

# Audit & Risk Committee Meeting

Minutes for Monday 12 December 2016

**UNCONFIRMED**



**shire of  
kalamunda**

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## MINUTES

### 1.0 OFFICIAL OPENING

The Deputy Presiding Member opened the meeting at 8.21pm and welcomed Councillors and Staff.

### 2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

#### 2.1 Attendance

##### Councillors

Sara Lohmeyer	North West Ward
Sue Bilich	North Ward
Tracy Destree	(Deputy Presiding Member) North Ward
Simon Di Rosso	North Ward
Michael Fernie	South East Ward
John Giardina	South East Ward
Geoff Stallard	South East Ward
Allan Morton	South West Ward
Brooke O'Donnell	South West Ward
Noreen Townsend	South West Ward

##### Members of Staff

Rhonda Hardy	Chief Executive Officer
Natalie Martin Goode	Director Development Services
Dennis Blair	Director Asset Services
Gary Ticehurst	Director Corporate & Community Services
Darrell Forrest	Manager Governance, Strategy & Legal Services
Carrie Parsons	Manager Customer & Public Relations
Sara Slavin	Council Support Officer

#### 2.2 Apologies

##### Councillors

Andrew Waddell JP	(Shire President) North West Ward
Dylan O'Connor	(Presiding Member) North West Ward

##### Members of Staff

Nil.

#### 2.3 Leave of Absence Previously Approved

Nil.

### 3.0 PUBLIC QUESTION TIME

A period of not less than 15 minutes is provided to allow questions from the gallery on matters relating to the functions of Council. For the purposes of Minuting, these questions and answers will be summarised.

#### 3.1 Nil.

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**4.0 PETITIONS/DEPUTATIONS**

4.1 Nil.

**5.0 CONFIRMATION OF THE MINUTES OF PREVIOUS MEETING**

5.1 That the Minutes of the Audit & Risk Committee Meeting held on 31 October 2016, as published and circulated, are confirmed as a true and accurate record of the proceedings.

Moved: **Cr Michael Fernie**

Seconded: **Cr John Giardina**

Vote: **CARRIED UNANIMOUSLY (10/0)**

**6.0 CONFIDENTIAL ITEMS**

6.1 Nil.

**7.0 DISCLOSURE OF INTERESTS**

**7.1 Disclosure of Financial and Proximity Interests**

- a. Members must disclose the nature of their interest in matters to be discussed at the meeting. (Section 5.65 of the *Local Government Act 1995*.)
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Section 5.70 of the *Local Government Act 1995*.)

7.1.1 Nil.

**7.2 Disclosure of Interest Affecting Impartiality**

- a. Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee had given or will give advice.

7.2.1 Nil.

**8.0 REPORTS TO COUNCIL**

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

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**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**

**08. Internal Audit Report**

Previous Items	OCM 185/2016
Responsible Officer	Director Corporate and Community Services
Service Area	Internal Audit
File Reference	
Applicant	Nil
Owner	Nil
Attachment 1	Internal Audit Plan
Attachment 2	Internal Audit Report - template

**PURPOSE**

1. To endorse the Internal Audit Plan (Attachment 1).
2. To endorse the Internal Audit Report Template (Attachment 2).

**BACKGROUND**

3. The Audit and Risk Committee requested that the Shire's Internal Audit Plan be brought to Council (A&R 31 October 2016). The updated Internal Audit Plan outlines the work completed during 2016/17 and the scheduled audit works from 2016/17 through to 2019/20.
4. The *Local Government Audit Regulations 1996* requires the Chief Executive Officer (CEO) to carry out a biennial review of legislative compliance, internal control and risk management, presenting the results of the review to the Audit and Risk Committee for their consideration. The Internal Audit Plan outlines the audit program including, key controls, risk management and financial management that will be reviewed.
5. The Audit and Risk Committee requested that the Internal Audit Report structure be reviewed to provide better more informative information (A&R 31 October 2016). The revised Internal Audit Report is submitted for Council endorsement.

**DETAILS**

6. The Shire of Kalamunda (Shire) is required by legislation to conduct a financial management review four yearly focusing on evaluation of procedures, key controls, assessment of risk and a review of systems. In addition, the Shire is required to conduct a Risk Management Review two yearly assessing legislative compliance, internal control and risk management. The Financial Management and Risk Management Review form the basis of the Internal Audit Plan for the period 2016/17 to 2019/20. The Internal Audit Plan is reviewed annually and presented to the Audit and Risk Committee for their endorsement.

7. Audit findings from the Financial Management and Risk Management Review are recorded in an Audit Log together with management responses and implementation dates. The Audit Log is reviewed by management and is presented to the Audit and Risk Committee on an annual basis.
8. The Internal Audit Report Template (Attachment 2) has been revised to provide more informative information regarding audit findings. The template has been aligned to the audit reporting carried out by the Shire's external auditors. The template identifies the:
  - Audit focus
  - Classification
  - Financial value (where appropriate)
  - Management judgement – applicable where a management assessment is carried involving assumptions, estimates
  - Outstanding matters from previous audit reviews
  - Details of the audit risk
  - Details of the audit procedures carried out
  - Audit conclusions
  - Control deficiencies
  - Audit recommendations.

## **STATUTORY AND LEGAL CONSIDERATIONS**

9. *Local Government Act 1995*  
*Local Government (Financial Management) Regulations 1996*  
*Local Government (Functions and General) Regulations 1996*  
*Australian Accounting Standards*

## **POLICY CONSIDERATIONS**

10. Shire and Council Policies are considered in accordance with the audit focus area.

## **COMMUNITY ENGAGEMENT REQUIREMENTS**

11. Nil.

## **FINANCIAL CONSIDERATIONS**

12. Nil.

## **STRATEGIC COMMUNITY PLAN**

### **Strategic Planning Alignment**

13. *Kalamunda Advancing: Strategic Community Plan to 2023*

Strategy 6.3.3	Regularly review the organisations structure and procedures in response to changing circumstances.
Strategy 6.8.4	Provide effective financial services to support the Shire's operations and to meet sustainability planning, reporting and accountability requirements.

## SUSTAINABILITY

### Social Implications

14. Nil.

### Economic Implications

15. Nil.

### Environmental Implications

16. Nil.

## RISK MANAGEMENT CONSIDERATIONS

17.

Risk	Likelihood	Consequence	Rating	Action/Strategy
Ineffective audit plan	Unlikely	Moderate	Low	Regular review of Audit Plan
Audit identifies significant control, risk and legislative issues	Unlikely	Moderate	Low	Staff training Legislative frameworks Audit reviews Monitoring of audit results

## OFFICER COMMENT

18. The Internal Audit Plan identifies the audit program for the current year and the three following years. Within the Audit Plan there is a focus on key controls, risk management and financial management. The results of the reviews are presented to the Audit and Risk Committee and the Department of Local Government.

19. The Internal Audit Report has been restructured to provide more informative information for the Audit and Risk Committee to consider the Shire's performance against audited areas.

*Cr Tracy Destree asked relation to item 17 Risk Management Considerations an "ineffective audit plan" is rated as unlikely, moderate and a low risk to the Shire. It is my consideration that an ineffective audit plan could also lead to oversite in auditing and significant risk in terms of financial misstatement and other sorts of risks could I just ask the Shire of their opinion of that rating?*

*The Director Corporate & Community Services responded I guess on reflection probably consequence could be a little higher whether or not it is significant I'm not sure but it could certainly probably be a little bit higher, significant perhaps not.*

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*Cr Tracy Destree asked in relation to attachment 1 the Internal audit plan which goes for four (4) financial years is there any clarification at this stage given that an audit plan should be based on the risks identified on an annual basis that the audit plan is adapted to consider those risks?*

*The Director Corporate & Community Services responded the audit plan will be adapted to consider those risks as you will recall from the last Audit & Risk Committee there is still a piece of work that needs to be done to tidy up the Strategic Risk Plan. That will certainly shape the final outcome of the audit plan.*

<b>Voting Requirements: Simple Majority</b>
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**OFFICER RECOMMENDATION (A&R 08/2016)**

That Council:

1. Endorse the Internal Audit Plan (Attachment 1).
2. Endorse the Internal Audit Report Template (Attachment 2).

Moved: **Cr John Giardina**

Seconded: **Cr Geoff Stallard**

Vote: **CARRIED UNANIMOUSLY (10/0)**



Attachment 1 – Internal Audit Plan

[Click HERE to go to the attachment](#)

Attachment 2 – Internal Audit Report Template

[Click HERE to go to the attachment](#)

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**9.0 URGENT BUSINESS APPROVED BY THE PERSON PRESIDING OR BY DECISION**

9.1 Nil.

**10.0 CLOSURE**

7.1 There being no further business, the Presiding Member declared the meeting closed at 8.27pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Committee.

Signed: \_\_\_\_\_  
Presiding Member

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016