



AUDIT AND RISK COMMITTEE MEETING

MINUTES

04 MARCH 2021

These minutes were confirmed by Audit and Risk Committee as a true and correct record of proceedings by the Audit and Risk Committee Meeting held on 15/7/21

Presiding Member: *[Signature]* Date: 15 July 2021

Shire of Brookton
Audit and Risk Committee held 04 March 2021
Commenced at 3.30 pm

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1.03.21 DECLARATION OF OPENING/ATTENDANCE

Attendance

The Presiding Member opened the meeting at 3.30pm and welcomed Councillors and Staff.

Elected Members (Voting)

Cr KL Crute (Shire President)
Cr NC Walker (Deputy Shire President)
Cr MG Macnab

Committee Members (Voting)

Ms. Belinda Mitchell
Mr. Eric Pech

Staff (Non-Voting)

Ian D'Arcy Chief Executive Officer
Kellie Bartley Manager Corporate and Community
Kelly D'Arcy Senior Finance Officer
Danni Chard Executive Governance Officer
Mikel Haramboure Manager Infrastructure and Emergency

Leave of absence

Nil.

Members of the Public

Nil.

2.03.21 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

2.03.21.01 AUDIT AND RISK COMMITTEE MINUTES – 10 DECEMBER 2020

ARC 03.21-01

COUNCIL RESOLUTION

MOVED Cr Macnab SECONDED Cr Walker

That the minutes of the Audit and Risk Committee meeting held in the Shire of Brookton Council Chambers, on Thursday 10th December 2021, be confirmed as a true and correct record of the proceedings.

CARRIED BY SIMPLE MAJORITY VOTE 5/0

3.03.21 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil.

4.03.21 PUBLIC QUESTION TIME

Nil.

5.03.21 ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

The Shire President brought the Audit and Risk Committee's attention to the Local Government (Model Code of Conduct) Regulations 2021 and explained how the External Members of the Committee are also bound by the Code of Conduct Regulations.

Note to minute: A hard copy of the regulations were provided to all members of the Audit and Risk Committee.

6.03.21 DISCLOSURE OF INTERESTS

Members and Officers to declare Financial, Proximity or Impartiality Interests & submit forms to the Chief Executive Officer at the commencement of the meeting and also prior to the item.

Disclosure of Financial & Proximity Interests

- a. Members must disclose the nature of their interest in matters to be considered at the meeting. (Sections 5.60B and 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. (Sections 5.70 and 5.71 of the *Local Government Act 1995*).

Disclosure of Interest Affecting Impartiality

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

Financial, Proximity and Impartiality Interests

Item no.	Members/Officers	Type of Interest	Nature of Interest
Nil.			

7.03.21 PRESENTATIONS

Nil.

8.03.21 ANNUAL REPORT FOR 2019-2020

File No:	ADM 0117
Date of Meeting:	17 December 2020
Location/Address:	Not Applicable
Name of Applicant:	Shire of Brookton
Name of Owner:	Shire of Brookton
Author/s:	Ian D'Arcy
Authorising Officer:	As above
Declaration of Interest:	Nil
Voting Requirements:	Absolute Majority
Previous Report:	Nil

Summary of Item:

The 2019-20 Annual Report summarises the Shire's performance in relation finance and governance responsibilities.

This item seeks the Council's acceptance and adoption the 2019-20 Annual Report, inclusive of the audited financials, and recommends a date for the annual general meeting of electors as required by the *Local Government Act, 1995*.

The Annual Report is presented in **Attachment 8.03.21A** and the Management Letter provided as **Attachment 8.03.21B**. Both documents are provided under separate cover.

Description of Proposal:

The Annual Report contains information as required under Section 5.53 of the *Local Government Act, 1995*. This consists of:

- A report from the President
- A report from the Chief Executive Officer
- A report made under section 29 (2) of the *Disability Services Act, 1993*
- Details of Elected Member training and gifts received
- Details of entries made under section 5.121, in the register of complaints
- An overview of the plan for the future of the Shire (in accordance with Section 5.56 of the *Local Government Act, 1995*)
- The financial report for the financial year

Background:

The Office of the Auditor General (OAG) conducts an interim and final audit for each year on the Shire performance across its governance and financial management functions.

For the 2019-20 financial year this has involved an onsite presence in May 2020 for a period of two weeks and again in October 2020 amounting to four weeks in total, plus follow up communications with the Shire finance staff over an additional 3 weeks. In all the audit process was conducted over an approximate 7 weeks with a number of findings being identified and recommendations tabled with the Council's Audit and Risk Committee and the Shire CEO. Of these findings some have been assessed as severe requiring attention over the coming months.

Should the Council endorse the 2019-20 Annual Report a local public notice is to be published advising of its availability together with the date set for the Annual Electors Meeting that needs to be determined by Council.

Consultation:

Consultation was undertaken with the AOG Auditors, Senior Finance Officer the Shire President, the Chief Executive Officer and the Audit and Risk Committee prior to this item being presented to Council.

Statutory Environment:

Section 5.53 of the *Local Government Act, 1995* outlines the minimum requirements of an Annual Report while Section 5.54 states that a local government must accept an annual report by 31st December of each year by an absolute majority vote of Council.

The annual financial report is prepared in accordance with Australian Accounting Standards, the *Local Government Act, 1995* and the Local Government (Financial Management) Regulations, 1996.

Sections 5.27 and 5.29 of the *Local Government Act, 1995* outlines the procedure for convening an Annual Electors Meeting, including this meeting having to be conducted within 56 days from when the Annual Report was adopted.

Relevant Plans and Policy:

There are no Council Policy implications that apply to this item.

Financial Implications:

There are no financial implications particular to this item.

Risk Assessment:

There is a risk that should the Annual Report not be adopted within the timeframes outlined, Council may be in breach of the *Local Government Act, 1995* and applicable subsidiary legislation. Accordingly, the risk associated with this matter is assessed as ‘High’.

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.

Community & Strategic Objectives:

This matter relates to delivery of core business and services detailed in the Shire of Brookton Corporate Compendium – November 2020, duly appended to the Next Generation BROOKTON Corporate Business Plan <2024.

Specifically, the Annual Report relates to:

Business Function 1 – Governance

Action – 1.7 Prepare Annual Report

Comment

The Audit and Risk Committee has received an exist briefing (summary of the audit) and copy of the management letter on the final audit from the AOG Auditors.

Based on the Auditor’s opinion the Shire’s financial report complies with the *Local Government Act, 1995* together with the Local Government (Financial Management) Regulations, 1996 and further:

- a) gives a true and fair view of the Shire’s financial position as of 30th June 2020 and of its financial performance and its cash flows for the year ended on that date; and
- b) complies with the Australian Accounting Standards.

However, it is noted and accepted that the Auditor’s findings require further improvement in various operational areas, particularly in relation to governance requirements, including:

- The adherence to procurement practices in accordance with the Council’s Procurement Policy to ensure transparency, accountability, and value for money.
- A procedural process being implemented to ensure regular review of the rating system and required performance and appropriate authorisation before changes are implemented.
- A review of the Shire remote ICT access by Market Creations (Shire contractor) to determine the most appropriate solution to enhancing the Shire Information Technology security, including the possibility of implementing a multi-factor authentication in relation to remote access.
- Completion of the risk management register within the coming months.
- Adjustment to holding of bond moneys in the municipal account as opposed to the trust account, and the possible refund for some long-standing planning bonds.

These recommendations are accepted at an officer level and will be addressed in the first quarter of 2021.

In relation to the failings of the Asset Management performance and associated ratios, as Council has been previously briefed and as has been explained to the Audit and Risk Committee, it is important the Asset Management be completed through a structured and meaningful approach that reflects the condition, required maintenance and retention or replacement of each asset that can then accurately inform the Long Term Financial Plan. This process is unfortunately taking considerably longer than initially expected but is progressing. Recurrent review, update and reporting of the asset management framework is partially canvased in a draft IPR policy that was presented to the Audit and Risk Committee on the 10th December 2020 and is presented as a separate agenda item at this Council meeting.

OFFICER RECOMMENDATION

That the Audit and Risk Committee recommends Council:

1. Pursuant to Sections 5.53 and 5.54 of the Local Government Act 1995, endorse and accept the Shire of Brookton Annual Report 2019-20, presented as Attachment 8.03.21A to this report.
2. Authorise the Chief Executive Officer to give public notice of the availability of the Annual Report in accordance with Section 5.55 of the Local Government Act, 1995.
3. Receive the Management Report from the Office of the Auditor General for the Year Ended 30 June 2020.
4. Advertise the Annual General Meeting of Electors to be held on Thursday 25th March 2021 commencing at 6.00pm, at the Shire Administration Office, 14 White Street Brookton in Council Chambers.

ARC 03.21-02

AUDIT AND RISK COMMITTEE RESOLUTION

MOVED B. Mitchell SECONDED Cr Macnab

That the Audit and Risk Committee recommends Council:

1. ***Pursuant to Sections 5.53 and 5.54 of the Local Government Act 1995, endorse and accept the Shire of Brookton Annual Report 2019-20, presented as Attachment 8.03.21A to this report.***
2. ***Authorise the Chief Executive Officer to give public notice of the availability of the Annual Report in accordance with Section 5.55 of the Local Government Act, 1995.***
3. ***Receive the Management Report from the Office of the Auditor General for the Year Ended 30 June 2020.***
4. ***Advertise the Annual General Meeting of Electors to be held on Thursday 25th March 2021 commencing at 6.00pm, at the Shire Administration Office, 14 White Street Brookton in Council Chambers.***

CARRIED BY ABSOLUTE MAJORITY VOTE 5/0

Attachments

Attachment 8.03.21A - 2019-20 Annual Report (provided under separate cover)

Attachment 8.03.21B – 2019-20 Management Letter (provided under separate cover)

9.03.21 STATUS TABLE – REGULATION 17

The following table provides an understanding of governance matters identified through annual audits or required by legislation and an update on the progress of addressing relative compliance. The status is presented to satisfy the requirements of Regulation 17 of the Local Government (Audit) Regulations, 1996.

Black – No changes from previous reports

Yellow – Updated from previous report

Blue – Additions from latest Audit & Risk Committee meetings

Item #	Date Initiated	Item Title	OAG Findings or other Statutory Requirements	Risk Factor	Officer Status Update	Assigned to	Estimated Due Date	% Completed
1	20-Jun-19	Review of Risk Register	OAG 2018 Audit - Review of the Risk Register and Risk Management Plan – report to Audit & Risk Committee December 2019 2019 Audit – Noted Review of risk register still in progress	Moderate	Risk Management Plan completed and endorsed. Risk Register is presently pending review by Management and is now scheduled to be completed by the end of April / early May 2021 for consideration by the Audit and Risk Committee.	PCO	May-21	90%
2	20-Jun-19	Asset Management Plan Review	OAG 2018 Audit – ratios affected due to exist plan spanning 9 years only holistic review of the Emergency Management framework that includes response, recovery, animal management and regional alliances. Noted the review of the Asset Management Plan	Moderate	Asset assessment of roads and associated infrastructure completed – Sewerage System CCTV capture completed – Engineering assessment Memorial Hall and Railway Station completed pending costing of options and public consultation – delay caused by 2 Managers leaving Shire employment simultaneously. Asset Management Policy adopted October 2020 and Asset Management Strategy endorsed by Council November 2020 There is desire to complete the Asset Management through a structured and meaningful approach that reflects the condition, required maintenance and retention or replacement of each asset that can then accurately inform the Long-Term Financial Plan. This process is unfortunately taking considerably longer than initially expected but is progressing. Recurrent review, update and reporting of the asset management framework is partially canvassed in IPR policy 2.42 adopted by Council at the December 2020 meeting.	MIE/MCC	Sept-21	65%
3	20-Jun-19	User Access Management	OAG 2018 Audit - No logging in process for reviews of system changes. 2019 Audit – Shire has removed access to Creditor and Debtor module from shared account. Audit trails are to be completed and reviewed on a monthly basis. 2020 Audit – OAG noted that the Shire has not yet implemented a process to regularly review logs of changes made to rates. OAG aware of instance where approved rates were changed without authorisation, resulting in incorrect rate statements being issued.	Significant	IT access structured with required authorisation aligned to positions - checked monthly by Senior Finance Officer. Procedure yet to be prepared for request and review of authorisation to various Synergy modules. A procedural process will be implemented to ensure regular review of the rating system is conducted and required performance and appropriate authorisation is granted before changes are implemented. 04.02.21 -Monthly Checklist introduced to finance department. Monthly review of audit trials – payroll, rates, debtors and creditors in place and new work instruction now completed.	MCC/SFO/PCO	Completed	100%
4	20-Jun-19	IT Security Policy	OAG 2018 Audit – no policies or procedures governing the use of IT assets and resources. 2019 Audit – this issue remains unresolved. Lack of an IT security policy – in development with IT provider to interface.	Moderate	Policy for IT security policy presented in December 2020 Agenda for review by Audit and Risk Committee Policy 2.35 – Information Communications Technology – Security and Use policy was adopted by Council at its December 2020 Meeting. Staff and Elected members have filed declarations associated with this policy.	CEO/EGO	Completed	100%

5	20-Jun-19	Management of Issued infringements	OAG 2018 Audit – No process and no register of infringements issued by the Shire. No process to follow up on infringements in place. OAG 2019 Audit – issue not yet resolved OAG – 2020 Audit – OAG noted that issue not yet resolved.	Moderate	Register developed – admin procedures to be updated for front desk. Delay due to change over of MCC position. The Shire does not issue many infringement notices. Notwithstanding an Infringement Register and follow-up procedure will be implemented in the coming months. 04.02.2021 – It has been identified the areas of dogs, cats and bushfire infringements are the areas that are not captured within the system. The shire does not have the infringements program or FERS (Fines Enforcement Registry). The cost is high for the little number of infringements issued.	MCC/PCO	April-21	75%
6	20-Jun-19	Depreciation Policy	AOG 2019 Audit – Useful Life of assets in policy appear to be excessive and may not reflect the life in the asset register	Moderate	Review will be picked up as part of AM and LTFP plans and shall be reviewed as part of policy review annually. Delay caused by 2 Managers leaving Shire employment simultaneously. The assigned value and condition assessment for some assets is questionable placing a strong emphasis on the Asset Management being completed that accurately reflects the true value and condition of each asset. It is viewed that a review of the depreciation policy should be aligned to the asset management process. 17.02.2021 – MCC presented in CBF for information that the Policy will be addressed as part of OAG Audit findings for 2020. Further review and considerations with regards to the depreciation rates and useful life will be aligned with the Shire's strategic documents, specifically the Asset Management Plans and Long Term Financial Plan once completed.	MCC/MIE	Dec-21	50%
7	30-Apr-20	Records Management Plan	Review and update of the Records Management Plan to be completed in accordance with the <i>State Records Act, 2000</i> .	Moderate	The review commenced – new Key for Works framework completed – new Synergy Records Model uploaded – Records Training for admin staff – performed – upload of records information completed. Management Plan to be updated. 27.01.2021 – Altus system put in place however further training required to embed processes in the organisation. Proposed new Records Management Plan is in consultation process and feedback is being sought from the industry. The new standards and supporting framework is anticipated to be rolled out in 2021. 25.02.2021 – Record Keeping Plan presented to Council at OCM18 February 2021 for endorsement and the Recordkeeping Review Form. Letter to OSR has been sent. In house training and process improvement as identified in RKP now to be implemented within the Shire. (OCM02.21-16)	MCC/ARO	Completed	100%
8	9-Jul-20	Emergency Management Arrangements	Holistic review of the Emergency Management framework that includes response, recovery, animal management and regional alliances.	Moderate	The respective LEMP prepared and reviewed under an AWARE grant funding – endorsed by LEMC and to be forwarded to Council at August OMC 2020. Then to be referred to State Emergency Management Committee waiting approval. Animal Welfare Plan yet to be drafted in collaboration with neighbouring LGs . 29.01.2021 – Animal Welfare Plan (AWP) has been completed and will be presented to LEMC for endorsement prior to being presented to Council (MCC/CLO/CESM). 25.02.2021 – AWP to be presented to LEMC meeting scheduled 9 March 2021. Animal Welfare Plan Grant is near completion and final purchases are being made for the animal equipment as identified within the grant guidelines. (MCC/CLO/CESM).	MIE/MCC	Feb-21	95%
9	9-Jul-20	Review of	Re-alignment of Employee Roles and Responsibilities	Low	Organisation Structure reviewed November 2019 – Office refurbished to	CEO	Completed	100%

		Organisational Structure	and seating arrangements to improve administrative efficiencies and performance		accommodate improved seating arrangements and working relationships – Discussions on the structure has been entertained with Council and will be formalised at the time of adopting the draft 2020-21 Budget. Further review to be performed as part of the Workforce Plan – see 11. below			
10	9-Jul-20	Review of Long-Term Financial plan	Forms part of the Integrated Planning and Reporting Framework that informs the annual budget - subject to review every two years.	Moderate	Moore Stephens Financial Consultant engaged to preform review of the LTFP – awaiting information from the Asset Management Plan.	MCC	Dec-21	20%
11	9-Jul-20	Review of Workforce Plan	Forms part of the Integrated Planning and Reporting Framework that informs the annual budget - subject to review every two years.	Moderate	Draft Workforce Plan template compiled – progress to be performed in the coming months following full re-alignment of officer duties and transfer of a number of service delivery functions in-house (ie swimming pool management, cleaning, bushfire management).	CEO/ODO	May-21	20%
12	9-Jul-20	Internal Auditing Process	Procedure and annual program on the conduct and reporting of internal audits to the Audit and Risk Committee	Moderate	Procedure prepared in draft for review by the Audit and Risk Committee – Policy endorsed by Council at the December 2020 OCM.	PCO	Completed	100%
13	9-Jul-20	Review Strategic Community Plan and Corporate Business Plan	Desktop review Strategic Community Plan and Corporate Business Plan, including the Innovations Pathway and associated Advisory Groups.	Moderate	Review performed October 2020 and completed November 2020.	CEO/PGO	Completed	100%
14	9-Jul-20	Preparation of Annual Budget	Prepare the 2020-21 municipal budget in accordance with endorsed procedure for adoption by Council.	High	The draft Budget 2020-21 is current being prepared with input from Staff and Elected Members. Slippage in the process has occurred with the on-set of COVID-19 and Commonwealth grants money being offered late in the budget preparation process. It is projecting the budget will be finalised for adoption by Council in late July or early August 2020.	MCC/SFO	Completed	100%
15	9-Jul-20	Review of Local Laws	A review of the Shire of Brookton’s Local Laws to be conducted.	Moderate	Review process endorsed by Council. Draft Meeting Procedures Local Law and revocation of Extractive Industry Local Law being processed following Council endorsement – presently being advertised seeking public comment.	PCO	Dec-21	20%
16	10-Dec-20	Independent Review of Reconciliations	The Shire did not have an independent officer reviewing the reconciliations for Rates and Creditor balances for June 2020. These reconciliations were prepared by the Rates Officer with no subsequent review.	Moderate	To perform independent reviews of reconciliations with a procedure to be written to guide this process. 04.02.2021 – The MCC has completed a Unimproved and Gross Rental Valuations Balancing effective from 1st July 2020 to January 2021. All valuations are now accounted for and reconciled to the GRV/UV Valuation Rolls and the Rates Modelling adopted by Council 2020/21 financial year. A new interim rates checklist has been created and now in use for MCC to authorise any changes by officers. Valuations are now balanced and recorded in the end of month process and verified by MCC. Officers awaiting an interim roll to be issued by VGO to finalise action with interim rates procedures.	MCC/SFO	Apr-21	95%
17	10-Dec-20	Remote IT Access	The Shire staff have the ability to remotely access Shire computer systems remotely using ‘remote desktop protocol’ (RDP) which authenticates using staff network accounts and passwords. Although the RDP connection is secured by requiring connection through a gateway, there is no other form of security	Moderate	The Shire will liaise with its IT Contractor to determine the most appropriate solution including the possibility of implementing multi-factor authentication for remote access. 28.01.2021 – Meeting held with Market Creations and the Remote IT Access. Market Creations requires to provide a quote to create a Gateway for additional security and authentication of the current process in place.	MCC/SFO	Apr-21	50%

			or authentication placed over the connection.		System is backed up each night and is stored offsite for security and reduced risk to the Shire. Quote has been requested by email. Awaiting response. 25.02.2021 – Market Creations has provided a quote. Further internal discussions at Executive Group for advancement.			
18	10-Dec-20	Purchasing Policies and Procedures	The Shire has not yet developed documented procedures over the authorisation and payment of accounts. From sample purchases selected for testing, seven instances were noted where evidence that appropriate quotes were obtained could not be provided and verified by audit. In addition, one sample was noted where the PO was not authorised before the purchase was made.	Significant	A review will be undertaken on the procurement practices with the view to amending the process and authority to pay in consideration of Regulation 11. 27.01.2021 – Further time is required to implement and assess internal processes, procedures, internal controls, staff's level of understanding, how effective synergy and purchase orders are understood by officers and variances over 10%. Authorisation limits and training are also required to be commenced to enable the organisation to abide by the legislation and Council Policy. Further time is required to finalise this item. 25.02.2021 – In review with staff and against current legislation.	MCC	Mar-21	50%
19	10-Dec-20	Trust Funds	That whilst majority of funds have now been removed from trust (into bond account), there are still some residual housing and other bonds being held in trust.	Significant	The moneys presently held in trust, being planning/building bonds, do not adequately cover conditioned works on respective approvals and arguably should not have been applied and be held in trust by the Shire. A request will be tabled with Council to refund these moneys to the respective property owners. 04.02.2021 – Agenda to be presented to Council with regards to the Bonds for consideration. 17.02.2021 - Agenda Item presented to Council at 17 February 2021 meeting. OCM 02.21-12 – 2 trust refunds can now be released back to relevant parties. Now in creditors system for payment run.	SFO	Completed	100%
20	3-Feb-21	Annual CEO Performance Review	Conduct of the CEO Performance Review in accordance with the Local Government (Administration) Amendment Regulations 2021.	High	The CEO Performance Review process covering the past 12 months from Feb 2020 – Feb 2021 has been conducted involving 360 employee review, engagement of an HR Consultant (Brainbox Advisory) and a series of surveys and meetings with Councillors. An agenda item on the review process is scheduled to be presented to a Special Council meeting convened 04.03. 2021.	SP/CEO	Completed	100%
21	3-Feb-21	Elected Members Code of Conduct and Complaints Handling	Adoption of a new Code of Conduct for Council members, committee members and candidates, that is compliant with the Local Government (Model Code of Conduct) Regulations 2021, preparation of a complaints handling procedure and form, and appoint of a complaints officer.	Significant	Agenda Item addressing a new code of conduct and complaints handling of elected members presented to a Special Council meeting convened 04.03. 2021.	CEO/MCC	May-2021	70%
22	3-Feb 21	Employee Code of Conduct	Adoption of a new Code of Conduct for Shire employees in accordance with the Local Government Regulations Amendment (Employee Code of Conduct) Regulations 2021.	High	Review yet to be performed on the existing Employee Code of Conduct to ensure it aligns to the Regulations	CEO/MCC	May-21	0%
23	1-Feb 21	Compliance Audit Return	Performance of the Annual Compliance Audit (CAR) involving internal-assessment and reporting on statutory function and relative compliance.	High	The CAR has been performed over the month of February 2021 with the review being presented the Audit and Risk Committee Meeting on 04.03.2021 before being presented to Council at the March 2021 OCM.	MCC	Mar-21	95%

ARC 03.21-03

AUDIT AND RISK RESOLUTION

MOVED Cr Walker SECONDED Cr Macnab

That the Audit and Risk Committee receive the Status Table – Regulation 17.

CARRIED BY SIMPLE MAJORITY VOTE 5/0

10.03.21 2020 COMPLIANCE AUDIT RETURN (CAR)

File No:	ADM 0333
Date of Meeting:	4 March 2021
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	Shire of Brookton
Author/s:	Kellie Bartley – Manager Corporate and Community
Authorising Officer:	Ian D’Arcy – Chief Executive Officer
Declaration of Interest:	The author and authorising officer have no interest in this matter.
Voting Requirements:	Simple Majority
Previous Report:	Nil

Summary of Item:

This report relates to the Council’s adoption of the Shire of Brookton’s Annual Compliance Audit Return for 2020.

Description of Proposal:

To present to the Council the Annual Compliance Audit Return (CAR) 2020 for consideration and adoption. The CAR is to assist Council in monitoring its organisational functions and report to the Department of Local Government, Sport and Cultural Industries on its level of compliance.

Background:

On an annual basis respective Western Australia Local Governments are required under legislation to complete an annual CAR that largely represents a self-audit of the Shire’s compliance against specific regulations and standards. These statutory obligations are listed in Regulation 13 of the Local Government (Audit) Regulations, 1996. The compliance audit review considers the business of Council for a full calendar year, in this instance being from 1 January 2020 to 31 December 2020.

After the Compliance Audit Return has been presented to the Council at the March Ordinary Council Meeting, a certified copy of the Return along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit is to be submitted to the Director General, Department of Local Government, Sport and Cultural Industries by 31st March 2021.

In consideration of the above process, the Audit and Risk Committee is to consider the CAR 2020, which now forms the basis of this report and recommendation to Council.

Pursuant to Regulation 14, each Local Government must complete a CAR against the checklist of statutory compliance issues included in the 2020 return. Once completed, the Compliance Audit Return is to be;

- (a) presented at a meeting of the Audit and Risk Committee (this meeting);
- (b) presented to Council at the next available meeting (March 2021 Ordinary Council Meeting);
- (c) subsequently adopted by the Council as an acceptance of the organisation’s compliance; and
- (d) the adoption recorded in the minutes of the meeting at which it is adopted.

The 2020 CAR focuses on the following areas of compliance:

1. Commercial Enterprises by Local Governments
2. Delegation of Power/Duty
3. Disclosure of Interest

4. Disposal of Property
5. Elections
6. Finance
7. Integrated Planning and Reporting
8. Local Government Employees
9. Official Conduct
10. Optional questions
11. Tenders for Providing Goods and Services

The process involves gathering responses to the 102 questions where two non-compliance points has been flagged with respect to the compliance within the section of disclosure of interests.

It has been identified that one primary return was lodged 7 days after the due date as required under legislation and one annual return has not been submitted within the schedule timeframe at all. All other areas are within the requirements for reporting on the CAR.

A copy of the Compliance Audit Return 2020 is provided at **Attachment 10.03.21A** for the Committee's reference.

Consultation:

Consultation has been undertaken with relevant officers in regard to compliance requirements being met, or not.

Statutory Environment:

The Council is obliged to complete and submit the Brookton Compliance Audit Return 2020 in accordance with the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*.

- Section 7.13(1)(i) of the *Local Government Act, 1995* requires local governments to carry out, in the prescribed manner and in a form approved by the Minister an audit of compliance with statutory requirements prescribed in the *Local Government (Audit) Regulations, 1996*.
- Regulation 13 of the *Local Government (Audit) Regulations, 1996* details the statutory requirements that must be addressed within the compliance audit.
- Regulation 14 of the *Local Government (Audit) Regulations, 1996* specifies the requirement to undertake a compliance audit for the annual period 1 January to 31 December and the process by which the audit return is to be considered by Council.
- Regulation 15 of the *Local Government (Audit) Regulations 1996* details the actions to be taken to certify the audit return and to submit the return by 31 March following the period to which the return relates.

Relevant Plans and Policy:

Nil.

Financial Implications:

Nil.

Risk Assessment:

There is a risk that Council will be in breach of its statutory obligations should it not complete and adopt the Brookton - Compliance Audit Return 2020. Accordingly, it has been assessed that the level of risk is high.

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.

Community & Strategic Objectives:

This proposal relates to delivery of core business and services detailed in the Shire of Brookton Corporate Compendium – May 2018, duly appended to the Next Generation BROOKTON Corporate Business Plan <2021.

Specifically, the CAR aligns to the following Business Unit and Function:

1. Governance

1.9 Maintain statutory compliance registers

Comment

The Compliance Audit Return is seen as an internal control monitoring process and as such is a useful tool for the Chief Executive Officer to report the Audit Committee, and then on to Council and the Department of Local Government, Sport and Cultural Industries on performance against the Shire's statutory obligations.

In general, it has been assessed that the performance of the Shire of Brookton generally accords with the statutory compliance requirements under the *Local Government Act, 1995* and *Local Government (Audit) Regulations, 1996*.

OFFICER RECOMMENDATION

That the Audit and Risk Committee recommends Council:

1. Pursuant to Regulation 14(3) of the Local Government (Audit) Regulations 1996 adopts the Brookton– Compliance Audit Return 2020 for the period 1 January 2020 to 31 December 2020, as presented in Attachment 10.03.21A of this report
2. Forward a certified copy of the Shire of Brookton– Compliance Audit Return 2020 to the 'Executive Director' of the Department of Local Government, Sport and Cultural Industries in accordance with Regulation 15(1) of the Local Government (Audit) Regulations 1996.

AUDIT AND RISK COMMITTEE RESOLUTION

MOVED B. Mitchell SECONDED Cr Macnab

That the Audit and Risk Committee recommends Council:

- 1. Pursuant to Regulation 14(3) of the Local Government (Audit) Regulations 1996 adopt the Brookton– Compliance Audit Return 2020 for the period 1 January 2020 to 31 December 2020, as presented in Attachment 10.03.21A of this report***
- 2. Forward a certified copy of the Shire of Brookton– Compliance Audit Return 2020 to the ‘Executive Director’ of the Department of Local Government, Sport and Cultural Industries in accordance with Regulation 15(1) of the Local Government (Audit) Regulations 1996.***

CARRIED BY SIMPLE MAJORITY VOTE 5/0

Attachments (provided under separate cover)

Attachment 10.03.21A – Compliance Audit Return 2020

11.03.21 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING

Nil.

12.03.21 CLOSURE OF MEETING

There being no further business the meeting was closed at 3.40pm.