



Audit Committee Meeting

22 April 2023

AGENDA

NOTICE OF MEETING

Dear Audit Committee Member

The next Audit Committee Meeting of the Shire of Meekatharra will be held on Saturday 22 April 2023 in the Council Chambers, Main Street Meekatharra commencing at 9:05am.

A handwritten signature in dark ink, appearing to read 'Peter Dittrich', is positioned above the printed name.

Peter Dittrich
Acting Chief Executive Officer
17 April 2023

1. DECLARATION OF OPENING/ ANNOUNCEMENT OF VISITORS

1.1 DECLARATION OF OPENING

1.2 DISCLAIMER READING

No responsibility whatsoever is implied or accepted by the Shire of Meekatharra for any act, omission or statement or intimation occurring during this Meeting.

It is strongly advised that persons do not act on what is heard at this Meeting and should only rely on written conformation of council's decision, which will be provided within fourteen (14) days of this Meeting

2. RECORD OF ATTENDANCE/ APOLOGIES/ APPROVED LEAVE OF ABSENCE

Members

Staff

Apologies

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

3.1 AUDIT COMMITTEE MEETING HELD 21 JANUARY 2023

Council Resolution:

Moved:

Seconded:

That the minutes from the Audit Committee Meeting held Saturday 21 January 2023 be confirmed.

CARRIED/LOST

3.2 AUDIT COMMITTEE MEETING HELD 18 MARCH 2023

Council Resolution:

Moved:



Seconded:

That the minutes from the Audit Committee Meeting held Saturday 18 March 2023 be confirmed.

CARRIED/LOST

4. GENERAL BUSINESS

4.1 REGULATION 17 REVIEW

Applicant:	Nil	
File Ref:	CM.PR.002	
Disclosure of Interest:	Nil	
Date of Report:	06 April 2023	
Author:	Peter Dittrich Acting Chief Executive Officer	 Signature of Author
Senior Officer:	Peter Dittrich Acting Chief Executive Officer	 Signature Senior Officer

Summary/Matter for Consideration:

The committee to receive the report undertaken in relation to the review of the effectiveness of the appropriateness and effectiveness of the local government's systems and procedures.

Attachments:

Shire of Meekatharra – Regulation 17 Review.

Background:

The CEO is required to complete a review of the effectiveness of the appropriateness and effectiveness of the local government's systems and procedures. The review was undertaken by Karen Bateman of Badgemore Consulting.

Comment:

The review objectives were to:

- Assess the adequacy of risk management policies and procedures.
- Assess the adequacy and effectiveness of internal controls and procedures.
- Assess the adequacy of segregation of duties.
- Assess the adequacy of processes for compliance with legislation.
- Assess the adequacy and effectiveness of fraud mitigation controls.

There were a number of areas of improvement identified and action is currently being taken to implement the report's recommendations.

These areas and actions are detailed in Appendix 1 of the attached report.

Consultation:

Kelvin Matthews, Chief Executive Officer.
Darren Friend, Acting Finance Officer.
Karen Bateman - Consultant

Statutory Environment:

Regulation 17 of the 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.

Policy Implications:

Nil

Budget/Financial Implications:

Nil

Strategic Implications:

Nil

Voting Requirements:

Simple Majority

Officers Recommendation / Committee Resolution:

Moved:

Seconded:

That the Committee receive the report prepared by Badgemore Consulting on behalf of the CEO of the review of the appropriateness and effectiveness of the Shire of Meekatharra's systems and procedures.

CARRIED / LOST



Shire of Meekatharra

Audit Regulation 17 - Systems and Procedures Review

4 April 2023

ABN: 93 920 897 942

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Executive Summary

In accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996* as stated below, the Shire of Meekatharra's Chief Executive Officer (CEO) has completed the required triennial Systems and Procedures Review.

The Shire of Meekatharra ('the Shire') engaged Badgemore Consulting to complete the Systems and Procedures Review on behalf of the CEO.

This report presents the results of the CEO's triennial review. The CEO may now submit this report to the Audit Committee (AC).

Objective

In accordance with Regulation 17, the objective of the CEO's triennial review was to assesses the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance.

The review objectives were to :

- Assess the adequacy of risk management policies and procedures.
- Assess the adequacy and effectiveness of internal controls and procedures.
- Assess the adequacy of segregation of duties.
- Assess the adequacy of processes for compliance with legislation.
- Assess the adequacy and effectiveness of fraud mitigation controls.

Summary of Findings

The Shire identified that over the past year there was an inability to attract and retain appropriately qualified and skilled staff in the finance and related areas, particularly given the remote location of Meekatharra. This is a risk currently faced by many other Western Australian local governments and organisations. The Shire identified that this risk had caused control concerns in certain areas within its Finance area. These related to the timeliness and accuracy of debtor management, rate details updating and bank reconciliations.

The Shire has put steps in place to address this risk. This included employing credentialed contractors and external service providers to resolve these matters. A program of work is in place to resolve the control concerns.

The Shire is progressing a range of other improvement activities to further strengthen governance over the Shire's operations. For example: planning strategic/corporate risk profiling; developing of a compliance calendar; refreshing the Policy Manual and the Finance Manual and developing the terms of reference for the Audit Committee.

As part of the review, recommendations for improvement were noted in the areas: Risk Management and Internal Controls. Timely actioning of these recommendations will strengthen the Shire's systems and procedures.

The Shire's systems and procedures, together with the timely implementation of the improvements initiatives, will if operating ensure effective and appropriate:

- Risk management;
- Internal controls; and
- Legislative compliance.

Recommendations

For the purpose of this review a Questionnaire was created based on the criteria provided in the (then) *Department of Local Government's Operational Guideline 9*. These criteria were assessed during the review to determine the appropriateness of the systems and processes relating to Risk Management, Internal Controls and Legislative Compliance. The detail is provided at Appendix One

The recommendations are provided at Appendix One, as they relate to the specific criteria. The recommendations relate to:

Criteria	Recommendation
Risk Management Criteria 1. An effective risk management system....	<ul style="list-style-type: none"> The Shire is planning to carry out a formal strategic / operational risk assessment in the next 2 months. The Shire will as part of that process define its risk criteria and risk escalation. The outcome will be reported to Council, through the AC. We endorse these initiatives. The Shire should consider introducing an Incident/Near Miss Register for recording work, health and safety matters. For projects, risks are assessed in accordance with the Shire of Meekatharra's Risk Management Policy, with the criteria based on AS/NZS ISO 31000:2018 Risk Management - Guidelines. The risk consequence and likelihood criteria applied are not included in the Shire's Risk Management Policy. These criteria should be formally adopted by the Shire and contained in either the Risk Management policy or in a supporting Risk Management Framework. The Shire should also make a statement as to the approval/escalations required for residual risk ratings.
Risk Management Criteria 2. A current and effective business continuity plan...	<ul style="list-style-type: none"> The Shire should develop a Business Continuity Plan (containing a Business Incident Management Plan and a Business Impact Analysis). This should include the IT Disaster Recovery Plan. This should then be reviewed regularly. The Shire should hold regular tests of its Business Continuity Plan. The Shire should retest its IT backup and recovery of the server and system data, as this was last performed in 2020.
Risk Management Criteria 4(b). Important accounting...	<ul style="list-style-type: none"> The Shire's Finance Manual should be reviewed and updated. E.g. at present it references an in-house internal audit function, which is not in place and does not cover of on the roles of the external service providers - AccWest and Perth Computer Solutions.
Risk Management Criteria 5. Regular risk reports...	<ul style="list-style-type: none"> To increase the visibility of improvements in place to address any agreed risk mitigations identified from the various audit and formal review processes we recommend the Shire introduce an Audit Actions Register. This should be a register to record recommendations arising from the audits and reviews, agreed actions and assigned responsibilities. The status of these should be followed up regularly by management and the status reported formally to the AC (6 monthly). The Shire should formally report the outcomes of the 'corporate risk profile' assessment process to the AC. (Refer Risk Management Criteria 1 – Recommendation). Thereafter, the Shire should conduct regular risk profile reviews and report the outcomes to the AC and/or Council.

Criteria	Recommendation
	<ul style="list-style-type: none"> The AAG report LG Audit Reg17 (1) (a) , (b) & (c) and Financial Reg 5 (2) (c), tabled at the December 2019 OCM, contained 19 Recommendations. These should be formally revisited to ensure the Actions Required have taken and if not actioned accordingly.
Risk Management Criteria 7. An effective internal control...	<ul style="list-style-type: none"> The Shire should include the actions being taken to address the identified internal control matters in the finance area (refer Summary of Findings above) in the Audit Actions Register, so that their resolution may be monitored by both Management and the AC.
Risk Management Criteria 11. Fraud and misconduct risks...	<ul style="list-style-type: none"> When the Shire carries out its planned corporate risk review it should include consideration of and documentation of the 'fraud and misconduct risk' as part of that process.
Internal Controls Criteria 1: Audit Practice	<ul style="list-style-type: none"> The Shire's AC does not currently have a term of reference (TOR). The TOR is an important means for defining governance and accountability. The Shire has recognised this and is developing a TOR, which will be submitted to Council for approval.
Internal Control 5 Information System Access...	<ul style="list-style-type: none"> The Shire does not have formal contracts with PCS, AccWest or EFTSure. We recommend that these should be developed to formalise the arrangements, ensure responsibilities are understood by both parties; and to protect the Shire from contractual risk or in the event of a breach.
Internal Control 15. Separation of roles and functions...	

We appreciate the assistance of the Shire's management and staff in completing this review. If you have any queries on this report, or if we can provide any further assistance, please contact myself.

KAREN BATEMAN

Principal

BADGEMORE CONSULTING

4 April 2023

1. Detailed Report

1.1 Introduction

In accordance with Regulation 17 of the *Local Government (Audit) Regulations 1996* as stated below, the Shire of Meekatharra's CEO has completed the required triennial Systems and Procedures Review.

WA Local Government (Audit) Regulations 1996

Regulation 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;*
 - b) *internal control; and*
 - c) *legislative compliance.*
- 2) *The review may relate to any or all of the matters referred to in sub regulation(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.*

The Shire of Meekatharra('the Shire') engaged Badgemore Consulting to complete the Systems and Procedures Review on behalf of the CEO.

This report presents the results of the CEO's triennial review. The CEO may now submit this report to the AC.

As required under *WA Local Government (Audit) Regulations 1996: Regulation 16(c)*, the AC is to review the report provided by the CEO, report the results to Council and to give a copy of the CEO's report to Council.

1.2 Objective and Scope

In accordance with Regulation 17, the objective of the CEO's triennial review was to assesses the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance.

The review objectives were to:

- Assess the adequacy of risk management policies and procedures.
- Assess the adequacy and effectiveness of internal controls and procedures.
- Assess the adequacy of segregation of duties.
- Assess the adequacy of processes for compliance with legislation.
- Assess the adequacy and effectiveness of fraud mitigation controls.

1.3 Approach

Note: this review was conducted remotely, no site visit was carried out. Interviews were carried out either by telephone or using TEAMS.

The approach included.

- Discussing the scope of the the CEO's triennial review with Deputy CEO to obtain input on any specific issues to be included and to tailor the approach.
- Reviewing the status of any previous audit recommendations relevant to prior Regulation 5 and 17 reviews, previous external audits.

- Developing the Regulation 17 Questionnaire, for relevant officers to complete. This Questionnaire was created based on the criteria provided in the (then) *Department of Local Government's' Operational Guideline 9*. Assessing the criteria ensures the review process can properly assess the appropriateness of the systems and processes relating to Risk Management, Internal Controls and Legislative Compliance.
- Sending the Regulation 17 Questionnaire to the Shire for initial completion.
- Reviewing key documents (as listed in the Regulation 17 Questionnaire at Appendix One of this report) to develop an understanding of the relevant risk management, internal controls and legislative systems practices and supporting mechanisms. These were either sourced from the Shire's website or provided by the Shire in soft copy.
- Interviews, remotely via telephone or on TEAMS, with CEO, Deputy CEO and Acting Finance Officer.
- Discussing findings on completion of the field work with CEO, Deputy CEO and Acting Finance Officer.
- Carrying out the analysis of all information provided and updating the Regulation 17 Questionnaire.
- Submitting the completed Regulation 17 Questionnaire (refer Appendix One) to the Deputy CEO for distribution and review.
- Preparing the draft report, including the Regulation 17 Questionnaire (refer Appendix One).
- Submitting a draft and then finalising the report, including all recommendations to CEO and Deputy CEO for review and sign off.
- Submitting a final report to the CEO and Deputy CEO for submission to the AC.

1.4 Staff Interviewed

During the review interviews were held with:

- Kelvin Matthews, Chief Executive Officer.
- Peter Dittrich, Deputy Chief Executive Officer.
- Darren Friend, Acting Finance Officer.

1.5 Risk Management

Risk management systems and programs are a key expression of the Shire's attitude to effective controls. The CEO's triennial review considered the appropriateness and effectiveness of the Shire's risk management systems and programs and found:

- The Shire has a high-level risk management policy in place with the purpose of enabling the implementation of sound risk management practices and procedures across the Shire, which are understood by staff. This Policy also supports the integration of risk management practices into the Shire's strategic initiatives and day to day operational business processes.
- The Shire identified that over the past year there was an inability to attract and retain appropriately qualified and skilled staff in the finance and related areas, particularly given the remote location of Meekatharra. This is a risk currently faced by many other local governments and organisations. The Shire identified that this risk had caused control concerns in certain areas within its Finance area. These related to the timeliness and accuracy of debtor management, rate details updating and bank reconciliations.

The Shire has put steps in place to address this risk and has employed credentialed contractors and external service providers to resolve these matters.

- The Shire works with LGIS during the annual insurance renewal to consider relevant risk and mitigation in place.
- The Shire performs risk assessments for major projects.

- The Shire actively manages its work, health and safety risks. Job Hazard Assessments, pre-start checks and standard procedures are required processes and procedures. If hazards are noted these are expected to be addressed.
- Risks relating to fraud and misconduct are mitigated through Code of Conduct, policies and Public Interest Disclosure (PID) requirements, etc.

Actioning the recommendations detailed in the Executive Summary and at Appendix One will strengthen the effectiveness of the Shire's risk management systems and programs.

1.6 Internal Control

Internal control is a key component of the Shire's governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. The CEO's triennial review considered the effectiveness of the Shire's control framework and found:

- The Shire has systems and procedures in place to ensure an appropriate control environment. For example, formal processes relating to month end procedures, budget management, segregation of duties (including use of external service providers for information technology, statutory reporting and monthly reconciliations); system controls and management reporting, etc.
- The Shire has engaged external parties to address and resolve the control shortcomings identified regarding the timeliness and accuracy of debtor management, rate details updating and bank reconciliations.
- The Shire's Code of Conduct provides a guide and a basis of expectations for employees. It encourages a commitment to ethical and professional behaviour and outlines principles in which individual and collective Local Government responsibilities may be based. All employees sign off that they will comply with the Code.
- The Shire's leadership team strive to operate an inclusive management style.

Actioning the recommendations detailed in the Executive Summary and at Appendix One will strengthen the effectiveness of the Shire's control framework.

1.7 Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. The CEO's triennial review considered the effectiveness of the Shire's compliance programs and found:

- The Shire is committed to good governance practices. Individual managers and officers are responsible for monitoring legislative compliance within their team and addressing any issues identified.
- The Shire's governance and compliance processes provide mechanisms relating to the disclosures of interest.
- The Shire also has a Public Interest Disclosure (PID) Policy to facilitate disclosure of public interest information and protect persons making disclosures and persons that are subject of disclosures. The City has a PID officer.
- Discrete functions within the Shire also carry out formal compliance reviews as required.
- The 2021 Compliance audit Return did not record any material non - compliances.
- The Shire is in the process of developing a Compliance Calendar to enhance the process of ensuring and monitoring for compliance with legislation and regulations.

The detailed findings and recommendations for each of the above areas are provided in Appendix One.

1.8 Limitations of this report

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with the compliance requirements may occur and not be detected. The conclusions expressed in this report have been formed on this basis.

A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with the compliance requirements will continue in the future.

This report has been prepared for the Shire of Meekatharra for the purpose of assisting the Shire meet the compliance requirements of Regulation 17 of the Local Government (Audit) Regulations 1996 and may not be suitable for another purpose. We understand this report will be distributed to the Audit Committee.

We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Shire of Meekatharra and Council or for any purpose other than that for which it was prepared.

Statement of Independence

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board and complied with the applicable requirements of the *Australian Standard on Quality Control* to maintain a comprehensive system of quality control.

Appendix One

Risk Management

Risk management systems and programs are a key expression of the Shire of Meekatharra's (the Shire') attitude to effective controls. The CEO's triennial review (as per Section 17 of the *Local Government (Audit) Regulations 1996*) considers the appropriateness and effectiveness of the Shire's risk management systems and programs in relation to the following criteria:

Criteria	Issue	Risk Management System and Program	Ref.& Evidence
1. An effective risk management system and material operating risks are appropriately considered.	Governance	<p>The Shire has a high-level risk management policy in place with the purpose of enabling the implementation of sound risk management practices and procedures across the Shire, which are understood by staff. This Policy also supports the integration of risk management practices into the Shire's strategic initiatives and day to day operational business processes.</p> <p>The Shire works with LGIS during the annual insurance renewal to consider relevant risk and mitigations in place.</p> <p>The Shire actively manages its work, health and safety risks. Job hazard assessment, pre-start checks and standard procedures are implemented. The Shire advises all staff are trained to ensure they have valid tickets. E.g. vehicle licenses, chain saw usage, traffic management etc. Incidents are reflected in insurance claims. In FY 23 there was one workers' compensation claim. There have been no vehicle incidents since April 2022.</p> <p>Key environmental risks relate to the Landfill Site and the Sewage Ponds. The Shire uses a contracted Health Officer to manage and provide for oversight of these.</p> <p>For major projects, such as swimming pool refurbishments, median strip upgrades, key festivals the Shire requires a risk assessment as part of the Project Plan. For major contracts/tenders (in excess of \$250,000) the Shire requires a risk assessment.</p> <p>The Shire identified that over the past the Shire was faced with the risk of an inability to attract and retain appropriately qualified and skilled staff in the finance and related areas, particularly given the remote location of Meekatharra. This is a risk currently faced by many other local governments and organisations. The Shire identified that this risk had caused control concerns in certain areas within its Finance area. The Shire has put steps in place to address this. Refer also <u><i>Risk Management Criteria 7 An effective internal control system....</i></u></p> <p><u><i>Risk Management Criteria 1 An effective risk management system.... Recommendation</i></u></p> <ul style="list-style-type: none"> The Shire is planning to carry out a formal strategic/ operational risk assessment in the next 2 months. The Shire will as part of that process define its risk criteria and risk escalation. The outcome will be reported to Council, through the eAC. We endorse these initiatives. The Shire should consider introducing an Incident/Near Miss Register for recording work, health and safety matters. For projects, risks are assessed in accordance with the Shire of Meekatharra's Risk Management Policy, with the criteria based on AS/NZS ISO 31000:2018 Risk Management - Guidelines. The risk consequence and likelihood criteria applied are not included in the Shire Risk Management Policy. These criteria should be formally adopted by the Shire and contained in either the Risk Management policy or in a supporting Risk Management Framework. The Shire should also make a statement as to the approval/escalations required for 	<p>Risk Management Policy – sighted</p> <p>Risk assessment for major projects, risk assessed in accordance with the Shire of Meekatharra's Risk Management Policy, based on AS/NZS ISO 31000:2018 Risk management - Guidelines</p> <p>Sighted risk assessments for Streetscape Art Project, Wall, Pool and Lions Park</p> <p>Sighted Job Safety Analysis template</p> <p>Sighted range of Safety checklists which require action if hazard</p>

Risk Management

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Criteria		Issue	Risk Management System and Program	Ref.& Evidence
			<p><i>residual risk ratings.</i></p> <ul style="list-style-type: none"> Refer also <u><i>Risk Management Criteria 7 An effective internal control system....Recommendation.</i></u> 	<p>noted. its E.g. electrical equipment, plant & equipment, chemicals, trips and falls</p> <p>Memo from DCEO to CEO 5 March 2023</p>
2.	A current and effective business continuity plan (including IT disaster recovery) which is tested from time to time.	Governance Shire's Local Area Emergency Management	<p>The Shire does not have a formal business continuity plan.</p> <p>The Shire has 2 main locations: the Administrative Office and the Depot. These are separate, being approximately 1 km apart. In the event that the Administrative Office was not available due to a critical crisis (e.g. cyclone or civil unrest) then key administrative functions would be re-located to the Depot. To date this type of incident has not arisen.</p> <p>The Shire is a participating member of the Local Emergency Management Committee, which from time to time carries out Emergency Exercises. Due to COVID and a major crash incident the planned exercises were deferred.</p> <p><u><i>Risk Management Criteria 2 A current and effective business continuity plan....Recommendation</i></u></p> <ul style="list-style-type: none"> <i>The Shire should develop a Business Continuity Plan (containing a Business Incident Management Plan and a Business Impact Analysis). This should include the IT Disaster Recovery Plan. This should then be reviewed regularly.</i> <i>The Shire should then hold regular tests of its Business Continuity Plan.</i> 	Sighted LEMC minutes of 13 Sept 22
3.	A current and effective business continuity plan (including IT disaster recovery) which is tested from time to time.	Information Technology	<p>The Shire engages Perfect Computer Solutions (PCS) for the operation of its information technology.</p> <p>PCS carry out regular testing of restoring and recovering backup to the current server. This was last tested in late 2020.</p>	Information Technology Disaster Recovery Plan sighted

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Criteria		Issue	Risk Management System and Program	Ref.& Evidence
			<p><u>Risk Management Criteria 3 A current and effective business continuity plan (including IT disaster recovery)...</u></p> <p><u>Recommendation</u></p> <ul style="list-style-type: none"> The Shire should document this in the Business Continuity Plan (refer RM 2 Recommendation). The Shire should retest its backup and recovery of the server and system data, as this was last performed in 2020. 	
4.	Internal processes for determining and managing material operating risks in accordance with the Shire's identified tolerance for risk, particularly in the following areas:		<p>Refer also <u>Legislative Compliance Criteria 1 Monitoring compliance with legislation and regulations</u></p>	
	a) Potential non-compliance with legislation, regulations and standards and the Shire's policies.	Governance	<p>a) <i>Potential non-compliance with legislation, regulations and standards and the Shire's policies</i></p> <p>Overall, individual managers are responsible for monitoring legislative compliance within their team and addressing any issues identified.</p>	
	b) Important accounting judgments or estimates that prove to be wrong.	Finance	<p>b) <i>Important accounting judgments or estimates that prove to be wrong:</i></p> <p>The Shire has a formal month end process, which includes a review of budget versus actual:</p> <ul style="list-style-type: none"> The Deputy CEO meets with budget holders to discuss and explain and variances. Action is taken as required. All variances of budget to actual line items greater than 10% are explained in the monthly reports to Council. Any material variances are raised in a report to Council. The Shire has a regulatory obligation to conduct a midyear budget review. This is reported to Council for approval. <p>The Shire is subject to audit by the Office of the Auditor General (OAG). The annual external audit confirms</p>	Finance Manual-sighted

Risk Management

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Criteria		Issue	Risk Management System and Program	Ref. & Evidence
			accounting estimates / treatments are appropriate and compliant. Such matters would be addressed during the audit process.	
			<u><i>Risk Management Criteria 4(b) Important accounting... Recommendation</i></u> <i>The Shire's Finance Manual should be reviewed and updated. E.g. at present it references an in-house internal audit function, which is not in place and does not cover on the roles of the external service providers - AccWest and PCS.</i>	
c)	Litigation and claims.	Governance Finance Human Resources	<p>c) <i>Litigation and claims</i></p> <p>The Shire has a policy in place should Elected Members or employees wish to seek legal representation. The Shire enacted its Employer Protection Liability insurance policy in September 2022.</p> <p>If the Shire received a threat of potential litigation, it would seek advice from its insurer. If necessary, legal advice is sought from a law firm via the WALGA panel of law firms.</p> <p>The Shire has contracted out its Ranger Services and Environmental Health/Building Services. The contractors are authorised officers and as such can issue licenses and raise fines for breaches of local laws.</p> <p>The Shire also contracts out its aerodrome services, swimming pool operations and waste services. The Shire and the contractors carry insurance.</p> <p>As required the Shire may issue notices for breaches of building and health regulations. The Shire strives to work with the parties to achieve a positive (i.e. corrective) action.</p>	Policy 02.01 Legal Representation Costs - Indemnification - sighted
d)	Misconduct, fraud and theft.	Governance Human Resources Health & Safety	<p>d) <i>Misconduct, fraud and theft</i></p> <p>The Shire has a Fraud, Corruption and Misconduct policy.</p> <p>The Shire's Code of Conduct is incorporated into all new employees training, who are required to sign off that they will comply with the obligations set in the Code of Conduct.</p> <p>The Shire is committed to minimising where possible, the risk of fraud and has a zero tolerance to fraud. To assist in this the Shire carries out as much segregation of duties as is practical:</p>	Policy 02.08 Fraud, Corruption & Misconduct - sighted

Risk Management

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Criteria		Issue	Risk Management System and Program	Ref.& Evidence
	e) Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the Shire.		<ul style="list-style-type: none"> Banking: there are only 3 authorised signatories. All transactions requires 2 signatories (with use of password and token) Changes to supplier bank account details (and new accounts) are managed externally by EFTSure, with a report received on any new accounts or changes for the month. Cash transactions over the counter are minimal (approx. \$100/week). The accounting month end process, including the monthly reconciliations, is performed by an external provider (AccWest). The operation of and management of information technology to an external provider (PCS). <p>The Shire does not have a history on thefts by employees.</p> <p>e) <i>Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the Shire.</i></p> <p>Refer <u><i>Risk Management Criteria 1 An effective risk management system...</i></u></p>	

5.	Regular risk reports, which identify new risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported.	Governance	<p>The triennial Regulation 17 review includes commentary on the appropriateness/effectiveness of the Shire's Risk management systems. The 2019 Regulation 17 Report did not identify any material or significant exceptions or incidents. Only one non-compliance, being that a review of the local laws was overdue. This was subsequently started in 2021 and completed in 2022.</p> <p>Additionally, in accordance with the statutory regulations Council, through to the AC receive:</p> <ul style="list-style-type: none"> • The annual Compliance and Audit Return. • The triennial Regulation 5 report. • The Auditor General's annual opinion on the financial statements. • The Auditor General's annual management letter. • The President meets with the Auditor General's representative in an audit entrance and exit interview with management. <p>These reports serve to advise the Shire and Council, as relevant, formally of risks and new risks.</p> <p>The Shire will be introducing a formal measurement process to identify and assess its 'corporate' risk profile'.</p> <p>In addition to the risk reporting processes noted at Risk Management Criteria 1 above, regarding risks which emerge as part of the Shire's business as usual activities:</p> <ul style="list-style-type: none"> • Operational risks: as they emerge would if necessary be reported to Council. This would include any key legislative changes. • Airport risk: The CEO has regular formal meetings with the Airport Manager. • Project risk: should these eventuate, these would be reported in writing to the Executive team. • Other risks: such matters would be reported to either the Health Building & Planning Group and/or the Council. <p><u>Risk Management Criteria 5 Regular risk reports..... Recommendations</u></p> <ul style="list-style-type: none"> • <i>To increase the visibility of improvements in place to address any agreed risk mitigations identified from the above processes we recommend the Shire introduce an Audit Actions Register. There should be a register to record recommendations arising from the above, agreed actions and assigned responsibilities. The status of these should be followed up regularly by management and the status reported formally to the AC (6 monthly).</i> • <i>The Shire should formally report the outcomes of the 'corporate risk profile' assessment process to the AC. (Refer Risk Management Criteria 1 – Recommendation). Thereafter, the Shire should conduct regular risk profile reviews and report the outcomes to the AC and/or Council.</i> • <i>The AAG report LG Audit Reg17 (1) (a) , (b) & (c) and Financial Reg 5 (2) (c), tabled at the December 2019 OCM, contained 19 Recommendations. These should be formally revisited to ensure the Actions Required have taken and if not action them accordingly.</i> • <i>Refer also <u>Risk Management Criteria 7 An effective internal control system....Recommendation.</u></i> 	Audit Committee meeting 19 Dec 2019 the Shire's reports of Regulation 5 and Regulation 17 carried out by AAG was tabled – sighted
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Risk Management

Risk management systems and programs are a key expression of the Shire of Meekatharra's (the Shire') attitude to effective controls. The CEO's triennial review (as per Section 17 of the *Local Government (Audit) Regulations 1996*) considers the appropriateness and effectiveness of the Shire's risk management systems and programs in relation to the following criteria:

Criteria	Issue	Risk Management System and Program	Ref.& Evidence
6. Adequate processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.	Finance	<p>The Shire carries a comprehensive suite of insurance policies with LGIS.</p> <p>The Shire has initiated a process for a formal asset review.</p> <p>As part of the premium setting process LGIS takes into consideration the Shire's various risk management practices and its risk migration and contingency management practices.</p>	

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Criteria	Issue	Risk Management System and Program	Ref. & Evidence
7. An effective internal control system with management and internal and external auditors.	Finance Governance	<p>The Shire does not have an in-house internal audit function.</p> <p>The Shire's audit regime, comprises:</p> <ul style="list-style-type: none"> OAG - external audit of financial statements for FY 2022 was unqualified. The OAG's management letter for FY 2022 noted one significant matter regarding 'fair value of land and assets', 2 moderate issues - inventory valuation and GST recording and one minor matter regarding unclaimed monies. Management is addressing these matters. Annual Compliance Audit Return. For 2021 no material non-compliances were reported. <p>The Shire identified a number of areas of concern over the past year, which were attributable to resourcing issues (Refer <i>Risk Management Criteria 1</i>). These related to the timeliness and accuracy of debtor management, rate details updating and bank reconciliations. The Shire has addressed this risk and has employed credentialed contractors and external service providers to resolve these matters.</p> <p><i>Refer also Risk Management Criteria 5 Regular risk reports..... Recommendation</i> regarding establishing a process for and reporting on Audit Actions.</p> <p><i>Risk Management Criteria 7 An effective internal control...Recommendation</i></p> <ul style="list-style-type: none"> The Shire should include the actions being taken to address the identified internal control matters in the Audit Actions Register, so that their resolution may be monitored by both Management and the AC. 	<p>Audit Committee meeting 19 Dec 2019 the Shire's reports of Regulation 5 and Regulation 17 carried out by AAG was tabled – sighted</p> <p>FY 2022 OAG Mgt Letter sighted</p> <p>CAR 2021 on DLGSI website sighted</p> <p>Memo DCEO to CEO 5 March 2023</p>
8. Management has controls in place for unusual types of transactions and/or any potential transactions that might	Finance	<p>The Shire has a formal month end process, which includes a review of budget versus actual:</p> <ul style="list-style-type: none"> The Deputy CEO meets with budget holders to discuss and explain and variances. Action is taken as required. All variances of budget to actual line items greater than 10% are explained in the Monthly reports to Council. Any material variances are raised in a report to Council. The Shire has a regulatory obligation to conduct a midyear budget review. This is reported to Council for approval. 	<p>Finance Manual –sighted</p> <p>OCM minutes : 16 Dec 22, 17 Sept 22, 19 Mar 22 sighted and</p>

Risk Management

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Criteria	Issue	Risk Management System and Program	Ref. & Evidence
carry more than an acceptable degree of risk.		<ul style="list-style-type: none"> On a monthly basis an Aged Debtors report is submitted to Council, with commentary of any issues. <p>The Shire is subject to audit by the OAG, as part of that the annual external audit process confirms accounting estimates/treatments are appropriate and compliant. Such matters would be addressed during the audit process.</p>	evidenced reports tabled as described
9. A procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.	Procurement	<p>The Shire's Purchasing Policy focuses on the need for ethical practices and a high degree of integrity. Additional aspects of the Policy include:</p> <ul style="list-style-type: none"> Formal guidance on calling of verbal versus written quotes. Use of panel of preferred suppliers, with market retesting every 3 years. Items above \$250,000 are subject to the tender process. Use of WALGA panel of preferred suppliers. <p>The 2021 Compliance Audit Return and the OAG June 2022 Audit Opinion did not report any issues relating to probity or transparency.</p> <p>The Shire's annual Public Sector Commission (PSC) Integrity report for 2022 did not record any procurement integrity issues.</p>	<p>Annual PSC Integrity report - sighted, no major issues referenced</p> <p>2021 CAR - sighted - no major non compliances referenced</p>
10. Should the need arise, the Audit and Risk Committee meets periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the Shire's control environment.	Finance Governance	<p>The OAG, with William Buck, attended a formal exit meeting with the full Council, the CEO and the Deputy CEO on 16 December 2022 to discuss and present the outcome of the FY 2022 external audit.</p> <p>Regulatory reports arising from OAG - external audit; the annual Compliance Audit Return, the triennial Regulation 5: Financial Systems; and Procedures and Regulation 17 Systems and Procedures are submitted to AC in accordance with regulatory obligations. The AC may ask for clarification of any matters in these reports.</p>	<p>16 December 2022 exit meeting held with full council OAG, William Buck, CEO and DCEO - agenda and exit report sighted</p>
11. Fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment	Governance	<p>The Fraud, Corruption and Misconduct Policy assigns responsibilities to the operational areas for fraud and misconduct assessments.</p>	<p>Annual PSC Integrity report - sighted, no major issues noted</p>

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Criteria	Issue	Risk Management System and Program	Ref.& Evidence
plan which has been implemented, communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.		<p>Under the Shire's Code of Conduct, incidents arising may be reported to the CEO or the Deputy CEO. Alternatively they may be reported the Corruption and Crime Commission or the Public Sector Commission.</p> <p>The Shire is committed to minimizing where possible the risk of fraud and has a zero tolerance to fraud. The Shire has a number of controls in place to mitigate and manage the risks of fraud, corruption and misconduct on an ongoing basis.</p> <p>To assist in this the Shire carries out as much segregation of duties, as is practical given the size of the Shire, and has the following mitigations in place:</p> <ul style="list-style-type: none"> Banking: there are only 3 authorised signatories. All transactions require 2 signatories (with use of password and token). Bank reconciliations are performed by external service provider(AccWest). Changes to supplier bank account details (and new accounts) are managed externally by EFTSure, with a report received on any new accounts or changes for the month. The operation of and management of information technology to an external provider (PCS). IT access is actioned by external service provider PCS on Deputy CEO approval. Cash transactions over the counter are minimal (approx. \$100/week). The accounting month end process, including the monthly reconciliations, is performed by an external provider (AccWest). The monthly and the year-end financial statements are performed by external party (AccWest). There is also separation of roles for human resources/payroll; account processing /bank reconciliation, accounting services/financial statement preparation. <p>The Shire's annual Public Sector Commission (PSC) Integrity report for 2022 did not record fraud or misconduct matters.</p> <p><u><i>Risk Management Criteria 11 Fraud and misconduct risks...- Recommendation</i></u></p> <p><i>When the Shire carries out its planned corporate risk review it should include consideration of and documentation of the 'fraud and misconduct risk' as part of that process.</i></p>	<p>Regarding Payroll, DCEO advises:</p> <ul style="list-style-type: none"> Payroll prepared by Finance Officer also loads new employees. This is checked by CEO. Then either CEO, DCEO or CDSM authorise release of payments

Internal Control

Internal control is a key component of the Shire's governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. The CEO's triennial review (as per Section 17 of the *Local Government (Audit) Regulations 1996*) considers the effectiveness of the Shire's control framework in relation to the following criteria:

Criteria		Issue	Internal Control	Ref.& Evidence
1.	Integrity and ethics	Governance	<p>Compliance with the Shire's Code of Conduct is a primary obligation of all employees. The Shire's Code of Conduct is incorporated into all new employees' induction, who are required to sign off that they will comply with the obligations set in the Code of Conduct and is also available on the Shire's website.</p> <p>The Fraud, Corruption and Misconduct Policy outlines that the Shire has a zero tolerance to fraud. Conflicts of Interest must be avoided or declared.</p> <p>The Shire's Purchasing Policy focuses on the need for ethical practices and integrity.</p>	<p>Code of Conduct - sighted</p> <p>Policy 02.08 Fraud Corruption and Misconduct - sighted</p> <p>Policy 04.02 purchasing - sighted</p>
2.	Policies and Delegated Authority.	Governance	<p>The Shire has a Policy Manual, which is available on its website. The Shire is undertaking a review of the Manual and will submit a report on the outcome of the review to Council for information or action as appropriate.</p> <p>The Shire maintains a Delegated Authority register, which is available on its website. In accordance with the Local Government Act 1995 it is reviewed annually and submitted to Council for approval.</p>	<p>Sighted:</p> <ul style="list-style-type: none"> Policy Manual Delegated Authority Register OCM minutes May 2022
3.	Levels of Responsibilities and Authorities	Governance	<p>Powers and duties and associated responsibilities from a statutory point of view are defined by the Shire's Delegated Authority register.</p> <p>The Shire has a process for authorising its Rangers (ranger services are provided under contract by an external party).</p> <p>All roles are guided by a formal Position Description which sets out the position's responsibilities.</p> <p><i>Also refer <u>Internal Control Criteria 2: Policies and Delegated Authority</u>.</i></p>	<p>Sample PDFs sighted (Finance Officer and Customer Service Officer)</p>
4.	Audit practices	Finance Governance	<p>The Shire's audit practices are overseen by the AC.</p> <p>Auditing is conducted in line with legislative requirements. This includes:</p> <ul style="list-style-type: none"> The annual Compliance and Audit Return. The triennial Regulation 5 report. The triennial Regulation 17 report. Annual audit by the OAG on the annual statements. <p><i><u>Internal Controls Criteria 1: Audit Practice. Recommendation</u></i></p> <p><i>The Shire's AC does not currently have a term of reference (TOR). The TOR is an important means for</i></p>	<p>Audit Committee meeting 19 Dec 2019 the Shire's reports of Regulation 5 and Regulation 17 carried out by AAG was tabled – sighted</p> <p>16 December</p>

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Criteria		Issue	Internal Control	Ref.& Evidence
			<i>defining governance and accountability. The Shire has recognised this and is developing a TOR, which will be submitted to Council for approval.</i>	2022 exit meeting held ,with full council OAG, William Buck, CEO and DCEO - agenda and exit report sighted
5.	Information system access and security.	Information Technology Records Management	<p>The Shire has an Information Technology policy. This provides the overarching setting for appropriate access and usage.</p> <p>The Shire uses PCS for the operation and management of its information technology, this provides a control through separation of duties. The services amongst others include:</p> <ul style="list-style-type: none"> Managing services. Providing back up. General IT assistance as required. <p><u><i>Internal Control 5 Information System Access and Security. Recommendation</i></u> <i>The Shire does not have a formal contract with PCS. We recommend that one should be developed to formalise the arrangements ,ensure responsibilities are understood by both parties; and to protect the Shire from contractual risk or in the event of a breach.</i></p>	Policy Manual Section 12- Information Technology sighted
6.	Management operating style.	Human Resources	<p>The Shire's Code of Conduct provides a guide and a basis of expectations for employees. It encourages a commitment to ethical and professional behaviour and outlines principles in which individual and collective Local Government responsibilities may be based. All employees sign off that they will comply with the Code of Conduct.</p> <p>The Shire's leadership team operate an inclusive management style. This includes a series of events and functions to establish cross Shire relationships.</p> <p>Refer also <u><i>Internal Control Criteria 10 Trained and Qualified Employees</i></u></p>	Employee Code of Conduct sighted

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Criteria		Issue	Internal Control	Ref.& Evidence
7.	Human resource management and practices.	Human Resources	<p>The CEO and Deputy CEO take responsibility for human resources practices.</p> <p>All new staff receive a formal induction into the organisation.</p> <p>The Shire undertakes to ensure all staff are appropriately qualified. All staff are trained, as required, to ensure they have valid tickets. E.g. vehicle licenses, chain saw usage, traffic management etc.</p> <p><i>Refer also <u>Internal Control Criteria 6. Management Operating Style</u></i></p>	
8.	Delegation of Authority.	Governance	<p>The Shire carries out the annual process to update the Delegated Authority, which Council and the CEO approve in accordance with the Local Government Act 1995.</p> <p>The Shire's Delegation Register is available on the Shire's website.</p> <p><i>Refer also <u>Internal Control Criteria 2: Policies and Delegated Authority</u></i></p>	<p>Sighted:</p> <ul style="list-style-type: none"> • Policy Manual • Delegated Authority Register • OCM minutes May 2022
9.	Documented Policies and Procedures.	Governance	<p>The Shire has documented:</p> <ul style="list-style-type: none"> • The Policy Manual. • The Finance Manual. • Various month end checklists. • Pre-start checklists. 	<p>Policy Manual sighted</p> <p>Finance Manual sighted</p> <p>Various month end checklists sighted</p>
10.	Trained and qualified employees.	Human Resources	<p>The Shire undertakes to ensure all staff are appropriately qualified and trained:</p> <ul style="list-style-type: none"> • All staff are trained, as required, to ensure they have valid tickets. E.g. vehicle licenses, chain saw usage, traffic management etc. • Registers of training are maintained. • Each officer has an individual training needs analysis. • Each officer has an annual performance review. 	
11.	System controls	Information Technology	<p>System access is role based and intended to provide as much segregation, as is practical. Requests for system user access goes through an approval process. The Deputy CEO makes the approval, prior to sending the request to PCS to action.</p>	<p>Audit Committee meeting 19 Dec 2019 the Shire's reports of Regulation 5 and</p>

Internal Control

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Criteria	Issue	Internal Control	Ref.& Evidence
		<p>Only PCS can:</p> <ul style="list-style-type: none"> Add new employees or suppliers. Make changes to users' set up and access. Install, remove or delete software. <p>All new suppliers are vetted externally by EFTSure prior to being approved as creditor.</p> <p>The annual Compliance Audit Return 2021 did not note any material control weakness.</p> <p>The Regulation 5 Financial Systems and Procedures 2020 found a generally sound control environment.</p> <p>The OAG - external audit of financial statements for FY 2022 was unqualified.</p> <p>The OAG's management letter for FY 2022 contained one significant matter regarding 'fair value of land and assets', 2 moderate issues - inventory valuation and GST recording and one minor matter regarding unclaimed monies. Management is addressing these matters.</p> <p>Refer also:</p> <ul style="list-style-type: none"> <u><i>Risk Management Criteria 7: An effective internal control system....Recommendation</i></u> <u><i>Internal Controls 11 System controls</i></u> <u><i>Internal Control 5 Information system access and security. Recommendation</i></u> <u><i>Internal Control Criteria 15 -Separation of roles and functions, processing and authorisation Recommendation</i></u> 	Regulation 17 carried out by AAG was tabled - sighted
12. Effective Policy and Process Review.	Governance	<p>The Shire has a comprehensive Policy Manual dated 2019, which is available on its website.</p> <p>The Shire is undertaking a review of the Manual and will submit a report on the outcome of the review to Council for information or action as appropriate.</p>	Policy Manual - sighted
13. Regular internal audits	Finance Governance	The Shire does not have an internal audit function.	
14. Documentation of risk identification and assessment.	Governance	The Shire is addressing this Criteria. Refer also <u><i>Risk Management Criteria 2: An effective risk management</i></u>	

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Criteria	Issue	Internal Control	Ref.& Evidence
15. Separation of roles and functions, processing and authorisation.	Finance Governance	<p>From a statutory point of view, delegations and authorisations are in place and structured to ensure that a suitable line of reporting and separation of duties is present. In some instances, this is dictated by legislation with conditions placed on certain delegations and authorisations.</p> <p>All roles are guided by a formal Position Description which sets out the position's responsibilities. As part of the New Starter process the managers define what level of access the position requires. This in turn is also reviewed and then 'signed off' by the Deputy CEO before sending to PCS to action.</p> <p>Requests to change or increase a delegation or authorisation must be supported and requested by the respective Manager. This in turn is then reviewed and then 'signed off' by the Deputy CEO before sending to PCS to action.</p> <p>The Shire separates the following activities within its accounting systems:</p> <ul style="list-style-type: none"> Bank reconciliations are performed by external service provider. New and changes to suppliers are vetted by an external party (EFTSure). Monthly reconciliations and production of monthly and year end statements performed by external party (AccWest). IT access is actioned by external service provider (PCS) on Deputy CEO approval. There is also separation of roles for human resources/payroll; account processing/bank reconciliation, accounting services/financial statement preparation. <p><u>Internal Control Criteria 15 -Separation of roles and functions, processing and authorization.</u></p> <p><u>Recommendation</u></p> <p><i>The Shire does not have a formal contract with Accwest or EFTSure. We recommend these should be developed to formalise the arrangements, ensure responsibilities are understood by both parties; and to protect the Shire from contractual risk or in the event of a breach.</i></p> <p>Refer also:</p> <ul style="list-style-type: none"> <u>Internal Controls Criteria 11 System controls</u> <u>Internal Control Criteria 5 Information system access and security. Recommendation</u> 	<p>Regarding Payroll, DCEO advises:</p> <ul style="list-style-type: none"> Payroll prepared by Finance Officer also loads new employees. This is checked by CEO. Then either CEO, DCEO or CDSM authorise release of payments

Internal Control

Internal control is a key component of the Shire's governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. The CEO's triennial review (as per Section 17 of the *Local Government (Audit) Regulations 1996*) considers the effectiveness of the Shire's control framework in relation to the following criteria:

Criteria	Issue	Internal Control	Ref.& Evidence
16. Control of approval of documents, letters and financial records	Governance/Legal Counsel Records Management Finance	The Shire aims to comply with the State Records Act regarding documents, letters and financial records. The Shire has recently introduced the Altus software system to strengthen controls in this area. All outgoing and incoming correspondence is now stored on the Shire's server. If necessary, physical copies are retained.	
17. Comparison of internal data with other or external sources of information.	Finance	The Shire utilises monthly checklists for its accounting and front counter tasks. This should assist in identifying any anomalies. MyCouncil on the DLGSCI website provides for comparison of financial health data across the Councils. The Shire's data is available on MyCouncil.	DLGSCI website - sighted My Council - sighted
18. Limit of direct physical access to assets and records	Information Technology Records Management 'Works'	The Administrative Building is secured by keys and an alarm system. The Depot has an electric fence and guard dogs and CCTV. The Shire's 'old' records are currently held locked on-site Sea containers. However, with the relocation of the Community Resource Centre to other premises, the Shire will refurbish this building with climate controlled and proper document compactus to enable better storage of the Shire's records. Council has approved a budget of \$140,000 for this. This is expected to take place in FY 2023.	
19. Control of computer applications and information system standards.	Information Technology	All Shire computers are set up with virus scanners. All computer data is backed up and backups are stored offsite. All employees are required to comply with the Shire's Code of Conduct, which addresses usage of information and information systems. Refer also <u>Internal Controls Criteria 11 System controls</u>	Employee's Code of Conduct - sighted Policy 12.01 - sighted Information Communications Technology - sighted

Internal Control

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Criteria		Issue	Internal Control	Ref.& Evidence
20.	Limit of access to make changes in data files and systems	Information Technology Other programs	User access is restricted according to the role being performed. Administration access is restricted to PCS. Refer also <u>Internal Controls Criteria 11 System controls</u>	
21	<p>a) Regular maintenance and review of financial control accounts and trial balances.</p> <p>b) Comparison and analysis of financial results with budgeted amounts.</p> <p>c) The arithmetical accuracy and content of records.</p>	Finance	<p>a) <u>Regular maintenance and review of financial control accounts and trial balances</u> The Shire conducts regular monthly reconciliations of the trial balance to the sub ledgers and to the general ledger. This task is performed by the external service providers AccWest, as part of the month end process. AccWest to highlight any variances in their report to the Shire.</p> <p>Refer also :</p> <ul style="list-style-type: none"> • <u>Risk Management Criteria 1 An effective risk management system...</u> • <u>Risk Management Criteria 7: An effective internal control system...</u> <p>b) <u>Comparison and analysis of financial results with budgeted amounts</u> The Shire has a formal month end process, which includes a review of budget versus actual:</p> <ul style="list-style-type: none"> • The DCEO meets with budget holders to discuss and explain and variances. Action is taken as required. • All variances of budget to actual line items greater than 10% are explained in the Monthly reports to Council. • Any material variance are raised in a report to Council. • The Shire has a regulatory obligation to conduct a midyear budget review. This is reported to Council for approval. <p>The Shire is subject to audit by the OAG. The annual external audit confirms accounting estimates / treatments are appropriate and compliant. Such matters would be addressed during the audit process.</p> <p>c) <u>The arithmetical accuracy and content of records</u> Each month the Shire submits the warrant listing to Council, including any accounts paid under delegated authority and credit cards detail (by transaction).</p> <p>The Shire is subject to audit by the OAG. The annual financial statement audit should identify any material errors.</p>	Finance Manual - sighted

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Criteria	Issue	Internal Control	Ref.& Evidence
	<p>d) Report, review and approval of financial payments and reconciliations.</p> <p>e) Comparison of the result of physical cash and inventory counts with accounting records.</p>	<p>Refer also :</p> <ul style="list-style-type: none"> • <u>Risk Management Criteria 1 An effective risk management system...</u> • <u>Risk Management Criteria 7: An effective internal control system...</u> <p>d) <u>Report, review and approval of financial payments and reconciliations</u> The release of payments, by the bank, is subject to dual authorisation by 2 members of the leadership team (CEO, Deputy CEO and CDSM). Two of those officers must use a token and a password to approve the payment release.</p> <p>Refer (a) and (c) above.</p> <p>e) <u>Comparison of the result of physical cash and inventory counts with accounting records</u> Annual stock takes are undertaken at the Depot.</p> <p>The OAG Management letter for FY 2022 raised a moderate control finding, which management is actioning: <i>"Inadequate controls over inventory. Finding</i> <i>We noted that the Shire did not have adequate processes in place to record the outgoing movements of its inventory during the year. As such, the inventory balance of \$108,550 in the annual financial report is based on management's estimation from the physical inventory count performed on 30 June 2022."</i></p>	

Legislative Compliance

The compliance programs of the Shire are a strong indication of attitude towards meeting legislative requirements. The CEO's triennial review (as per Section 17 of the *Local Government (Audit) Regulations 1996*) considers the effectiveness of the Shire's compliance programs in relation to the following criteria:

Criteria	Issue	Compliance program	Ref.
1. Monitoring compliance with legislation and regulations.	Shire SubPrograms	<p>The Shire is committed to good governance practices Individual managers and officers are responsible for monitoring legislative compliance within their team and addressing any issues identified.</p> <p>The Shire's annual CAR processes provides a mechanism to assess the Shire's compliance with legislation.</p> <p>The Shire is in the process of developing a Compliance Calendar to enhance the process of ensuring and monitoring for compliance with legislation and regulations.</p>	2021 CAR -sighted - no major non compliances
2. Reviewing the annual Compliance Audit Return and reporting to Council the results of that review.	Governance	<p>The CAR is reported to Council through the AC, prior to submission to the Department (DLGSCI).</p> <p>The 2021 CAR was reported to the AC and Council and approved by Council on 19 March 2022. The CAR was submitted by the CEO to the DLGSCI.</p> <p>The 2022 CAR has recently been completed and due process will follow.</p>	<p>OCM minutes -19 March 2022 sighted</p> <p>CEO signed CAR, dated 19 March 2022 sighted</p>
3. Staying informed about how Management is monitoring the effectiveness of its compliance and making recommendations for change as necessary.	Shire Sub Programs	Refer <u>Risk Management Criteria 5 Regular risk reports..... Recommendations</u>	
4. Reviewing whether the Shire has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints.	Governance Human Resources	<p>The Code of Conduct for Elected Members and Complaints Handling and the Code of Conduct for Employees are current. These are updated as necessary to reflect any legislative changes.</p> <p><u>Process for Elected Member breaches</u>: Processes are in place for grievances relating to Elected Members. These are typically processed by the CEO or Deputy CEO and in accordance with Policy, statutory and regulatory requirements. As required, proven breaches or complaints are published on the Shire's website.</p> <p><u>Processes for staff breaches</u> are typically handled by the CEO. These may relate to breaches against the Code of Conduct. There is a grievance policy and procedures in place regarding complaints.</p>	<p>Employee Code of Conduct - sighted</p> <p>Complaints Register-sighted on website</p> <p>Annual PSC Integrity report - sighted, no major</p>

Legislative Compliance

The compliance programs of the Shire are a strong indication of attitude towards meeting legislative requirements. The CEO's triennial review (as per Section 17 of the *Local Government (Audit) Regulations 1996*) considers the effectiveness of the Shire's compliance programs in relation to the following criteria:

Criteria	Issue	Compliance program	Ref.
		Outcomes are reported in summary in the annual PSC Integrity report. The Shire also has a Public Interest Disclosure (PID) Policy to facilitate disclosure of public interest information and protect persons making disclosures and persons that are subject of disclosures. The Shire has a PID officer. Refer also <u><i>Risk Management Criteria 4 (d) Internal processes for determining</i></u>	issues
5.	Obtaining assurance that adverse trends are identified and review management's plans to deal with these.	Governance Human Resources Finance <ul style="list-style-type: none"> The Shire has a formal month end process, which includes a review of budget versus actual: The DCEO meets with budget holders to discuss and explain and variances. Action is taken as required. All variances of budget to actual line items greater than 10% are explained in the Monthly reports to Council. Any material variance are raised in a report to Council. The Shire has a regulatory obligation to conduct a midyear budget review. This is reported to Council for approval. On a monthly basis an Aged Debtors report is submitted to Council, with commentary of any issues Refer also <u><i>Risk Management Criteria 5 Regular risk reports..... Recommendations</i></u>	Finance Manual - sighted OCM minutes: 16 Dec 22, 17 Sept 22, 19 Mar 22 sighted and evidence reports tabled as described
6.	Reviewing management disclosures in financial reports of the effect of significant compliance issues.	Finance <p>The OAG performs the Shire's annual external financial statement audit. The findings and recommendations, along with management responses and action plans, are reported to the AC.</p> Refer also <u><i>Risk Management Criteria 5 Regular risk reports.....</i></u>	
7.	Reviewing whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit	Governance <p>The Shire does not have an internal audit function.</p> <p>The OAG carries out the external financial statements audit in accordance with legislation, accounting, and auditing standards. The Shire has no ability to influence the scope.</p> <p>The CAR requires commentary on '<i>Integrity and Ethics</i>' matters and any arising exceptions should be included and addressed by the above process.</p>	



Legislative Compliance

The compliance programs of the Shire are a strong indication of attitude towards meeting legislative requirements. The CEO's triennial review (as per Section 17 of the *Local Government (Audit) Regulations 1996*) considers the effectiveness of the Shire's compliance programs in relation to the following criteria:

Criteria	Issue	Compliance program	Ref.
projects, and report compliance and ethics issues to the audit committee.		Refer also: <ul style="list-style-type: none"> <u><i>Risk Management Criteria 11 Fraud and misconduct risks...</i></u> <u><i>Internal Control Criteria 1 Integrity and ethics</i></u> 	
8. Considering the internal auditor's role in assessing compliance and ethics risks in their plan.	Governance	The Shire does not have an in-house internal audit function.	
9. Monitoring the Shire's Compliance Frameworks dealing with relevant external legislation and regulatory requirements.	Governance	The Shire does not have a Compliance Framework. The Shire is in the process of developing a Compliance Calendar to enhance the process of ensuring and monitoring for compliance with legislation and regulations. The Shire's CAR processes provides a mechanism to assess the Shire's compliance with legislation.	
10. Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.	Governance	The full Council forms the Shire's AC. Elected members are inducted and provided with Code of Conduct when appointed. Elected members must also carry out Essentials Training – online via WALGA eLearning portal. The AC does not have any independent members. <u>Refer <i>Internal Controls Criteria 1: Audit Practice. Recommendation</i></u>	

END OF DOCUMENT

4.2 ESTABLISHMENT OF TERMS AND CONDITIONS

Applicant:	Nil	
File Ref:	CM.PR.002	
Disclosure of Interest:	Nil	
Date of Report:	06 April 2023	
Author:	Peter Dittrich Acting Chief Executive Officer	Signature of Author
Senior Officer:	Peter Dittrich Acting Chief Executive Officer	 Signature Senior Officer

Summary/Matter for Consideration:

That the Audit Committee review the Terms of Reference of the Audit Committee and, if appropriate, recommend the adoption of the Terms of Reference to Council.

Attachments:

Shire of Meekatharra Audit Committee draft Terms of Reference.

Background:

As part of the Regulation 17 of the Local Government (Audit) Regulations 1996 review it was identified that the Terms of Reference of the Committee should be reviewed each year.

Comment:

During the Regulation 17 review it was identified that “*The Shire is progressing a range of other improvement activities to further strengthen governance over the Shire’s operations. For example: planning strategic/corporate risk profiling; developing of a compliance calendar; refreshing the Policy Manual and the Finance Manual and developing the terms*”. As part of this process it was identified that the Terms of Reference for the committee should be reviewed.

The attached Terms of Reference were developed after undertaking a scan of the local government environment to identify appropriate Terms of Reference for the Shire of Meekatharra.

Consultation:

CEO – Kelvin Matthews
Karen Bateman – Badgemore Consulting

Statutory Environment:

Local Government ACT 1995
Subdivision 2 — Committees and their meetings
5.8. Establishment of committees

Policy Implications:

Nil

Budget/Financial Implications:

Nil

Strategic Implications:

Nil

Voting Requirements:

Simple Majority

Officers Recommendation / Committee Resolution:

Moved:

Seconded:

That the Committee recommend that Council adopt the attached Audit and Risk Committee Terms of Reference.

CARRIED / LOST

TERMS OF REFERENCE – AUDIT AND RISK COMMITTEE

Purpose

Section 7.1A of the *Local Government Act 1995* (the Act) requires that all local governments establish an Audit & Risk Committee (“the Committee”). The Committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

This Terms of Reference (“TOR”) sets out the objectives, authority, membership, role, and responsibilities of the Committee.

Objectives

The objectives of the Committee are to oversee:

1. the credibility and objectivity of financial reporting;
2. the effective management of financial and other risks and the protection of Council assets;
3. compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
4. the scope of work, objectivity, performance and independence of the external and internal auditors;
5. the process and systems which protect against fraud and improper activities; and
6. the provision of an effective means of communication between the external auditor, internal auditor, the CEO and Council.

Roles and Responsibilities

The Committee is a formally appointed committee of Council and is responsible to that body.

The Committee has the responsibility to:

1. Review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken;
2. Request the CEO to seek information or advice in relation to matters considered by the Committee;
3. Formally meet with internal (where applicable) and external auditors as necessary;
4. Seek resolution on any disagreements between management and the external auditors on financial reporting; and
5. Make recommendations to Council with regards to matters within its scope of responsibility.

Delegated Authority

The Committee no delegated authority.

Membership

Section 7.1A of the *Local Government Act 1995* states the members of the Committee are to be appointed* by the local government and at least 3 of the members, and where the Committee consists of more than 3 members then the majority of those members, are to be Councillors.

The CEO is not to be a member of the Committee and may not nominate a person to be a member of the Committee.

As a minimum, the Shire's Committee will consist of 3 members, being 3 Councillors including the Shire President.

All members will have full voting rights. In the event of a tie the Chairperson will have the casting vote.

The appointment of external members (if applicable) shall be based on the following criteria:

1. A suitably experienced professional who can demonstrate a high level of expertise and knowledge in financial management, risk management, governance and audit (internal and external);
2. Have an understanding of the duties and responsibilities of the position, ideally with respect to local government financial reporting and auditing requirements;
3. Have strong communication skills;
4. Have relevant skills and experience in providing independent audit advice; and
5. Be a person with no operating responsibilities with the Shire nor provide paid services to the Shire either directly or indirectly.

The appointment and re-appointment of external members shall be made by Council by way of invitation and be for a period of up to 4 years. External members will not be appointed for more than three consecutive terms.

External members will be required to confirm they will operate in accordance with the Shire's Code of Conduct and will be required to follow Council's policies pertaining to the Committee operations.

Council may, by resolution, terminate the appointment of any external member prior to the expiry of their term if:

1. The Committee, by majority decision, determines the member is not making a positive contribution to the Committee; or
2. The member is found to be in breach of the Shire's Code of Conduct or a serious contravention of the Local Government Act 1995; or
3. A member's conduct, action or comments brings the Shire into disrepute.

The Chairperson of the Committee is to be appointed by majority vote of the Committee. The Chairperson can be a Councillor or an external member.

The CEO and/or their delegate are to attend meetings to provide advice and guidance to the Committee.

Functions

Regulation 16 of the *Local Government (Audit) Regulations 1996* defines the functions of an Audit Committee as:

- a) *to guide and assist the local government in carrying out —*
 - (i) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- c) *to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
 - (i) *report to the council the results of that review; and*
 - (ii) *give a copy of the CEO's report to the council;*
- d) *to 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) *to 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) *to oversee the implementation of any action that the local government —*
 - (iii) *is required to take by section 7.12A(3); and*
 - (iv) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (v) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (vi) *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) *to perform any other function conferred on the audit committee by these regulations or another written law.*

5. OTHER GENERAL BUSINESS

6. CLOSURE OF MEETING