



## SHIRE OF BODDINGTON

*'The Council and Staff of the Shire of Boddington, in partnership with the community, are committed to operating effectively and efficiently to provide quality lifestyle opportunities that encourage population growth and development'*

MINUTES

For The  
Special Meeting of Council  
Held At

5:00PM

TUESDAY 30<sup>th</sup> OCTOBER 2018

Council Chambers  
39 Bannister Road Boddington

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## Minutes

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## 1. DECLARATION OF OPENING:

Martin Glynn, Shire President, declared the meeting open at 5.10pm.

"I would like to acknowledge the traditional custodians of the land, the Nyoongar People, and pay my respects to Elders, past and present".

## 2. ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE:

Martin Glynn	Shire President
Rod McSwain	Councillor
Garry Ventris	Councillor
Jason Hoffman	Councillor
William McGrath	Councillor

Chris Littlemore	Chief Executive Officer
<b>Mr G Stanley</b>	<b>Director of Corporate &amp; Community Services</b>
James Rendell	Manager of Financial Services

Apologies	Cr David Smart	Deputy Shire President
	Cr Sharan Manez	

## 3. DISCLOSURE OF FINANCIAL INTEREST:

Nil

## 4. CONFIRMATION OF MINUTES:

4.1.1	Audit Committee Meeting Held on Tuesday 30 October 2018
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### RESOLUTION:

That the minutes of the Audit Committee Meeting held on 30 October 2018 be confirmed as a true record of proceedings.

RESOLUTION	111/18	Moved: Cr Hoffman
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That the minutes of the Audit Meeting held on 30 October 2018 lay on the table.

Seconded:	Cr Ventris	Carried: 4/0
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## 5. REPORTS:

### 5.1.1 Audit Report 2018

File Ref. No:	ADM 0279
Disclosure of Interest:	Nil
Date:	26 October 2018
Author:	James Rendell
Attachments:	5.1.1A 2017/2018 Annual Report – Separate Attachment 5.1.1B 2017/18 Financial & Management Report – Separate Attachment

#### Summary

The Audit Committee is to consider the 2017/18 Auditor's Management Report, 2017/18 Audit Report and draft 2017/18 Annual Report to make a recommendation to Council to adopt the 2017/18 Annual Report.

#### Background

Council received the 2017/18 Audit Report and Management Letter on Thursday 25 October 2018. The audit report must be considered by the Audit Committee as part of the process for the preparation of Council's Annual Report.

The recommendation of the Audit Committee then goes to Council for adoption. This triggers the holding of the Annual Electors Meeting.

The Annual Electors Meeting must be held within 56 days of the Council accepting the Annual Report. Council must give at least 14 days public notice before the Annual Electors Meeting can be held.

#### Comment

The audit review of compliance with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 did not indicate any issues of non-compliance which required reporting other than the asset renewal funding ratio not being included in the annual financial report as required by Local Government (Financial Management) Regulations 1996 Section 50 (1) (c).

Strategic Implications - There appear no further implications in this regard.

#### Statutory Environment

Local Government Act 1995

##### 7.1A. Audit committee

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.
- (2) The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.  
\* Absolute majority required.
- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.
- (4) An employee is not to be a member of an audit committee.

7.1B. Delegation of some powers and duties to audit committees

(1) Despite section 5.16, the only powers and duties that a local government may delegate\* to its audit committee are any of its powers and duties under this Part other than this power of delegation.

\* Absolute majority required.

(2) A delegation to an audit committee is not subject to section 5.17.

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an Audit Committee is to be made by a simple majority.

Policy Implications - There appear no further implications in this regard.

Financial Implications - There appear no further implications in this regard.

Economic Implications - There appear no further implications in this regard.

Social Implications - There appear no further implications in this regard.

Environmental Considerations - There appear no further implications in this regard.

Consultation

Ms Maria Cavallo, Director Audit AMD Chartered Accountants

Ms Melanie Blain, Client Advisor – Audit AMD Chartered Accountants

Options

The Committee can resolve the Officer's Recommendation or an amended resolution.

Voting Requirements - Simple Majority

OFFICER'S RECOMMENDATION – ITEM 5.1.1

RESOLUTION

112/18

Moved: Cr Ventris

That Council accept the Audit Committee recommendation to:

1. accept the 2017/18 Annual Report included as separate Attachment 5.1.1A; and
2. accept the 2017/2018 Financial Report included as separate Attachment 5.1.1B.

Seconded:

Cr Hoffman

Carried: 4/0

## 5.1.2 Review of Council Audit Committee

File Ref. No:	ADM 0279
Disclosure of Interest:	Nil
Date:	25 October 2018
Author:	Chris Littlemore
Attachments:	Good Governance (prepared by Cr Glynn)

### Summary

The Audit Committee is to consider the functions of the Audit Committee and how it can optimise its performance.

### Background

On 28 October 2017, the Local Government Amendment (Auditing) Act 2017 was proclaimed, giving the Auditor General the mandate to audit Western Australia's 139 local governments and 9 regional councils.

The Act allows the Auditor General to now conduct performance audits of local governments.

Cr Glynn prepared a discussion paper regarding Council's audit functions with several recommendations.

### Comment

Council currently has four distinct processes in relation to compliance:

1. Annual Financial Audit
2. Annual Compliance Audit Return
3. Biennial Regulation 17 Audit
4. Quadrennial Financial Management Systems Review

The **Annual Financial Audit** examines Council's financial records and annual report to ensure that Council complies with accounting standards and that the annual report does not have any material misstatements. The audit report and accompanying management letter, prepared by Council's auditors are considered by the committee and the Council.

Council also completes a statutory **Annual Compliance Audit Return** and has the return adopted by Council. The return is a checklist of a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered "high risk." The checklist is prepared by the Department of Local Government Sport and Cultural Industries each year. It is completed by staff before being submitted to the audit committee for consideration.

The **Biennial Regulation 17 Audit** requires the CEO to review the appropriateness and effectiveness of the local government's systems and procedures in relation to –

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

In practice, to ensure independent advice is provided to Council, Council's auditors have been contracted to conduct the review. The last review was considered by Council's Audit Committee on 7 March 2017. Council's auditors have been on site during October 2018 to conduct the current Reg 17 audit.

The **Quadrennial Financial Management Systems Review** is mandated by regulation 5 (1) of the Local Government (Financial Management) Regulations. The last review considered the systems in place in respect:

- a. Collection of money
- b. Custody and security of money
- c. Maintenance and security of the financial records
- d. Accounting for municipal or trust transactions
- e. Authorisation for incurring liabilities and making payments
- f. Maintenance of payroll, stock control and costing records; and
- g. Preparation of budgets, budget reviews, accounts and reports required by the act or the regulations.

Again, to ensure independence, the review is prepared by Council's auditors. The auditor's report was considered by Council's Audit Committee on 19 July 2016.

Councillor Glynn has proposed a document **Good Governance** which is attached and the proposals appear below.

Proposal:

1. The membership of the Boddington Audit Committee is reopened to Councillors to increase the number of involved Councillors.
2. The Audit Committee splits the two audits, the Internal Audit and the Financial Audit into two separate processes and commissions differing service providers to undertake the requirements of the two audits. Each resulting report is then considered separately by the Boddington Shire Council.
3. The Audit Committee annually selects an additional area for review. For example the committee may add procurement as an additional area for auditing

### Strategic Implications

Demonstrated improved governance visible to the community and the Office of the Auditor General WA.

### Statutory Environment

Local Government Act 1995

#### 7.1A. Audit committee

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.
- (2) The members of the audit committee of a local government Are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.  
\* Absolute majority required.
- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.
- (4) An employee is not to be a member of an audit committee.

#### 7.1B. Delegation of some powers and duties to audit committees

- (1) Despite section 5.16, the only powers and duties that a local government may delegate\* to its audit committee are any of its powers and duties under this Part other than this power of delegation.  
\* Absolute majority required.
- (2) A delegation to an audit committee is not subject to section 5.17.



7.1C. Decisions of audit committees

Despite section 5.20, a decision of an Audit Committee is to be made by a simple majority.

Policy Implications

There appear no further implications in this regard.

Financial Implications

An internal audit function in addition to the current audit requirements is likely to add a further \$10,000 per annum to Council's audit expense.

Economic Implications

There appear no further implications in this regard.

Social Implications

There appear no further implications in this regard.

Environmental Considerations

There appear no further implications in this regard.

Consultation

Ms Maria Cavallo, Director Audit AMD Chartered Accountants

Options

The Committee can resolve the Officer's Recommendation or an amended resolution.

Voting Requirements - Simple Majority

**OFFICER'S RECOMMENDATION – ITEM 5.1.2**

RESOLUTION: 113/18 Moved: Cr Ventris

That the Audit Committee recommends to Council that it consider the costs and benefits of introducing an internal audit function.

Seconded: Cr McSwain Carried: 4/0

Good Governance

Disclosure of Interest:

Date:

Author: Martin Glynn

Attachments:

### Summary

The Boddington Shire Council is required to have oversight of the financial operation of the Shire. In the function of this capacity members of the Council sit on an Audit Committee which conducts actions to review and moderate financial operations at the commencement and during the financial year.

### Background

The Office of the Auditor General is conducting financial and operational audits of local governments. While not all local governments are currently included at this time they will all eventually be audited by the Department.

Current legislation, specifically the Local Government Act Audit Regulations 517 require the CEO to report to the Audit Committee regarding three specific areas:

- Risk Management
- Internal Controls
- Legislative Compliance

It is then the role of the Audit Committee to report the findings and any recommendations arising for the action to the Council. The Council can then consider actions to be undertaken.

### Comment

Auditor General is currently reviewing that this specific area of interest. It is the responsibility of the Auditor General's Office to ensure these actions are undertaken and appropriate actions are completed to address issues arising.

Many Shire Councils are currently demonstrating a proactive approach to the processes of Internal Management to show to the Auditor General's Office that the Council is in control, is a proactive body and it is not just treating this requirement as a 'check box' exercise.

The internal audit is not really a true Audit. It is more a process of examining opportunities to improve our effectiveness, reviewing causes rather than symptoms and proposing organisational improvements. Ultimately it is a process of continuous improvement.

The process uses the Audit Committee to assess and convey to Council the finding of the CEO.

Proposal:

1. The membership of the Shire of Boddington Audit Committee is re-opened to Councillors to increase the number of involved councillors.
2. The Audit Committee splits the two audits, the Internal Audit and the Financial Audit into two separate processes and commissions differing service providers to undertake the requirements of the two audits. Each resulting report is then considered separately by the Boddington Shire Council.
3. The Audit Committee annually selects an additional area for review. For example the Committee may add Procurement as an additional area for auditing.

Strategic Implications

Demonstrated improved governance visible to the community and to the Office of the Auditor General WA.

Policy Implications Nil

Financial Implications

Costs incurred for the service provider.

Costs negated by improved financial performance brought about by the audit.

Social Implications Nil

Consultation

WALGA, Department of Local Government and the Office of the Auditor General.

Statutory Environment

Local Government (Audit) Regulations 1996 Regulation 17.

6. NEXT MEETING:

TBA

7. CLOSURE OF MEETING:

With no further business to discuss the Shire President, Cr Glynn, closed the meeting at 5:21pm.

These minutes were confirmed by the Council as a true and accurate record at the Ordinary Council Meeting held on Tuesday 18 December 2019

.....  
M Glynn  
(President)