



AUDIT COMMITTEE MEETING

MINUTES

SECTION 5.9(2)(a) LGA 1995

Committee Brief

1. *Provide guidance and assistance to the local government -*
 - a) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
 - b) *as to the development of a process to be used to select and appoint a person to be an auditor; and*
2. *May provide guidance and assistance to the local government as to -*
 - a) *matters to be audited; and*
 - b) *the scope of audits; and*
 - c) *its functions under Part 6 of the Act; and*
 - d) *the carrying out of its functions relating to other audits and other matters related to financial management; and*
3. *Is to review a report given to it by the CEO under Regulation 17(3) (the CEO's report) and is to -*
 - a) *report to the Council the results of that review; and*
 - b) *give a copy of the CEO's report to the Council.*

A Meeting of the Audit Committee was held in the Committee Room, Lowood Road, Mount Barker WA 6324, at 11.00am Tuesday 1 April 2014.

Rob Stewart
CHIEF EXECUTIVE OFFICER

Committee Members

Cr K Clements, Cr L Handasyde, Cr J Moir and Cr C Pavlovich (Council 244/13)

TABLE OF CONTENTS

ITEM	SUBJECT	PAGE NO
1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS	1
2	RECORD OF ATTENDANCE / APOLOGIES	1
3	CONFIRMATION OF MINUTES	1
4	DECLARATION OF MEMBERS' INTERESTS	1
5	REPORTS OF COMMITTEE MEMBERS AND OFFICERS	2
5.1	LONG TERM FINANCIAL PLAN	2
5.2	ADOPTION OF LEGISLATIVE COMPLIANCE POLICY – A/L/1	5
6	GENERAL BUSINESS / MATTERS ARISING	10
7	NEXT MEETING	10
8	MEETING CLOSURE	10

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

11.10am The Presiding Member declared the meeting open.

2 RECORD OF ATTENDANCE / APOLOGIES

Members Present

Cr K Clements (Presiding Member)
Cr L Handasyde
Cr J Moir
Cr C Pavlovich

Staff

Rob Stewart - Chief Executive Officer
John Fathers - Deputy Chief Executive Officer

3 CONFIRMATION OF MINUTES

Minutes, as circulated, of the meeting of the Audit Committee held on 4 March 2014.

Moved Cr L Handasyde, seconded Cr J Moir:

That the Minutes of the Meeting of the Audit Committee, held on 4 March 2014 as circulated, be taken as read and adopted as a correct record.

CARRIED

4 DECLARATION OF MEMBERS' INTERESTS

Nil

5 REPORTS OF COMMITTEE MEMBERS AND OFFICERS

5.1 LONG TERM FINANCIAL PLAN

File No: N29235
Attachment: Long Term Financial Plan
Responsible Officer: Rob Stewart
Chief Executive Officer
Author: John Fathers
Deputy Chief Executive Officer
Proposed Meeting Date: 1 April 2014

PURPOSE

The purpose of this report is to consider modifications to the Shire's Long Term Financial Plan.

BACKGROUND

At its meeting held on 25 June 2013, the Council adopted the Shire of Plantagenet Long Term Financial Plan 2013/2014 to 2022/2023, as attached.

STATUTORY ENVIRONMENT

Local Government Act 1995

Section 5.56 states as follows:

- '(1) A local government is to plan for the future of the district.*
(2) A local government is to ensure that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district.'

Local Government (Administration) Regulations 1996

Subsections 3 and 4 of Section 19DA state as follows:

- '(3) A corporate business plan for a district is to —*
(a) set out, consistently with any relevant priorities set out in the strategic community plan for the district, a local government's priorities for dealing with the objectives and aspirations of the community in the district; and
(b) govern a local government's internal business planning by expressing a local government's priorities by reference to operations that are within the capacity of the local government's resources; and
(c) develop and integrate matters relating to resources, including asset management, workforce planning and long-term financial planning.
(4) A local government is to review the current corporate business plan for its district every year.'

FINANCIAL IMPLICATIONS

There are no direct financial implications for this report.

POLICY IMPLICATIONS

There are number of financial policies relevant to this report, which have been commented upon in the Long Term Financial Plan.

STRATEGIC IMPLICATIONS

The Shire of Plantagenet Strategic Community Plan 2013 – 2023 provides at Outcome 4.4 (Effective integrated planning and reporting processes) the following Strategy:

‘Strategy 4.4.2 – Develop, implement and maintain Asset Management Plans and the Long Term Financial Plan.’

OFFICER COMMENT

The Shire of Plantagenet’s Long Term Financial Plan (LTFP) details what the Council proposes to do over the next ten years as a means of ensuring the Shire’s financial sustainability. The LTFP aligns with the other planning documents under the State Government’s Integrated Planning and Reporting Framework for local government. This includes the Shire’s Strategic Community Plan and Corporate Business Plan.

Information contained in other informing strategies, including the Asset Management Plan and Workforce Plan, has informed the LTFP which will be the basis for preparation of the Shire’s Annual Budgets.

The LTFP is a dynamic tool which analyses financial trends over a ten year period on a range of assumptions. It provides the Shire with information to assess resourcing requirements to achieve its strategic objectives and to assist the Shire to ensure its future financial sustainability.

The Department of Local Government’s guidelines for what should be included in a Long Term Financial Plan are as follows:

‘The Long Term Financial Plan should be easily understood by Council and the community and show clear links to the Strategic Community Plan and Corporate Business Plan.’

Narrative should include:

- *a brief description of the local government, its demographics and existing services*
- *comment on how the plan links to the Integrated Planning and Reporting Framework and other strategic plans*
- *details of financial policies and strategies, asset management strategies and assumptions underpinning the plan*
- *details of alternative scenario models and sensitivity analysis testing*
- *comment on each of the financial statements and supporting schedules*
- *details of risk assessment*
- *comment on sustainability measures (key performance indicators)*

Schedules should be in a format that can be transferred into the Annual Budget. As a minimum these would comprise:

- *statement of comprehensive income (nature and type)*
- *statement of cash flows*
- *rate setting statement*

- *statement of financial position (balance sheet)*
- *equity statement*

Supporting schedules:

- *new / capital works proposed*
- *cash reserves*
- *debt repayments*
- *depreciation / revaluation of fixed assets and infrastructure*
- *key performance indicators*
- *variable assumptions underpinning the plan'*

The current LTFP covers the period 2013-14 to 2022-23. It is envisaged that the Audit Committee and the Council will have input into a revised LTFP to cover the period 2014-15 to 2023-24. The plan adopted by the Council was subject to an addendum required by the Department of Local Government and Communities and relates to a replacement ratio (Own Source Revenue Ratio replaced Rates Coverage Ratio) and an update to the method of calculating the Asset Renewal Funding Ratio.

No changes have been made to the plan at the moment. Initial feedback is sought from Councillors. A number of changes will take place automatically as policies are revised and the 2014/2015 budget is developed.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION / COMMITTEE DECISION

Moved Cr L Handasyde, seconded Cr J Moir:

That consideration be given to modifications to the Long Term Financial Plan.

CARRIED

5.2 ADOPTION OF LEGISLATIVE COMPLIANCE POLICY – A/L/1

File No: N29955
Responsible Officer: Rob Stewart
Chief Executive Officer
Author: John Fathers
Deputy Chief Executive Officer
Proposed Meeting Date: 1 April 2014

PURPOSE

The purpose of this report is to adopt a new Legislative Compliance Policy – A/L/1.

BACKGROUND

In February 2013, a new regulation (Section 17) of the Local Government (Audit) Regulations was promulgated. This regulation requires a review of the appropriateness and effectiveness of systems and procedures in relation to risk management, internal control and legislative compliance at least once every two calendar years and to report to the Audit Committee the results of that review. This report deals with legislative compliance.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

Regulation 17 states as follows:

- ‘(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 at least once every 2 calendar years.*
- (3) The CEO is to report to the audit committee the results of that review.’*

FINANCIAL IMPLICATIONS

There are no financial implications for this report.

POLICY IMPLICATIONS

This report will recommend the adoption of a new policy.

STRATEGIC IMPLICATIONS

There are no strategic implications for this report.

OFFICER COMMENT

It is important to note that legislative compliance relates to all legislation, not just the Local Government Act 1995. It is also important to note the following underlined words

in the new regulation: *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures.*

In terms of appropriateness, the Chief Executive Officer is to decide 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.

A number of systems and processes need to be developed in order to be able to review and assess legislative compliance. The first step is to create a policy, from which other elements will flow. For example:

- A legislative compliance risk register with a risk rating.
- A formal process 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 and report breaches.
- A formal process for reporting and recording breaches of legislation.
- Legislative compliance demonstrably supported by senior management.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION / COMMITTEE DECISION

Moved Cr J Moir, seconded Cr C Pavlovich:

That it be a recommendation to the Council:

That new Legislative Compliance Policy A/L/1, as follows:

‘OBJECTIVE

To ensure that the Shire of Plantagenet complies with legislative requirements.

BACKGROUND

A fundamental principle of good public administration is that public officials comply with both the letter and the spirit of the law.

The Shire of Plantagenet has an obligation to ensure that legislative requirements are complied with. The community and those working at the Shire have an expectation that the Council will comply with applicable legislation and the Council should take all appropriate measures to ensure that that expectation is met.

Regulation 14 of the Local Government (Audit) Regulations 1996 requires local governments to carry out a compliance audit for the period 1 January to 31 December in each year. The compliance audit is structured by the Department of Local Government and Communities and relates to key provisions of the Local Government Act 1995.

Regulation 17 of the Local Government (Audit) Regulations 1996 also requires a review of the appropriateness and effectiveness of systems and procedures in relation to legislative compliance at least once every two calendar years and a report to the Audit Committee on the results of that review.

POLICY STATEMENT

The Council will have appropriate processes and structures in place to ensure that legislative requirements are achievable and are integrated into the operations of the Council.

These processes and structures will aim to:-

- a) Develop and maintain a system for identifying the legislation that applies to the Shire's activities.
- b) Assign responsibilities for ensuring that legislation and regulatory obligations are fully implemented.
- c) Provide training for relevant staff, Councillors, volunteers and other relevant people in the legislative requirements that affect them.
- d) Provide people with the resources to identify and remain up-to-date with new legislation.
- e) Establish a mechanism for reporting non-compliance.
- f) Review accidents, incidents and other situations where there may have been non-compliance.
- g) Review audit reports, incident reports, complaints and other information to assess how the systems of compliance can be improved.

Roles And Responsibilities

- a) Councillors and Committee Members

Councillors and Committee members have a responsibility to be aware and abide by legislation applicable to their role.

- b) Senior Management

Senior Management should ensure that directions relating to compliance are clear and unequivocal and that legal requirements which apply to each activity for which they are responsible are identified. Senior Management should have systems in place to ensure that all staff are given the opportunity to be kept fully informed, briefed and/or trained about key legal requirements relative to their work within the financial capacity to do so.

- c) Employees

Employees have a duty to seek information on legislative requirements applicable to their area of work and to comply with the legislation.

Employees shall report through their supervisors to Senior Management any areas of non-compliance that they become aware of.

Implementation of Legislation

The Council will have procedures in place to ensure that when legislation changes, steps are taken to ensure that future actions comply with the amended legislation.

LEGISLATIVE COMPLIANCE PROCEDURES

1 Identifying Current Legislation

The Council accesses electronic up to date versions of legislation through the Western Australian State Law Publisher website at www.slp.wa.gov.au. Direct access to this site is provided from the Council's networked computers.

2 Identifying New or Amended Legislation**a) Western Australian Government Gazette**

The Council receives hard copies of the WA Government Gazette which publishes all new or amended legislation applicable to Western Australia. Copies of Government Gazettes are distributed to Senior Staff and other designated staff. It is incumbent on the CEO and Senior Staff to determine whether any gazetted changes to legislation need to be incorporated into processes.

b) Department of Local Government

The Council receives regular circulars from the Department of Local Government on any new or amended legislation. Such advice is received through the Council's Records section and is distributed to the CEO and relevant Council officers for implementation.

c) Department of Planning

The Council receives planning bulletins from the Department of Planning on any new or amended legislation. Such advice is received through the Council's Records section and is distributed to the relevant Council officers for implementation.

d) Western Australian Local Government Association (WALGA)

The Council receives regular circulars from WALGA and these circulars highlight changes in legislation applicable to local governments.

3 Obtaining advice on Legislative Provisions

The Council will obtain advice on matters of legislation and compliance where this is necessary. Contact can be made with the Department of Local Government, WALGA or the relevant initiating government department for advice.

4 Informing Council of Legislative Change

If appropriate the CEO will, on receipt of advice of legislative amendments, advise the Council on new or amended legislation.

The Council's format for all its reports to Council meetings provides that all reports shall have a section headed 'Statutory implications' which shall detail the sections of any Act, Regulation or other legislation that is relevant.

5 Review of Incidents and Complaints of Non-compliance

The Council shall review all incidents and complaints of non-compliance. Such reviews will assess compliance with legislation, standards, policies and procedures that are applicable.

6 Reporting of Non-compliance

All instances of non-compliance shall be reported immediately the supervising manager. The supervising manager shall determine the appropriate response and then report the matter the relevant Manager.

The CEO may investigate any reports of significant non-compliance and if necessary report the non-compliance to the Council and/or the relevant government department. The CEO will also take the necessary steps to improve compliance systems.'

be adopted.

CARRIED

6 GENERAL BUSINESS / MATTERS ARISING

- Long Term Financial Plan
- Risk Management
- Internal Control
- Legislative Compliance

7 NEXT MEETING

27 May 2014

8 MEETING CLOSURE

12.00 noon The Presiding Member declared the meeting closed.

CONFIRMED: PRESIDING MEMBER _____ **DATE:** ____/____/____