

Minutes

AUDIT & RISK MANAGEMENT COMMITTEE MEETING (AC 01/23)

30 March 2023
Commenced at 5.05pm

Town of Cottesloe
109 Broome Street
Cottesloe WA 6011

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1. DECLARATION OF OPENING

The Chair declared the meeting open at 5:05pm

2. RECORD OF ATTENDANCE AND APOLOGIES

Committee Member

Cr. P. Kelly	Chair	Town of Claremont
Cr. P Macintosh (from 5:15)	Member	Shire of Peppermint Grove
Cr. P. Macfarlane	Member	Town of Cottesloe
Cr. S. Stroud	Member	City of Subiaco

Staff

S Frodsham	Chief Executive Officer	WMRC
L Eustance	Manager Communications & Education	WMRC
C Francis	Customer Service & Finance Officer	WMRC

Apologies

A Bell	Manager Finance & Governance	WMRC
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3. CONFIRMATION OF PREVIOUS MINUTES

3.1 CONFIRMATION OF PREVIOUS MINUTES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

Responsible Officer: Finance and Governance Manager
Date: 22 March 2023
Attachment: 3.1A ARM 1 December 2022 Minutes draft

Minutes of the Audit and Risk Management Committee meeting which was held on 22 December 2022 were circulated previously under a separate cover and are included at Attachment 3.1A.

MOVED: Cr. P. MacFarlane

Seconded: Cr. S. Stroud

OFFICER'S RECOMMENDATION AND COMMITTEE RECOMMENDATION

3.1.1 The Audit and Risk Management Committee confirm the minutes of the WMRC Audit and Risk Management Committee meeting held on 1 December 2022 as a true and correct record.

CARRIED: 3/0

Cr. P. Mackintosh entered the meeting at 5:15pm

4.REPORTS OF COMMITTEES AND OFFICERS

4.1 DRAFT 2022 COMPLIANCE AUDIT RETURN

Responsible Officer:	Finance and Governance Manager
Date:	22 March 2023
Attachment:	4.1A Draft Compliance Audit Return

PURPOSE

This report presents the 2022 Compliance Audit Return.

BACKGROUND

Each calendar year local governments are required to carry out an annual compliance audit and submit a Compliance Audit Return (CAR) to the Department of Local Government. The CAR for 2022 (for regional councils) comprises 95 questions relating to the prescribed statutory requirements in regulation 13 of the *Local Government (Audit) Regulations 1996*.

Each local government's audit committee is required to review the completed 2022 CAR and report the results to council prior to its adoption by council. The CAR must then be submitted to the DLGSC by 31 March 2023.

The 2022 Compliance Audit Return has been completed online at the Department of Local Government and Communities' Smart Hub website and is at Attachment 4.1A for consideration by the Audit and Risk Management Committee.

DETAIL AND OPTIONS ANALYSIS

The areas of non-compliance identified in the 2022 Compliance Audit are:

Simple Majority

Section 7.1A of the *Local Government Act* requires audit and risk management committee members to be appointed by absolute majority. Cr Hohnen was replaced by Cr Macintosh and appointed to the audit committee at the 1 December 2022 meeting - however it was by simple majority. All members of council were present and voted for the recommendation.

Item disclosed last year, a major review of the SCP is due to be presented to Council in the near future and will be recommended for adoption by absolute majority - *Local Government (Administration) Regulation 19C* requires Council to adopt the Strategic Community Plan (SCP) by absolute majority. A minor review of the SCP was carried out and presented to Council at the 7 Oct 2021 Ordinary Council Meeting. All five Council Members were present and voted to adopt the SCP which satisfies the requirement for adoption by Absolute majority. Unfortunately, this was recorded as a simple majority rather than absolute. WMRC staff have been briefed on when Absolute and Simple majority are required.

Policies & Reports

Council Policies for Attendance at Events and Continuing Training of Council Members were adopted at the 3 December 2020 Ordinary Council Meeting. These policies were adopted by simple majority rather than absolute. All members of council were present and voted for the recommendation.

The report on the training completed by council members in the 2021-2022 financial year is required to be published on the website by 31 July 2022. The report was published on 9 August 2022.

RISK MANAGEMENT

Regarding the above areas of non-compliance, it is considered that additional training will suffice to ensure future procurement processes are compliant. The areas of non-compliance are the result of genuine errors and lack of knowledge and are not of a serious enough nature to be reported to the Public Sector or Corruption and Crime Commission.

COMMUNICATION AND CONSULTATION

Nil

CONSULTATION

Nil

REPORT IMPLICATIONS

Legislation and Policy Alignment

Section 7.1A of the *Local Government Act* requires audit and risk management committee members to be appointed by absolute majority.

Section 5.90 of the *Local Government Act* requires a policy for attendance at events to be adopted by absolute majority.

Section 5.128 of the *Local Government Act* requires a policy for the continuing professional development of Council members to be adopted by absolute majority.

Local Government (Administration) Regulation 19C requires Council to adopt the Strategic Community Plan (SCP) by absolute majority.

Local Government (Audit) Regulation 14 and 15 requires each Local Government to conduct a Compliance Audit Return for the previous calendar year and to submit it to the DLGSC by 31 March of that year.

Business and Strategic Alignment

SCP Action 5: Develop a strong and capable organisation

- Deliver responsible financial management.

Financial and Resource Implications

Nil

COMMENTS

The CAR has been reviewed by the Audit and Risk Management Committee and is recommended for adoption by Council.

VOTING REQUIREMENT

Simple majority

MOVED: Cr. S. Stroud

Seconded: Cr. P. MacFarlane

OFFICER'S RECOMMENDATION

4.1.1 The draft Compliance Audit Return 2022 be adopted by Council, certified by the Chairman and Chief Executive Officer, and forwarded to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.

Minor changes to specific responses in the return were considered appropriate. This amendment was carried 4/0 to become the substantive motion.

AMENDED RECOMMENDATION AND COUNCIL RESOLUTION

4.1.1 Council adopt the Compliance Audit Return 2022, with the following amendments:

- **remove matters under comment at Finance 1,**
- **delete comments under Finance 3**
- **remove comment under Other 6**

certified by the Chairman and Chief Executive Officer, and require it be forwarded to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.

CARRIED 4/0

4.2 REVIEW OF WMRC SYSTEMS AND PROCEDURES

Responsible Officer Chief Executive Officer

Date: 22 March 2023

Attachments: Nil

PURPOSE

This item recommends an approach to the review of WMRC's systems and procedures under Regulation 17 of the *Local Government (Audit) Regulations 1996* and Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* for the 2023 calendar year.

BACKGROUND

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires a CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

1. Risk management
2. Internal control; and
3. Legislative compliance.

Regulation 17 prescribes that the CEO's review may relate to any or all of the matters referred to (a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every three financial years; and requires the CEO to report to the audit committee the results of that review.

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires a CEO to review and report on 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).

The *Compliance Audit Return* requires that a local government report whether reviews by the CEO have been conducted in accordance with Audit Regulation 17 and Financial Management Regulation 5 (2)(c). In this the WMRC was fully compliant for the 2022 calendar year.

DETAIL AND OPTIONS ANALYSIS

In the past four years, WMRC has conducted extensive internal reviews of its systems and procedures as required by Regulation 17 of the *Local Government (Audit) Regulations 1996* and on the appropriateness and effectiveness of the financial management systems and procedures as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*. The results of these reviews have been reported annually to the Audit and Risk Committee and Council.

The reviews have led to significant reform to WMRC systems and procedures with consequent reductions in cost, efficiency gains, improvements in levels of compliance, and improved standards of reporting to Council.

Following discussions with the auditors in the course of the 2021-22 OAG audit, it is considered appropriate that in 2023 WMRC appoints an external review of its systems and procedures in

meeting the requirements of Regulation 17 and Regulation 5(2)(c). This approach was discussed with Council at the time of finalising the 2021-22 audit opinion.

RISK MANAGEMENT

Governance, strategic, contractual and safety risks are identified and managed by conducting the above reviews.

COMMUNICATION AND CONSULTATION

Office of the Auditor General

REPORT IMPLICATIONS

Legislation and Policy Alignment

Local Government (Audit) Regulation 17 requires a CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to:

- Risk management
- Internal control; and
- Legislative compliance.

Regulation 17 requires the CEO to review each matter at least once in every three financial years and to report the results to the Audit & Risk Management committee.

Local Government (Financial Management) Regulation 5(2)(c) requires the CEO to review and report on the appropriateness and effectiveness of the financial management systems and procedures at least once every three financial years.

Local Government (Audit) Regulation 13 requires each Local Government to conduct a Compliance Audit Return for the previous calendar year and to submit it to the DLGSC by 31 March of that year. Each local government reports on whether reviews by the CEO have been conducted in accordance with the above legislation. The WMRC was fully compliant in this for the 2021 calendar year.

Business and Strategic Alignment

SCP Action 5: Develop a strong and capable organisation

- Deliver responsible financial management.

Financial and Resource Implications

An allowance has been made for the conduct of an external review as part of the mid-year budget review.

COMMENTS

The external review will meet the legislative requirements for review of systems and procedures for a period of up to three years.

VOTING REQUIREMENT

Simple majority.

MOVED: Cr. S. Stroud

SECONDED: Cr. P. Mackintosh

RESPONSIBLE OFFICER AND COMMITTEE RECOMMENDATION

4.2.1 The Audit and Risk Management Committee note that the review of WMRC systems and procedures will be conducted by an independent consultant in 2023.

CARRIED 4/0

5. CONFIDENTIAL REPORTS

Nil

6. GENERAL BUSINESS

Nil

7. CLOSURE OF MEETING

The meeting closed at 5:40pm

8. NEXT MEETING

TBA