



## MINUTES

### Audit Committee

**14<sup>th</sup> October 2020**  
**Commencing at 4:30pm**

**Council Chambers**  
**Yougenup Road, Gnowangerup WA 6335**

#### COUNCIL'S VISION

Gnowangerup Shire – A progressive, inclusive and prosperous community built on opportunity

## AUDIT COMMITTEE TERMS OF REFERENCE

### Objectives of the Audit Committee

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate:

- the enhancement of the credibility and objectivity of external financial reporting;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the provision of an effective means of communication between the external auditor, the CEO and the Council.

### Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

### Membership

The committee will consist of all elected members of Council. All members shall have full voting rights.

The CEO and employees are not members of the committee.

The Deputy CEO will attend meetings, not as a member but to assist the Committee with any queries or requests for information.

The Executive Assistant or another nominated staff member will attend meetings to take the minutes.

The Presiding Member and Deputy Presiding Member must be elected in accordance with section 5.12 and Schedule 2.3 of the Act.

## Meetings

The committee shall meet at least quarterly.

Additional meetings shall be convened at the discretion of the Presiding Member.

## Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council and must be moved by the Presiding Member, or in his/her absence the Deputy Presiding Member, or in both their absences, any other member of the committee.

## Functions of the Audit Committee

The functions of the committee, pursuant to Reg. 16 of the *Local Government (Audit) Regulations 1996* will be to:

- a) guide and assist the local government in carrying out its functions:
  - i. under Part 6 (Financial Management) of the Act; and
  - ii. relating to other audits and other matters related to financial management;
- b) guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 (Audit) of the Act;
- c) review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to:
  - i. report to the council the results of that review; and
  - ii. give a copy of the CEO's report to the council;
- d) monitor and advise the CEO when the CEO is carrying out functions in relation to a review under
  - i. regulation 17(1); and
  - ii. the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- e) support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- f) oversee the implementation of any action that the local government:
  - i. is required to take by section 7.12A(3) of the Act; and
  - ii. has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a) of the Act; and
  - iii. has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
  - iv. has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- g) perform any other function conferred on the audit committee by these regulations or another written law.

Shire of Gnowangerup

**NOTICE OF A COMMITTEE MEETING OF COUNCIL**

Dear Committee Member

A meeting of the Audit Committee of the Shire of Gnowangerup will be held on Wednesday 14<sup>th</sup> October 2020, in the Council Chambers, 28 Yougenup Road, Gnowangerup, commencing at 4:30 pm.



Signed: \_\_\_\_\_

**Bob Jarvis**  
**CHIEF EXECUTIVE OFFICER**

---

**Meaning of and CAUTION concerning Council's "In Principle" support:**

*When Council uses this expression it means that:*

*(a) Council is generally in favour of the proposal BUT is not yet willing to give its consent; and  
(b) Importantly, Council reserves the right to (and may well) either decide against the proposal or to formally support it but with restrictive conditions or modifications.*

*Therefore, whilst you can take some comfort from Council's "support" you are clearly at risk if you act upon it before Council makes its actual (and binding) decision and communicates that to you in writing.*



### DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Gnowangerup for any act, omission or statement or intimation occurring during Council or committee meetings.

The Shire of Gnowangerup disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or committee meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or committee meeting does so at that person's or legal entity's own risk.

In particular and without detracting in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Gnowangerup during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Gnowangerup.

The Shire of Gnowangerup advises that anyone who has any application lodged with the Shire of Gnowangerup shall obtain and should only rely on **written confirmation** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Gnowangerup in respect of the application.

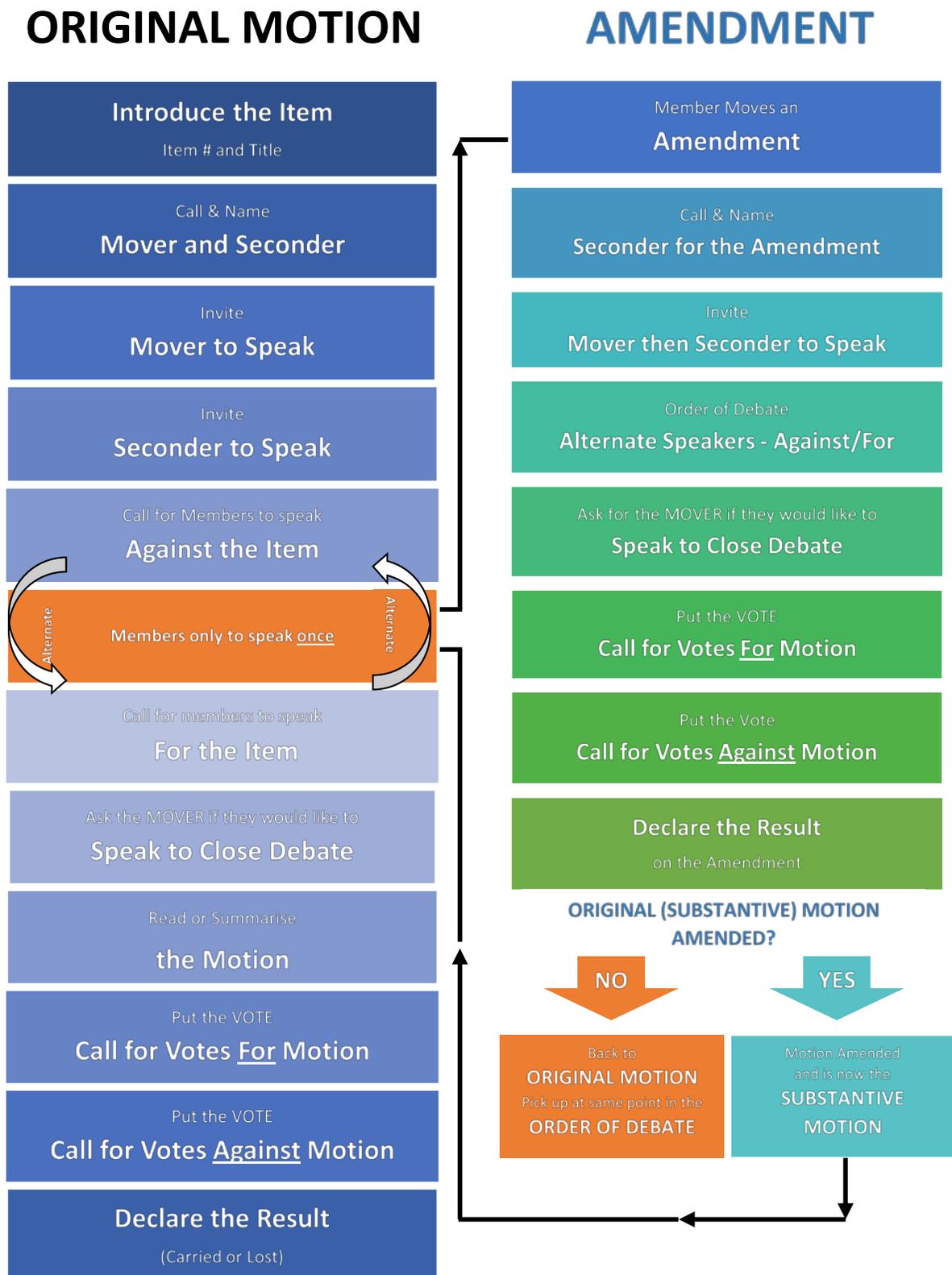
These minutes are not a verbatim record but include the contents pursuant to Regulation 11 of Local Government (Administration) Regulations 1996.

A handwritten signature in black ink, appearing to be "B. Jarvis", is enclosed in a thin black rectangular box.

Signed: \_\_\_\_\_

**Bob Jarvis**  
**CHIEF EXECUTIVE OFFICER**

# Process of Motions



Slight clarification of wording of motion: A minor amendment of the motion can be done at any time through the President with the approval of the Mover and the Seconder. The Minor amendment must be minuted.

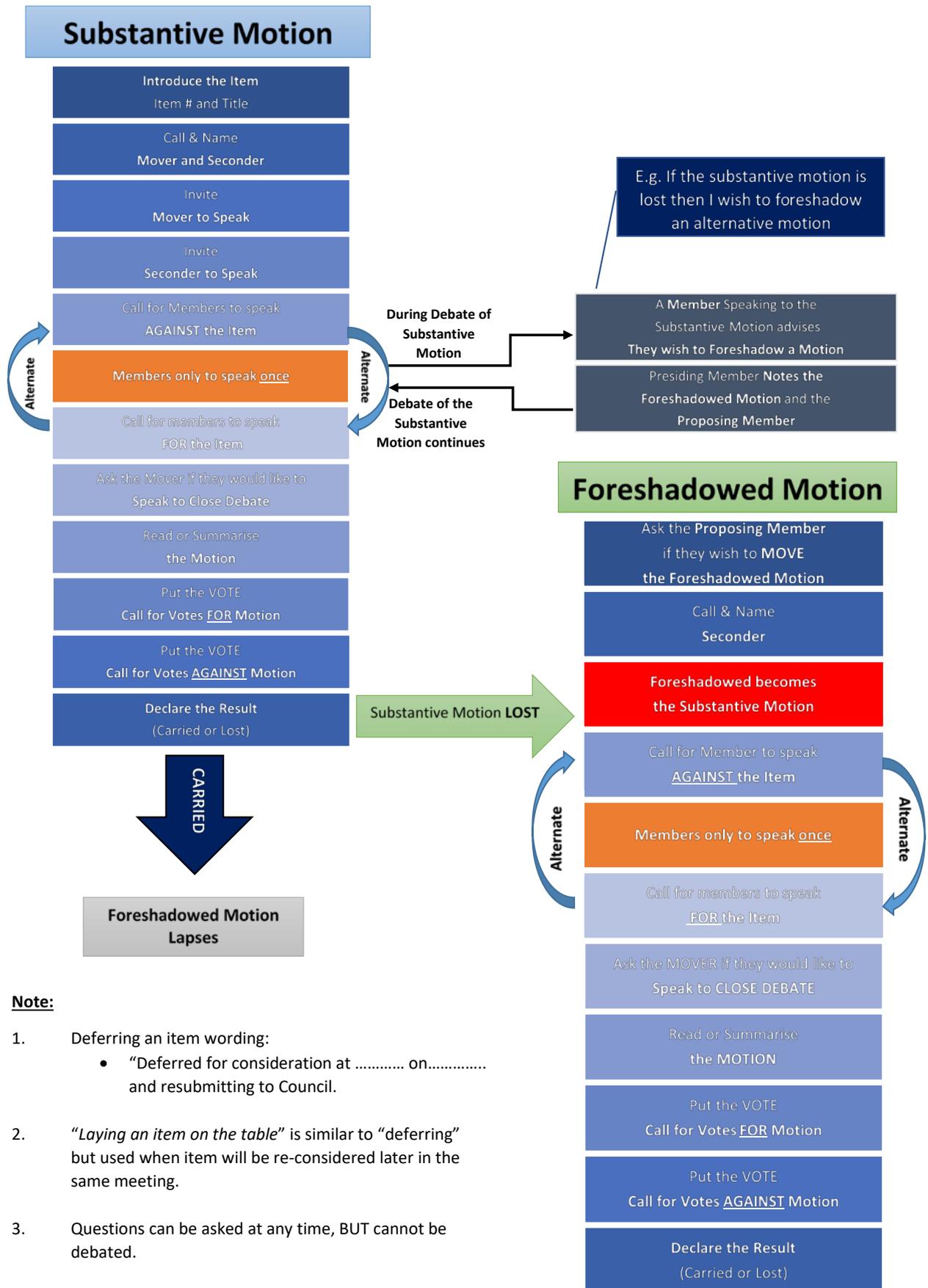


TABLE OF CONTENTS

OPENING PROCEDURES

<b>1. OPENING AND ANNOUNCEMENT OF VISITORS</b> .....	<b>1</b>
<b>2. ACKNOWLEDGEMENT OF COUNTRY</b> .....	<b>1</b>
<b>3. ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE</b> .....	<b>1</b>
3.1. ATTENDANCE.....	1
3.2. APOLOGIES.....	1
<b>4. CONFIRMATION OF PREVIOUS MEETING MINUTES</b> .....	<b>1</b>
4.1. AUDIT COMMITTEE MEETING MINUTES 11 <sup>th</sup> MARCH 2020.....	1
<b>5. OFFICER ITEMS</b> .....	<b>2</b>
5.1. STRATEGIC RISK PROFILES STATUS REPORT.....	2
5.2. 2020 INTERIM AUDIT.....	5
<b>6. CLOSURE</b> .....	<b>12</b>

## OPENING PROCEDURES

### 1. OPENING AND ANNOUNCEMENT OF VISITORS

Presiding Member, Cr. Greg Stewart welcomed Councillors and staff and opened the meeting at 4:43pm.

### 2. ACKNOWLEDGEMENT OF COUNTRY

The Shire of Gnowangerup would like to acknowledge the Goreng people who are the Traditional Custodians of this land. The Shire of Gnowangerup would also like to pay respect to the Elders both past and present of the Noongar Nation and extend that respect to other Aboriginals present.

### 3. ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

#### 3.1 ATTENDANCE

Greg Stewart Deputy Shire President/Presiding Member

Keith House

Shelley Hmeljak

Michael Creagh

Kate O'Keeffe

Ian Graham

Deputy Chief Executive Officer

Anita Finn

Executive Assistant

#### 3.2 APOLOGIES

Fiona Gaze

Shire President

Richard House

Chris Thomas

Frank Hmeljak

### 4. CONFIRMATION OF PREVIOUS MEETING MINUTES

#### 4.1 AUDIT COMMITTEE MEETING MINUTES 11<sup>th</sup> MARCH 2020

#### COMMITTEE RESOLUTION:

**Moved: Cr K House**

**Seconded: Cr S Hmeljak**

**AC1020.04 That the minutes of the Audit Committee Meeting held on 11<sup>th</sup> March 2020 be confirmed as a true record of proceedings.**

**UNANIMOUSLY CARRIED: 5/0**

## 5. OFFICER ITEMS

---

### 5.1 STRATEGIC RISK PROFILES STATUS REPORT

<b>Location:</b>	N/A
<b>Proponent:</b>	N/A
<b>File Ref:</b>	ADM0020
<b>Date of Report:</b>	30 <sup>th</sup> September 2020
<b>Business Unit:</b>	Corporate and Community Services
<b>Officer:</b>	Ian Graham - Deputy Chief Executive Officer
<b>Disclosure of Interest:</b>	Nil

---

#### ATTACHMENT

- Attachment 1 – Strategic Risk Profiles Dashboard

#### PURPOSE OF THE REPORT

To provide Council's Audit Committee with an update on the organisation's strategic risk management status.

#### BACKGROUND

Officers presented a new Risk Management Policy and Procedure to Council at its ordinary meeting of 27<sup>th</sup> September 2018. The policy was adopted at this meeting. The procedure document states:

"...the Risk Management dashboard for Strategic Risk Profiles should be presented to the Audit Committee on at least a 6-monthly basis."

Officers have provided the dashboard report to comply with this statement.

#### COMMENTS

Executive staff identified a number of strategic risks and a profile was created for each. The Dashboard report provides the following information for each risk profile:

- A brief description of the risk.
- A list of current actions to mitigate the risk.
- A rating as to what degree the risk can be influenced.
- A risk rating.
- A rating of how successful existing controls are.

#### CONSULTATION

Nil

#### LEGAL AND STATUTORY REQUIREMENTS

Nil

#### POLICY IMPLICATIONS

Risk Management Policy

#### FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

STRATEGIC RISK MANAGEMENT CONSIDERATIONS:

See Comments section above.

IMPACT ON CAPACITY

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil

CONCLUSION

The Strategic Risk Profile Dashboard report is provided for noting by the Audit Committee.

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RESOLUTION:

**Moved: Cr K O’Keeffe**

**Seconded: Cr M Creagh**

**AC1020.05 That the Audit Committee:**

**Notes the updated Strategic Risk Profiles Dashboard.**

**UNANIMOUSLY CARRIED: 5/0**

**Shire of Gnowangerup  
Risk Dashboard Report  
October 2020**

**Strategic Risks**

<u>Population Decline</u>	Influence	Risk	Control
	<b>Low</b>	<b>Extreme</b>	<b>Adequate</b>
Inability to control or stem a decline in the Shire's population.			
Actions	Due Date	Responsibility	
Resource sharing through membership of VROC	Jul-20	CEO	
Investigate / lobby for improved internet service	Dec-20	CEO	
Review land zoning to meet demand	Ongoing	CEO / Council	
Review of all Council Land, Buildings and Reserves	Dec-20	CEO	
Encourage new businesses and existing businesses to expand	Ongoing	Manex / Council	
Finalise the build of two staff homes	Completed	DCEO	

<u>Adverse Regulatory Change</u>	Influence	Risk	Control
	<b>None</b>	<b>High</b>	<b>Effective</b>
Potential changes to the regulatory landscape that will have an adverse effect on the Shire's ability maintain adequate compliance. The main area of concern (at present) is the potential legislative obligations on local governments from changes to the Local Government Act and other relevant legislation.			
Actions	Due Date	Responsibility	
Continue lobbying activities	Ongoing	CEO / Council	
Training for senior and Executive staff	Ongoing	CEO / DCEO	
Mandatory training for Elected Members	Ongoing	CEO / Council	

<u>Leadership</u>	Influence	Risk	Control
	<b>High</b>	<b>Moderate</b>	<b>Effective</b>
Risk of ineffective strategic leadership of Council. This includes the relationship between Council and the CEO.			
Actions	Due Date	Responsibility	
Recruitment of new qualified and experienced CEO and DCEO	Completed	CEO / Council	
Mandatory training for Councillors	In progress	CEO / Council	
Ongoing training and development for Executive staff	In progress	CEO / DCEO	

<u>Financial Sustainability</u>	Influence	Risk	Control
	<b>Medium</b>	<b>Moderate</b>	<b>Adequate</b>
Inability to maintain service and infrastructure levels for the Shire.			
Actions	Due Date	Responsibility	
Complete Asset Management Plans - staged approach	Dec-21	AWMC	
Facilitate a budget workshop for Councillors	Mar-20	CEO	
Consider options for resource sharing with neighbouring Shires	Ongoing	CEO	
Training for staff	Ongoing	CEO / DCEO	

<u>Community disruption</u>	Influence	Risk	Control
	<b>Low</b>	<b>High</b>	<b>Adequate</b>
Failure to adequately prepare and respond to events that cause disruption to the local community.			
Actions	Due Date	Responsibility	
Review currency of Bushfire Risk Management Plan	In progress	DCEO	
Investigate options for Incident Management Training for Senior Shire Staff (CEO / DCEO)	In progress	CEO	
Effective road asset monitoring in place to ensure WANDRAA funding (if required following an event)	Ongoing	CEO	
Investigate employment of CESM	In progress	CEO	

---

<b>5.2</b>	<b>2020 INTERIM AUDIT REPORT</b>
<b>Location:</b>	N/A
<b>Proponent:</b>	N/A
<b>File Ref:</b>	ADM0046
<b>Date of Report:</b>	30 <sup>th</sup> September 2020
<b>Business Unit:</b>	Corporate and Community Services
<b>Officer:</b>	Ian Graham - Deputy Chief Executive Officer
<b>Disclosure of Interest:</b>	Nil

---

#### ATTACHMENTS

- Office of the Auditor General (OAG) Interim Audit Report Y/E 30<sup>th</sup> June 2020

#### PURPOSE OF THE REPORT

For the Audit Committee to note the results of the year ended 30<sup>th</sup> June 2020 interim audit and recommend that Council accepts the corresponding OAG report.

#### BACKGROUND

The *Local Government Act 1995* (LGA) requires the accounts and annual financial report of a local government for each financial year to be audited by an auditor appointed by the OAG. The annual audit is conducted in two parts – an interim audit undertaken in the early part of each calendar year and the final audit which is undertaken on the completion of the draft annual financial statement.

The focus of the interim audit was to evaluate the Shire's overall control environment, and to obtain an understanding of the key business processes, risks and internal controls relevant to the forthcoming final audit of the Shire's annual financial report.

#### COMMENTS

AMD Chartered Accountants undertook the year ended 30<sup>th</sup> June 2020 interim audit on behalf of the OAG. It is pleasing for management to note that although the auditor reported three (3) management control issues, there were no significant findings in the report. Management has reviewed the issues reported, responded to the OAG and implemented corrective actions as required.

Details of the findings and subsequent responses from management can be found in the attached OAG report.

#### CONSULTATION

Nil

#### LEGAL AND STATUTORY REQUIREMENTS

*Local Government Act 1995*

Section 7.2. Audit

POLICY IMPLICATIONS

Policy 2.11 Risk Management

FINANCIAL IMPLICATIONS

Nil.

STRATEGIC IMPLICATIONS

Strategic Community Plan

Theme: Financial Sustainability

Objective: Effective management to conduct business in a financially sustainably manner

STRATEGIC RISK MANAGEMENT CONSIDERATIONS:

Nil

IMPACT ON CAPACITY

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil

CONCLUSION

No significant findings were raised by the auditor in the year ended 30<sup>th</sup> June 2020 interim audit report. Management has already addressed the issues that were categorised as either moderate or minor in nature.

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RESOLUTION:

**Moved: Cr K House**

**Seconded: Cr M Creagh**

**AC1020.06 That the Audit Committee**

**Notes the results of the interim audit and recommends that Council accepts the corresponding Interim Audit Report for the year ending 30<sup>th</sup> June 2020 from the Office of the Auditor General.**

**UNANIMOUSLY CARRIED: 5/0**



Our Ref: 8306

7th Floor, Albert Facey House  
469 Wellington Street, Perth

Chief Executive Officer  
Shire of Gnowangerup  
28 Yougenup Road  
GNOWANGERUP WA 6335

Mail to: Perth BC  
PO Box 8489  
PERTH WA 6849

Tel: 08 6557 7500  
Fax: 08 6557 7600  
Email: [info@audit.wa.gov.au](mailto:info@audit.wa.gov.au)

Dear Sir

**ANNUAL FINANCIAL REPORT  
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2020**

We have completed the interim audit for the year ending 30 June 2020. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

**Management Control Issues**

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of the Shire of Gnowangerup and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7640 if you would like to discuss these matters further.

Yours faithfully

CARLY MEAGHER  
ACTING SENIOR DIRECTOR  
FINANCIAL AUDIT  
20 July 2020

Attach

## SHIRE OF GNOWANGERUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. ICT Disaster Recovery Plan Testing		✓	
2. Budget Review		✓	
3. Payroll – Superannuation		✓	

**KEY TO RATINGS**

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

**SHIRE OF GNOWANGERUP  
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020  
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**1. ICT Disaster Recovery Plan Testing**

**Finding**

During the interim audit it was identified that the Shire of Gnowangerup currently has no formal process or predetermined schedule for testing the existing ICT Disaster Recovery Plan.

**Rating: Moderate**

**Implication:**

Risk of significant delays in business interruption in the event of unforeseen circumstances.

**Recommendation:**

We recommend the Shire implement a process to test and evaluate the ICT Disaster Recovery Plan to ensure it is current, adequate, and will effectively mitigate disruption in the event of unforeseen circumstances.

**Management Comment:**

DCEO will arrange with SolutionsIT (the Shire's IT Managed Services provider) to implement a process to test and evaluate the ICT Disaster Recovery Plan. This will be undertaken once the server replacement and NAS backup upgrades have been completed, by the end of the first quarter of the 2020-21 financial year.

**Responsible Officer:** Ian Graham DCEO  
**Completion Date:** 30 September 2020

**SHIRE OF GNOWANGERUP**  
**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020**  
**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**2. Budget Review**

**Finding**

In accordance with the requirements under Regulation 33A of the Local Government (Financial Management) Amendment Regulation, at least one budget review each year is required, between 1 January and 31 March. The budget review requires an absolute majority decision within 30 days of being conducted and a copy of the review is required to be forwarded to the Department within 30 days after Council acceptance.

Our audit testing indicated that although the Mid-Year Budget Review was completed, the Shire of Gnowangerup did not lodge the Budget Review to the Department within 30 days after Council approval as required (lodged 1 May 2020).

**Rating: Moderate**

**Implication**

Breach of statutory requirement

**Recommendation**

We recommend that the Shire of Gnowangerup budget review is lodged with the Department within the required time frame.

**Management Comment**

As required, each year the Budget Review is undertaken post 31<sup>st</sup> December. The budget review takes at least until the end of February to complete, with the earliest opportunity for Council adoption being the March meeting. The budget review lodgement to the Department must have the confirmed minutes attached. The minutes of the March meeting are not confirmed until the April meeting, therefore lodgement was not possible until post the April Council meeting.

Shire staff will review the timeframes and undertake to complete the budget review in time for adoption by Council at the February meeting each year.

**Responsible Officer:** Ian Graham DCEO  
**Completion Date:** 31 July 2020

**SHIRE OF GNOWANGERUP**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**3. Payroll – Superannuation**

**Finding**

During our review of payroll samples, we noted one instance of payment of council “matching” superannuation payments without the required associated employee Salary Sacrifice contributions being made by the employee.

**Rating: Moderate**

**Implication**

Overpayment of employee Council Matching Superannuation entitlements.

**Recommendation**

We recommend future payroll reports be reviewed by management each fortnight to ensure all employees pay and entitlements, including all superannuation payments, are correctly processed.

In addition, the Shire should review the overpayment identified to have the funds returned.

**Management Comment**

Checklist in place for all allowances, deductions, hourly rates and superannuation to be checked by Senior Finance Officer against payroll reports before final pay run processed.

**Responsible Officer:** Sharon Miniter

**Completion Date:** 24 June 2020

**6. CLOSURE**

There being no further business, Presiding Member Cr. Greg Stewart closed the meeting at 4:52pm.