



# SHIRE OF WOODANILLING



Audit Committee Meeting  
Unconfirmed Minutes  
27 August 2024

## **DISCLAIMER**

This agenda has yet to be dealt with by the Audit Committee. The recommendations shown at the foot of each item have yet to be considered by the Audit Committee and are not to be interpreted as being the position of the Audit Committee. The minutes of the meeting held to discuss this agenda should be read to ascertain the decision of the Audit Committee.

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# AUDIT COMMITTEE MEETING AGENDA

## 1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairperson, Cr Douglas declared the meeting open at 3:00pm. The Chairperson will alert the meeting to the procedures for emergencies including evacuation, designated exits, and muster points.

## 2. RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

### Present:

Cr D Douglas	Shire President
Cr HR Thomson	Deputy Shire President
Cr B Smith	
Cr I Garstone	
Cr R Marshall	
Cr K Stephens	

### Officers:

Paul Hanlon	Chief Executive Officer
Hannah Wilson	Executive Assistant

### Apologies:

### Observers:

## 3. APOLOGIES

Nil.

## 4. APPROVED LEAVE OF ABSENCE

Nil.

## 5. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil.

## 6. PUBLIC QUESTION TIME

Nil.

## 7. DECLARATIONS OF COUNCILLORS OR OFFICERS INTEREST

Nil.

## 8. CONFIRMATION OF PREVIOUS MINUTES:

### 8.1. AUDIT COMMITTEE MEETING 20 FEBRUARY 2024

#### COUNCIL DECISION

That the Minutes of the Audit Committee meeting held 20 February 2024 be confirmed as a true and correct record of proceedings without amendment.

#### COMMITTEE DECISION – ITEM 8.1 AUDIT COMMITTEE MEETING 20 FEBRUARY 2024

Moved Cr Thomson

Seconded Cr Garstone

That the Minutes of the Audit Committee meeting held 20 February 2024 be confirmed as a true and correct record of proceedings without amendment.

CARRIED 6/0

For: Cr Douglas, Cr Thomson, Cr Smith, Cr Garstone, Cr Marshall, Cr Stephens

Against: Nil

## 9. AUDIT COMMITTEE REPORTS

### 9.1. REGULATION 5 REVIEW

<b>File Reference</b>	ADM0063
<b>Date of Report</b>	19 August 2024
<b>Responsible Officer</b>	Paul Hanlon, Chief Executive Officer
<b>Author of Report</b>	Paul Hanlon, Chief Executive Officer
<b>Disclosure of any Interest</b>	No Officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .
<b>Voting Requirement</b>	Simple Majority
<b>Attachments</b>	<b>ACM Attachment 9.1.1</b> – Regulation 5 Review Report

#### BRIEF SUMMARY

The purpose of this report is to present to Council the Regulation 5 Review Report required under the *Local Government (Financial Management) Regulations 1996*.

#### BACKGROUND

In accordance with regulation 5 *Local Government (Financial Management) Regulations 1996*, the CEO is to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every **3 financial years**) and report to the local government the results of those reviews.

The Regulation 5 review was conducted by experienced Local Government Consultant Hammond Woodhouse Advisory.

Andrew Hammond commenced his career in local government at the Shire of Manjimup in 1987 and since then has served as a CEO across regional and metropolitan Western Australia in the Shires of Nannup and Wyndham East Kimberley and the Cities of Albany and Rockingham. In March 2018 Andrew was appointed as a Commissioner to restore good governance to the suspended City of Perth. In August 2019 he was appointed Chair Commissioner of the City of Perth by the State Government. He led the City until the election of the new Lord Mayor in October 2020.

John Woodhouse has almost 40 years of experience specialising in providing advice to local governments and planning authorities. In more recent years, John's interest is in assisting local governments achieve greater effectiveness and improve management practices and governance systems.

John has recently held positions of Special Counsel and Legal Adviser at the Cities of Canning and Wanneroo. Between 2012 and 2016, John was the State's first General Counsel appointed by a local government holding the position of Director of Legal Services and General Counsel at the City of Rockingham.

#### COMMENT

The review states that:

**No major shortcomings or deficiencies were identified that might expose the Shire to inappropriately high levels of risk.**

Staff involved with financial management had a sound understanding of the Shire's financial systems and controls and key processes were guided by written procedures known as "Shire of Woodanilling – Work Instructions".

3 emerging risks were identified that require prompt attention.

The outsourcing of ICT systems support, and high-level accounting/financial advice is considered to be appropriate and in line with contemporary local government practice for small rural authorities.

Given the fundamental importance of these 2 roles to the proper and orderly financial management of the Shire, we recommend that contracts securing these services be put in place underpinned by a comprehensive scope and specification of services and a term that allows for timely review and orderly change of service provider if necessary.

Proper segregation of officers authorising purchases and approving payments presents challenges for small local governments with limited personnel numbers. We suggest that in order to minimise the risk of fraud the authorising/approving process be reviewed so as segregation is achieved wherever possible, but always when amounts exceed a prescribed threshold.

The recommended actions to be undertaken by the Shire are provided in **ACM Attachment 9.1.1 – Regulation 5 Review Report** and summarised in the following table:

<b>TABLE OF CONSOLIDATED RECOMMENDATIONS</b>		
<b>REVIEW TOPIC</b>	<b>Report paragraph</b>	<b>RECOMMENDATION</b>
<b>REVIEW OF FINANCIAL MANAGEMENT</b>		
Collection of moneys	<ul style="list-style-type: none"> <li>• 3.1(5)</li> </ul>	None.
Safe custody and security of moneys	<ul style="list-style-type: none"> <li>• 3.2(5)</li> </ul>	None.
Maintenance and security of financial records	<ul style="list-style-type: none"> <li>• 3.3(10)</li> </ul>	We recommend that a comprehensive scope and specification be developed for the delivery of ICT services and that an appropriately qualified ICT contractor be engaged for a term of at least 2 but preferably 3 years.
Proper accounting of funds	<ul style="list-style-type: none"> <li>• 3.4(8)</li> </ul>	We recommend that a comprehensive scope and specification be developed for the delivery of accounting services and that an appropriately qualified contractor be engaged for a term of at least 2 but preferably 3 years.
Proper authorisation of liabilities and payments	<ul style="list-style-type: none"> <li>• 3.5(11)</li> </ul>	We recommend that: <ul style="list-style-type: none"> <li>• A control be developed introducing a threshold above which authorisation of purchases must have clear separation between ordering and authorising officers notwithstanding that every effort should be made to achieve segregation where practical; and</li> <li>• A control be developed that facilitates segregated authorisation of credit card statements.</li> </ul>
Maintenance of payroll, stock control and costing records	<ul style="list-style-type: none"> <li>• 3.6(7)</li> </ul>	None.
Preparation of budgets, budget reviews, accounts and reports	<ul style="list-style-type: none"> <li>• 3.7(9)</li> </ul>	Refer to recommendations in para 3.3 (10) and para 3.4 (8).

## STATUTORY/LEGAL IMPLICATIONS

Regulation 5 *Local Government (Financial Management) Regulations 1996* outlines the CEO's duties as to financial management:

- (2) The CEO is to —
- a) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

## POLICY IMPLICATIONS

Nil.

## FINANCIAL IMPLICATIONS

The cost of the Regulation 5 & 17 reviews is budgeted for in the 2024/2025 Shire of Woodanilling Annual Budget. The findings in the reviews will have cost implications to resolve in either staff time or through a consultancy. Each of these matters will be assessed on a case by case basis.

## STRATEGIC IMPLICATIONS

### THEME 3

#### Governance

#### OBJECTIVES

To promote continual improvement that is supported by efficient and effective governance structures and processes.

#### STRATEGIES

By ensuring legislation is used to effectively enable quality decision making.

## CONSULTATION/COMMUNICATION

There are no community engagement implications that have been identified as a result of this report or recommendation.

## RISK MANAGEMENT

The risk in relation to this matter is assessed as "Medium" on the basis that if Council does not accept the review, the Shire of Woodanilling may put itself at risk of legislative non-compliance. Following the Officer's recommendation will ensure that the reviews are accepted for actioning.

Consequence	Insignificant	Minor	Moderate	Major	Extreme
Likelihood					
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Rating	Action
LOW	Monitor for continuous improvement.
MEDIUM	Comply with risk reduction measures to keep risk as low as reasonably practical.
HIGH	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.
SEVERE	Unacceptable. Risk reduction measures must be implemented before proceeding.

#### VOTING REQUIREMENTS

Simple Majority

#### OFFICER'S RECOMMENDATION

That Audit Committee recommends to Council that Council:

- (1) accepts the regulation 5 *Local Government (Financial Management) Regulations 1996* review report as contained within **ACM Attachment 9.1.1** – Regulation 5 Review Report
- (2) Requests the Chief Executive Officer to action the recommendations in the Regulation 5 review and provide ongoing updates to Council on progress made via an audit log.

#### OFFICER'S RECOMMENDATION & COMMITTEE DECISION – ITEM 9.1 REGULATION 5 REVIEW

**Moved Cr Thomson**

**Seconded Cr Marshall**

That Audit Committee recommends to Council that Council:

- (1) accepts the regulation 5 *Local Government (Financial Management) Regulations 1996* review report as contained within ACM Attachment 9.1.1 – Regulation 5 Review Report
- (2) Requests the Chief Executive Officer to action the recommendations in the Regulation 5 review and provide ongoing updates to Council on progress made via an audit log.

**CARRIED 6/0**

**For: Cr Douglas, Cr Thomson, Cr Smith, Cr Garstone, Cr Marshall, Cr Stephens**

**Against: Nil**

## 9.2. REGULATION 17 REVIEW REPORT

<b>File Reference</b>	ADM0063
<b>Date of Report</b>	19 August 2024
<b>Responsible Officer</b>	Paul Hanlon, Chief Executive Officer
<b>Author of Report</b>	Paul Hanlon, Chief Executive Officer
<b>Disclosure of any Interest</b>	No Officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .
<b>Voting Requirement</b>	Simple Majority
<b>Attachments</b>	<b>ACM Attachment 9.2.1</b> – Regulation 17 Review Report

### BRIEF SUMMARY

The purpose of this report is to present to Council the Regulation 17 Review Report required under the *Local Government (Audit) Regulations 1996*.

### BACKGROUND

In accordance with regulation 17 *Local Government (Audit) Regulations 1996*, the CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management; internal control; and legislative compliance not less than once in every **3 financial years**.

The Regulation 17 review was last conducted in December 2018 with the matter first raised in the 2022 Audit report that it was overdue.

The Regulation 17 review was conducted by experienced Local Government Consultant Hammond Woodhouse Advisory.

Andrew Hammond commenced his career in local government at the Shire of Manjimup in 1987 and since then has served as a CEO across regional and metropolitan Western Australia in the Shires of Nannup and Wyndham East Kimberley and the Cities of Albany and Rockingham. In March 2018 Andrew was appointed as a Commissioner to restore good governance to the suspended City of Perth. In August 2019 he was appointed Chair Commissioner of the City of Perth by the State Government. He led the City until the election of the new Lord Mayor in October 2020.

John Woodhouse has almost 40 years of experience specialising in providing advice to local governments and planning authorities. In more recent years, John's interest is in assisting local governments achieve greater effectiveness and improve management practices and governance systems.

John has recently held positions of Special Counsel and Legal Adviser at the Cities of Canning and Wanneroo. Between 2012 and 2016, John was the State's first General Counsel appointed by a local government holding the position of Director of Legal Services and General Counsel at the City of Rockingham.

### COMMENT

Major points of the review are as follows:

- Controls in a number of areas were assessed as a Low risk rating.
- However, controls in a number of key areas were found to be a Medium rating and recommendations have been made for remedial action to be taken by the CEO.
- The Recommendations in this Report will provide the Shire and its CEO with a "road map" for improvement.

The recommended actions to be undertaken by the Shire are provided in **ACM Attachment 9.2.1** – Regulation 17 Review Report and summarised in the following table:



		<b>TABLE OF CONSOLIDATED RECOMMENDATIONS</b>	
<b>REVIEW TOPIC</b>	<b>Report paragraph</b>	<b>RECOMMENDATION</b>	<b>Risk Rating</b>
<b>REVIEW OF RISK MANAGEMENT</b>			
<b>Risk Management</b>	<ul style="list-style-type: none"> <li>• 3.1(3)</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Develop a Risk Management Policy which accords with ISO 31000:2018.</i></li> <li>• <i>Once the Policy is adopted, implement risk reporting in Council agenda items in accordance with the matrix in the Risk Management Policy.</i></li> <li>• <i>Develop and maintain a Risk Register to address emerging operational and strategic risks.</i></li> </ul>	<b>Medium</b>
<b>Fraud</b>	<ul style="list-style-type: none"> <li>• 3.2(3)</li> </ul>	<ul style="list-style-type: none"> <li>• The CEO should instigate measures to implement the recommendations of the WA Auditor General's Report.</li> </ul>	<b>Medium</b>
<b>Tenders</b>	<ul style="list-style-type: none"> <li>• 3.3(3)</li> </ul>	<ul style="list-style-type: none"> <li>• Take steps to put in place suitable and proper procedures for: <ul style="list-style-type: none"> <li><input type="checkbox"/> Requiring all documents relevant to a tender to be filed in a readily accessible location within the Shire's record keeping system; and</li> <li><input type="checkbox"/> Requiring evaluation panel members to complete conflict of interest declarations; and</li> </ul> </li> </ul>	<b>Medium</b>

		<ul style="list-style-type: none"> <li><input type="checkbox"/> Dealing with a conflict if one is declared.</li> <li>• Review the training needs of any employee who is given responsibility for the tender process or any aspect of it and ensure that specialised training is undertaken so that the relevant employees can properly carry out the functions involved and understand the relevant legislation.</li> </ul>	
<b>Project and contract management</b>	<ul style="list-style-type: none"> <li>• 3.4(3)</li> </ul>	<ul style="list-style-type: none"> <li>• Take steps: <ul style="list-style-type: none"> <li><input type="checkbox"/> to formalise in writing the responsibility for the management of projects and contracts; and</li> <li><input type="checkbox"/> to put in place a procedure for project management and contract management.</li> </ul> </li> </ul>	<b>Medium</b>
<b>Audit committee</b>	<ul style="list-style-type: none"> <li>• 3.5(3)</li> </ul>	<ul style="list-style-type: none"> <li>• Include a provision for reporting and discussion on risk management in the Council Audit Committee agendas; and</li> <li>• Commence risk management reporting.</li> </ul>	<b>Medium</b>
<b>REVIEW OF INTERNAL CONTROLS</b>			
<b>Procurement</b>	<ul style="list-style-type: none"> <li>• 4.1(3)</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a control that requires credit card statements to be authorised by both cardholder and another responsible officer.</li> <li>• Develop a control that establishes a threshold above which ordering and authorising payments must be segregated</li> </ul>	<b>Medium</b>
<b>ICT</b>	<ul style="list-style-type: none"> <li>• 4.2(3)</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake a tender/procurement process for the provision of external ICT services for a term that is</li> </ul>	<b>Medium</b>

		commensurate with the importance of the service and the levels of investment that are required from both parties. The specifications should clearly set out (amongst other things) service levels for data storage and retention and the provision of external threat defence systems	
Reconciliation	• 4.3(3)	• None	<b>Low</b>
<b>REVIEW OF LEGISLATIVE COMPLIANCE</b>			
Annual return	• 5.1(3)	• None.	<b>Low</b>
Local laws	• 5.2(3)	<ul style="list-style-type: none"> <li>• Take steps to address the findings above and more specifically: <ul style="list-style-type: none"> <li><input type="checkbox"/> Document a procedure to ensure that the local law review required by section 3.16 is undertaken on time;</li> <li><input type="checkbox"/> Consider the publication of the local laws on the website; and</li> <li><input type="checkbox"/> Review the need to commence a review of the 2008 local law.</li> </ul> </li> </ul>	<b>Medium</b>
LPS	• 5.3(3)	• Undertake the LPS review with a view to its completion by the end of 2024.	<b>Medium</b>
Delegation	• 5.4(3)	• None.	<b>Low</b>
Records	• 5.5(3)	• Undertake and complete the review of the Record Keeping Plan as soon as possible.	<b>Medium</b>
Tenders	• 5.6(3)	• None.	<b>Low</b>
Strategic Planning	• 5.7(3)	• Undertake the review with a view to its completion by the end of 2024.	<b>Medium</b>
HRM	• 5.8(3)	• None.	<b>Low</b>
External audit	• 5.9(3)	• None.	<b>Low</b>
Audit response	• 5.10(3)	• None.	<b>Low</b>
Legislative change	• 5.11(3)	• None.	<b>Low</b>

## STATUTORY/LEGAL IMPLICATIONS

Regulation 17 *Local Government (Audit) Regulations 1996* states that the CEO is 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.

## FINANCIAL IMPLICATIONS

The cost of the Regulation 17 review is budgeted for in the 2024/2025 Shire of Woodanilling Annual Budget. The findings in the reviews will have cost implications to resolve in either staff time or through a consultancy. Each of these matters will be assessed on a case by case basis.

## STRATEGIC IMPLICATIONS

### THEME 3

#### Governance

#### OBJECTIVES

To promote continual improvement that is supported by efficient and effective governance structures and processes.

#### STRATEGIES

By ensuring legislation is used to effectively enable quality decision making.

## CONSULTATION/COMMUNICATION

There are no community engagement implications that have been identified as a result of this report or recommendation.

## RISK MANAGEMENT

The risk in relation to this matter is assessed as “Medium” on the basis that if Council does not accept the review, the Shire of Woodanilling may put itself at risk of legislative non-compliance. Following the Officer’s recommendation will ensure that the reviews are accepted for actioning.

Consequence	Insignificant	Minor	Moderate	Major	Extreme
Likelihood					
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Rating	Action
<b>LOW</b>	Monitor for continuous improvement.
<b>MEDIUM</b>	Comply with risk reduction measures to keep risk as low as reasonably practical.
<b>HIGH</b>	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.
<b>SEVERE</b>	Unacceptable. Risk reduction measures must be implemented before proceeding.

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER’S RECOMMENDATION**

That Audit Committee recommends to Council that Council:

- (1) accepts the regulation 17 *Local Government (Audit) Regulations 1996* review report as contained within **ACM Attachment 9.2.1** – Regulation 17 Review Report.
- (2) Requests the Chief Executive Officer to action the recommendations in the Regulation 17 review and provide ongoing updates to Council on progress made via an audit log.

<b>OFFICER’S RECOMMENDATION &amp; COMMITTEE DECISION – ITEM 9.2 REGULATION 17 REVIEW REPORT</b>	
<b>Moved Cr Thomson</b>	<b>Seconded Cr Smith</b>
<p>That Audit Committee recommends to Council that Council:</p> <ul style="list-style-type: none"> <li>(1) accepts the regulation 17 Local Government (Audit) Regulations 1996 review report as contained within ACM Attachment 9.2.1 – Regulation 17 Review Report.</li> <li>(2) Requests the Chief Executive Officer to action the recommendations in the Regulation 17 review and provide ongoing updates to Council on progress made via an audit log.</li> </ul>	
<p style="text-align: right;"><b>CARRIED 6/0</b></p> <p><b>For: Cr Douglas, Cr Thomson, Cr Smith, Cr Garstone, Cr Marshall, Cr Stephens</b>  <b>Against: Nil</b></p>	

## **10. CLOSURE OF MEETING**

There being no further business to discuss the Chairperson, Cr Douglas declared the meeting closed at 3:08pm.