



Shire of **Ngaanyatjaraku**  
ON A JOURNEY

**Minutes of Audit Committee Meeting  
Held at Warburton  
12<sup>th</sup> December 2014 at 2:00pm**

**SHIRE OF NGAANYATJARRAKU**  
**AUDIT COMMITTEE MEETING**  
**12 December 2014**

**A G E N D A**

1. **OPENING OF MEETING BY SHIRE PRESIDENT**
2. **RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE**
3. **DECLARATION OF MEMBERS' AND OFFICERS' INTERESTS**
4. **CONFIRMATION OF MINUTES**  
Audit Committee meeting 13<sup>th</sup> July 2014
5. **REPORT BY THE CHIEF EXECUTIVE OFFICER**  
Report No. AC004-14      Regulation 17 Review – Risk Management, Internal Controls  
& Legislative Compliance
6. **MATTERS FOR INFORMATION**
7. **CLOSURE OF MEETING BY SHIRE PRESIDENT**



**MINUTES OF AUDIT COMMITTEE MEETING  
HELD ON 12<sup>th</sup> DECEMBER 2014 AT 2:00PM (WST)  
IN THE SHIRE OF NGAANYATJARRAKU MEETING ROOM**

Shire President Cr. J.D. McLean welcomed the members and staff to the Committee Meeting and declared it open at 2.05pm.

**PRESENT** Cr. J.D. McLean (President)  
Cr. L. West  
Cr. J. Frazer  
Cr. A. Jones  
Cr. A. Bates

Mr. Chris Paget - Chief Executive Officer

**APOLOGIES**

Councillor B. Thomas  
Councillor P. Thomas  
Councillor C.F. Twine

**QUESTION TIME**

No questions

**DECLARATION OF MEMBERS' AND OFFICERS' INTERESTS**

Nil

**CONFIRMATION OF MINUTES**

Audit Committee meeting 13<sup>th</sup> July 2014

**MOVED** Cr. Bates, seconded Cr. Frazer, that the minutes of the Audit Committee meeting held on 13<sup>th</sup> July 2014 be confirmed as a true and accurate record of the proceedings of that meeting.

**CARRIED 5/0**



## **REPORT BY THE CHIEF EXECUTIVE OFFICER**

**REPORT NO: AC004-14 TO: AUDIT COMMITTEE MEETING 12<sup>th</sup> DECEMBER 2014  
SUBJECT: REGULATION 17 REVIEW – RISK MANAGEMENT, INTERNAL CONTROLS  
& LEGISLATIVE COMPLIANCE**

### **PURPOSE**

The purpose of this report is to note the results of a review by the Chief Executive Officer of the appropriateness and effectiveness of organisational systems and procedures in relation to risk management, internal control and legislative compliance.

### **BACKGROUND**

This report has been developed to comply with a new regulation that requires the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- (a) Risk management;
- (b) Internal controls; and
- (c) Legislative compliance.

On the 9<sup>th</sup> February 2013 a new Regulation 17 of the Local Government (Audit) Regulations came into effect. This regulation requires a review of the appropriateness and effectiveness of systems and procedures in relation to risk management, internal control and legislative compliance to be undertaken at least once every two calendar years, and a report made to the Audit Committee about the results of that review. In turn the Committee makes a recommendation to Council about the review outcomes.

This is the first review to be conducted following the amendment to the Audit regulations, which prescribe that the initial review must be undertaken by the 31<sup>st</sup> December 2014.

### **COMMENT**

Under the new regulation the CEO is to review the *appropriateness* and *effectiveness* of a local government's systems and procedures in relation to risk management. In terms of appropriateness, the CEO is to determine what processes, systems and controls are appropriate in the context of risk appetite, the internal / external environment and what is suitable for the Shire's size and operations. Effectiveness is assessed through monitoring events and testing controls. For systems and procedures to be effective, they must exist.

Internal controls are not just restricted to financial matters, it should also include controls and processes relating to staffing/human resources, governance, and the overall internal control environment.

Legislative compliance refers not only to matters that are examined in the annual Compliance Audit Return to the Department of Local Government, but all legislation applicable to the operations of the Council and for which it has some responsibility in enforcing.

The review of each of these areas is detailed in the following report.



### **Risk Management**

The Shire of Ngaanyatjarraku currently has some rudimentary systems and procedures in place in regards to risk management, internal control and legislative compliance. However, no formalised Risk Management system is currently in place and an effective risk management policy and framework will need to be developed and adopted by Council in 2015. This will entail the identification and drafting of systems and processes that will enable us to review and assess risk management on an ongoing basis. The first step is to create a policy, from which other elements will flow.

The objectives of the policy will be as follows:

- Adopt and implement a risk management framework that integrates risk management into the organisation and provides the mandate, resources and management systems.
- Foster and develop a risk management culture that influences all activities and decision making.
- Improve the way assets, functions and services are managed and delivered to achieve objectives and reduce potential harm to the Shire.

Under such a policy the Shire will manage risks continuously using processes that involve the identification, analysis, evaluation, treatment, monitoring and review of risks. It will be applied to decision making through all levels of the organisation in relation to planning or executing any function, service or activity. As noted in the Regulations, the risk management framework is required to be reviewed for appropriateness and effectiveness at least every two years.

The Shire of Ngaanyatjarraku recognises that to be effective, risk management must become part of the Shire's culture, integrated into the Shire's corporate and business plans and everyday activities. Further, risk management then becomes the responsibility of all personnel involved with our operations, including Elected Members and the employees.

As part of the new framework, guidelines and procedures will also be developed in regard to Internal Controls and Legislative Compliance. However, the implementation of a formal and documented framework and reporting system(s) for all risk areas will take some time to develop and implement within the Shire.

### **Internal Controls**

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework include:

- Delegation of authority;
- Documented policies and procedures;
- Trained and qualified employees;
- System controls and segregation of duties;
- Effective policy and process review;
- Documentation of risk identification and assessment; and



- Regular internal audits and liaison with external auditor and legal advisers.

It is the CEO's opinion that the Shire of Ngaanyatjarraku's current internal controls are adequate for our circumstances, but require more development and formal documenting in 2015 in order to meet the fundamental characteristics of a 'good' internal control system as identified in the framework above: Staffing and segregation of duties is one area of note where it is presently not possible nor practical to maintain strictly, primarily due to human resource constraints (ie the very limited number of staff to meet a greater degree of control and risk management). Due to the size of the organisation, other controls have been put in place to mitigate relevant risks as a result.

The level of experience and qualification held by staff has a substantial impact on the effectiveness of internal controls. Experienced staff members who know the processes and systems are more likely to identify errors and mistakes before they have a detrimental impact. At the Shire of Ngaanyatjarraku, staff in the key control positions are well qualified and highly experienced, and the level of staff turnover within the Administration team has been low for a number of years.

Current Information Technology (IT) controls are considered to be very satisfactory and appropriate for our operations. The Shire's finance system and records are hosted and maintained on the City of Canning's Civica 'Authority' system with access limited to designated Shire and Canning personnel, as well as the City's IT Administrator staff. The Shire also utilises the services of Perfect Computer Solutions in Perth to remotely setup, monitor and maintain our IT network at the Shire's Administration office in Warburton.

### **Legislative Compliance**

The following items are considered to be the key elements of an appropriate legislative compliance framework:

- A legislative compliance risk register with a risk rating system;
- Formal processes to implement new legislation;
- Formal responsibility for monitoring legislative compliance;
- Communication and training of elected members, staff, contractors and volunteers in terms of their responsibility to comply with legislation in the workplace;
- A formal process for reporting and recording breaches of legislation; and
- Legislative compliance supported by senior management.

From conducting this review, it is the opinion of the CEO that the policy and procedures currently in place for legislative compliance at the Shire of Ngaanyatjarraku are somewhat limited and require further development and refining to ensure they meet appropriate and 'robust' standards for a Local Government of this size. This does however also need to recognise and take into account our location and setting, as well as the resourcing limitations we have as a result (in particular staffing).

The Chief Executive Officer intends to seek external advice and assistance in regards to developing and implementing the policies, systems and controls all noted above. This is available through a number of audit, financial and legal services firms, as well as via WALGA / Local Government Insurance Services and independent consultants.



## STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996 Regulation 17 states:

*(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 sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*

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

## FINANCIAL IMPLICATIONS

The are no financial implications directly arising from the review; it may be however that some of the actions required to manage the risks identified will require resourcing and any of these costs (such as consultancies) will be incorporated into existing budget allocations.

## POLICY IMPLICATIONS

Development of an appropriate Risk Management Policy and Framework has commenced, and Council will be required to adopt this once completed. This process will also include further development and strengthening of policies/measures for internal controls and legislative compliance.

## STRATEGIC IMPLICATIONS

Not directly applicable.

## RECOMMENDATION

That the Audit Committee:

1. receives and notes the CEO's report on the review of Risk Management, Internal Controls and Legislative Compliance; and
2. recommends Council receives and endorses the review of Risk Management, Internal Controls & Legislative Compliance in accordance with Regulation 17 of the Local Government (Audit) Regulations 1996.

## VOTING REQUIREMENTS

Simple majority

**MOVED Cr. West, seconded Cr. Jones, that the recommendation contained within report AC004-14 be adopted.**

**#AC004-14**

## RESOLUTION:

*That the Audit Committee:*

- 1. receives and notes the CEO's report on the review of Risk Management, Internal Controls and Legislative Compliance; and*
- 2. recommends Council receives and endorses the review of Risk Management, Internal Controls & Legislative Compliance in accordance with Regulation 17 of the Local Government (Audit) Regulations 1996.*



**CARRIED 5/0**

**MATTERS FOR INFORMATION**

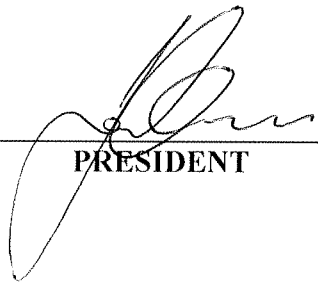
Nil

**CLOSURE**

There being no further business, the Shire President thanked everyone for their attendance and declared the meeting closed at 2.38pm (WST).

These minutes of the Audit Committee meeting held 12<sup>th</sup> December 2014 were confirmed at the meeting held on 31<sup>st</sup> March 2015.

Signed



\_\_\_\_\_  
**PRESIDENT**

Date

31/3/15