>

**SUMMARY:**

The intention of this Agenda item is to advise the Audit Committee of the results of the recent review undertaken by MOORE of Financial Management, Risk Management, Legislative Compliance and Internal Controls. (Financial Management/Regulation 17 Review).

Pending acceptance of the document by the Audit Committee the report in its entirety will be tabled at Council's November 2022 Meeting.

**BACKGROUND:**

Staff from MOORE were onsite in the Northampton office from 4<sup>th</sup> April 2022 to 6<sup>th</sup> April 2022 and spent three days checking the appropriateness and effectiveness of our risk management, internal controls and legislative compliance systems and procedures.

The review process was necessary to comply with Local Government (Audit) Regulations 1996 and Local Government (Financial Management) Regulations 1996 which stipulate that both the Regulation 17 and Financial Management reports need to be completed every 3 years

The last Regulation 17 review was presented to the Audit Committee in June 2019. This review was also completed by MOORE staff. The next review process will be due again by the end of June 2025.

**COMMENT:**

The Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance

The attached report lists under Framework Design and Framework Evaluation (Pages 16-40) the matters identified and improvements required. Staff have addressed the improvement items raised and listed

under “Management Comment” any actions that will be taken to address any existing process or document control weakness. Appendix F on pages 61-63 of the document summaries the risk areas and prioritised actions that are required.

Whilst the report is quite extensive and contains numerous recommendations staff will address the matters raised to ensure our risk is mitigated, and we comply with all relevant legislation. One of the improvements identified by staff relates to our purchasing process and involves implementing the synergy soft purchasing module, this will alleviate our procurement process weaknesses and improve compliance. Further work is required on the Policy Manual to make the document more usable, compliant, and easier for staff to use including removing process related instructions from the document. Other matters that were identified will require a body of work across all areas relate to document control and work process documentation.

This report has been presented to the audit committee as the committee has a role in supporting Council in fulfilling its governance and oversight responsibilities and provide the audit committee with the opportunity to raise any issues that the document has identified or ask any other questions they may have in relation to our risk management and compliance activities.

#### **STATUTORY IMPLICATIONS:**

##### ***Local Government (Financial Management) Regulations 1996***

##### ***5. CEO's duties as to financial management***

(2) The CEO is to —

- (a) ensure that the resources of the local government are effectively and efficiently managed; and
- (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

##### ***Local Government (Audit) Regulations 1996***

##### ***17. CEO to review certain systems and procedures***

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
- (a) risk management; and (b) internal control; and
  - (c) legislative compliance.

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.

**VOTING REQUIREMENT:**

*Simple Majority Required:*

**COUNCIL RESOLUTION/OFFICER RECOMMENDATION- ITEM AC7**

**Moved Cr SUCKLING, seconded Cr SUDLOW**

**That the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls Report as presented be received.**

**Voting 3/0**



## APPENDICES

### Appendix F – Improvements Identified

Risk Area	Prioritised action required
Design – Policies	None
Implementation – Strategic and Operational Plans	7.1.1 Business Continuity & Disaster Recovery Plan
Implementation – Operational and Financial Procedures	7.2.3 Risk Management 7.2.5 Access to Shire Facilities 7.2.11 Outstanding Purchase Orders
Implementation – Human Resource Management and Practices	None
Implementation – Insurance	7.4.3 Insurance Claims
Evaluation – Council and Audit and Risk Committee	None
Evaluation – Strategic and Operational Registers	8.2.5 Swimming Pool Inspection Register
Evaluation – Complaint Handling	None
Evaluation – Audit Practices	None
Evaluation – CEO Reviews	None

## Appendix F – Improvements Identified

Risk Area	Planned action required
Design – Policies	6.2.1 Policy Review 6.2.2 General Policy Actions 6.2.3 Policy Reference to Legislation and External Information 6.2.4 Internal Council Policy 6.2.5 Purchasing and Tender Guide Model Purchasing Policy 2.3 6.2.6 Regulatory Compliance Policy 2.4 6.2.7 Immateriality Base for Financial Reporting Policy 2.6 6.2.8 Gifts Policy 2.7 6.2.9 Financial Hardship Policy & Procedures Rate Debtors 6.2.10 Councillor Out of Pocket Expenses - Travel Expenses Policy 3.1 6.2.11 Harassment and Grievance Policy 4.9 6.2.12 Superannuation Contribution Policy 4.13 6.2.13 Senior Staff Car Policy 4.14 6.2.14 Independent Inspection of Council Owned Assets - Buildings Policy 8.7
Implementation – Strategic and Operational Plans	7.1.2 Code of Conduct for Employees and Contractors
Implementation – Operational and Financial Procedures	7.2.1 Trust Fund 7.2.2 Petty Cash 7.2.4 Checklists & Workflow Diagrams 7.2.6 Risk Management Procedures 7.2.7 Security Controls for Cash Handling 7.2.8 Procurement 7.2.9 Procurement Assessment 7.2.10 Changes to Banking Details 7.2.12 Rates 7.2.13 Asset Disposals 7.2.14 Information Required to be Published on Website 7.2.15 Report on Elected Member Training 7.2.16 ICT Service Level Agreement 7.2.17 Procedure Changes 7.2.18 Operating Procedures at Shire facilities 7.2.19 Accounts Payable
Implementation – Human Resource Management and Practices	7.3.1 Payroll Exception Reporting 7.3.2 Time Records 7.3.3 Employee Appointment Procedures 7.3.4 Employee Identity and Credentials 7.3.5 Staff Training
Implementation – Insurance	7.4.1 Contractor Insurance
Evaluation – Council and Audit and Risk Committee	8.1.1 Council and Committee Minutes 8.1.2 Council and Committees 8.1.3 Audit Committee
Evaluation – Strategic and Operational Registers	8.2.1 Tender Register 8.2.3 Financial Interest Register 8.2.4 Contracts Register 8.2.6 Delegation Register

## Appendix F – Improvements Identified

Risk Area	Planned action required
Evaluation – Complaint Handling	8.4.1 Official Complaints
Evaluation – Audit Practices	8.5.1 Internal Audit
Evaluation – CEO Reviews	None

**AC8 RISK MANAGEMENT COMPLIANCE CALENDAR**

<b>FILE REFERENCE:</b>	<b>1.1.3</b>
<b>DATE OF REPORT:</b>	<b>9 November 2022</b>
<b>REPORTING OFFICER:</b>	<b>Grant Middleton</b>
<b>APPENDICE:</b>	<b>Risk Management Compliance Calendar</b>

**SUMMARY:**

To assist with the management of Councils exposure to risk and align with our risk management policy & risk management framework staff have developed and present bi-annually a “Risk Management Compliance Calendar”.

**BACKGROUND:**

The Risk Management Compliance Calendar is a tool to help address this identified control weakness and engage the audit committee in relation to risk management, internal control and legislative compliance. The calendar lists key actions for identified risks and the planned treatment and status of the identified risks.

According to “The appointment, function and responsibilities of Audit Committees” Local Government Operational Guidelines number 09 the Audit Committee is to consider the CEO's biennial reviews (refer Regulation 17.) of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the Audit Committee and Council the results of those reviews.

The review of the Compliance Calendar is generally undertaken by the Audit Committee upon receipt of the Interim Audit Report and in November/December when the Annual Report is received.

**COMMENT:**

The review of financial management, risk management, legislative compliance and internal controls helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance.

The Audit Committee has the opportunity to question staff in relation to the compliance calendar plus recommend any other relevant changes that can be implemented to improve governance standards.

**STATUTORY IMPLICATIONS:**

***Local Government (Audit) Regulations 1996***

***17. CEO to review certain systems and procedures***

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

- (a) risk management; and (b) internal control; and
- (c) legislative compliance.

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.

**VOTING REQUIREMENT:**

*Simple Majority Required:*

**COUNCIL RESOLUTION/OFFICER RECOMMENDATION- ITEM AC8**

**Moved Cr SUCKLING, seconded Cr SUDLOW**

**That the Audit Committee recommends that Council receive the Risk Management Compliance Calendar as presented.**

**Voting 3/0**

Shire of Northampton Risk Management Compliance Calendar

Title	Action	Frequency	Officer Responsible	Due Date	Completed Yes/No/TBA	Legislation
<b>Monthly Cycle</b> Monthly Financial Report	Report to be presented at an Ordinary Council meeting within 2-months after the end of the month to which the statement relates. No report to Council in January.	Monthly	DCEO	Each month except January	Yes	Local Government Act 1995, s.6.4 FM Reg. 34
<b>Annual Cycle</b> Budget Review	Between 1 January and 31 March in each financial year, a review of the annual budget is to be carried out and submitted to Council by 31 March and within 30 days after it has been carried out.	Annual	CEO/DCEO	31-03-23	TBA	Local Government Act 1995, FM Regs. 33A(1) (2A) (2) (3)
Compliance Audit Return	Report to Audit Committee with recommendations to Council. Report to be submitted to DLGSCI by 31 March.	Annual	CEO	31-03-23	TBA	Local Government Act 1995, s.7.13(1)(i) Audit Regs. 13, 14 and 15
Corporate Business Plan/Long Term Financial Plan	Review Corporate Business Plan and present for Council consideration. CBP includes Asset Management Plans and Long Term Financial Plan.	Annual	CEO	April - May	TBA	Local Government Act 1995, s.5.56 Admin. Reg 19DA
Policy Review	Review and update Council Policies manual as required.	Annual	CEO	30-06-23	TBA	Local Government Act 1995, s.2.7(2)(b)
Annual Returns	Annual Returns - Elected Members and Designated Employees to provide an Annual Return by no later than 31 August.	Annual	CEO	31-08-23	TBA	Local Government Act 1995, s.5.76 (1)
Key Management Personnel	Councillors to provide Related Party Return (KMP) for current financial year	Annual	DCEO	30-06-23	TBA	
Budget Adoption	Between 1 June to 31 August, Local Government is to prepare and adopt, by absolute majority, an Annual Budget for the next financial year.	Annual	CEO/DCEO	31-08-23	TBA	Local Government Act 1995, s.6.2 (1)
Bush Fire Control Officers	Nominations from BFAC Meeting and appointment by Council. Gazetted required for change of prohibited/restricted burning dates.	Annual	DCEO	April - May	Yes	Bush Fires Act 1954 s.38
ESL Return	ESL Form B and Grant acquittal to be completed annually.	Annual	DCEO/Rates Officer	Ongoing	Yes	DFES - ESL Manual of Operating Procedures
Roads to Recovery	Grant Acquittal to be signed off by auditor and sent by 31st October each year	Annual	DCEO	31-10-23	TBA	R2R Funding Agreement
Annual Report	Annual Report including Finance Report to Council and Accepted, by Absolute Majority, by no later than 31st December. Copy of the Annual Financial Report is to be submitted to the DLGSCI Executive Director within 30 days of the receipt by the CEO of the Auditors Report.	Annual	CEO	31-12-22	TBA	Local Government Act 1995, s.5.53 & s.5.54
Audit Report	CEO must publish on the LGs website, a copy of the Council's report and resolutions made in regard to the Auditor's Report, within 14 days of giving the report to the Minister. Note - this requirement is separate and in addition to the publication of the report on the website as part of the official Council minutes. To comply with s.7.12A (5) an copy of the letter to the minister will be published on the website.	Annual	CEO	Ref Audit Committee Agenda, Minutes and letter to the minister.	TBA	Local Government Act 1995, s.7.12A (5)

Shire of Northampton Risk Management Compliance Calendar

Title	Action	Frequency	Officer Responsible	Due Date	Completed Yes/No/TBA	Legislation
Asset Revaluation	Asset re-valuations for non-financial assets are required within a 5 year period. Plant carried at cost, no requirement to re-value. Finance Reg 17A changed 9/11/2020. Land & Buildings revaluation completed 21/22, Next asset re-valuation = Infrastructure 22/23	Annual	DCEO	Ref Annual Report	2022/2023	Finance Reg 17A (4) (a) & (b)
Electors Meeting	Electors Meeting to be held within 56 days of the annual Report being accepted by Council. (Electors Meeting for 2021/2022 will most likely be held January/ February/March 2023)	Annual	CEO	Within 56 Days	Jan - March 2022	Local Government Act 1995, s.5.27
Returns	Various Grant Returns including Royalties for Regions, WALGA Roads Return and WALGGC Roads Return	Annual	DCEO	Ongoing	TBA	
Business Continuity Disaster Recovery Plan	Review the plan and test as required.	Annual	DCEO	Ongoing	TBA	Initial testing June 2019, replacement server. Plan adopted by Council March 2020. Synergy Soft restored from back-up August 2020. Cyclone Seroja April 2021
<b>Bi-Annual Cycle</b>						
Election/Electorol Roll	Residents/Owners & Occupier Roll's to be prepared by Electoral Commissioner By: 13/09/23	Annual	CEO	30-09-23	Yes	Local Government Act 1995, s4.38, s.4.40 (2)
Primary Returns	Newly Elected Members are required to lodge a Primary Return with CEO within 3 months of making Declarations of Office.	Bi-annual	CEO	Within 3 Months	TBA	DLGSC Operational Guideline No.21 Disclosure of Financial Interests in Returns
<b>Every 4 Years</b>						
Strategic Community Plan	Major review to completed at least once every 4 years. Current Plan adopted by Council 23/08/2020.	Once every 4 Years	CEO	April - May	Yes	Next minor/ <del>major</del> update - 2022
<b>Every 5 Years</b>						
Record Keeping Plan	Undertake a review of the efficiency and effectiveness of the LGs record keeping systems - evaluated not less than once every 5 years. Last amendment = February 2018	Every 5 Years	DCEO	February 2023	Yes	State Records Act 2000 s.28 (5) Local Government act 1995 s.5.41 (h)
<b>Identified Risk</b>						
Tip Site Remediation	Accounting standards require costs associated with the remediation of tip sites to be identified and reported.	Annual	CEO	Ongoing	Yes	A provision totalling \$971,926 was recognised in the 2020/2021 Annual Financial Report.

AC9. CLOSURE

There being no further business, the Chairperson thanked all present for their attendance and declared the meeting closed at 11.52am.