

**TOWN OF BASSENDEAN**  
**NOTICE OF THE MEETING OF THE**  
**AUDIT AND GOVERNANCE COMMITTEE**

Dear Committee Member

The meeting of the Town of Bassendean's Audit and Governance Committee will be held in the Council Chamber, 48 Old Perth Road, Bassendean, on Monday 18 March 2019, commencing at 5.30pm.

Peta Mabbs  
**CHIEF EXECUTIVE OFFICER**

14 March 2019

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**A G E N D A**

**1.0**                    **DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

**Acknowledgement of Traditional Owners**

The Town of Bassendean acknowledges the past and present traditional owners of the land on which we gather to conduct this meeting, and pays its respects to their Elders, both past and present.

**2.0**                    **ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE**

**3.0**                    **DEPUTATIONS**

#### **4.0 CONFIRMATION OF MINUTES**

##### **4.1 Minutes of the Meetings held on 6 February 2019**

###### **OFFICER RECOMMENDATION – ITEM 4.1**

That the minutes of the meeting held on 6 February 2019 be confirmed as a true record.

#### **5.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION**

#### **6.0 DECLARATIONS OF INTEREST**

#### **7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING**

#### **8.0 REPORTS**

##### **8.1 Local Government Compliance Audit Return 2018 (Ref: GOVR/LREGLIA/9 – Ken Lapham, Acting Director Corporate Services)**

###### **APPLICATION**

The report presents the Local Government Compliance Audit Return 2018, 1 January 2018 to 31 December 2018 to Council in order that the report be adopted.

###### **ATTACHMENT**

**Attachment No. 1:**  
2018 Compliance Audit Report

###### **BACKGROUND**

The Department of Local Government, Sport and Cultural Industries require all Councils to submit an annual Compliance Return (CAR) for the previous calendar year by 31 March each year. The Return is used as a measurement to determine the level of compliance with the Local Government Act and associated Regulations.

## STRATEGIC IMPLICATIONS

<b>Objectives</b> <i>What we need to achieve</i>	<b>Strategies</b> <i>How we're going to do it</i>	<b>Measures of Success</b> <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance)
	5.1.2 Ensure financial sustainability	Compliance Audit
	5.1.3 Strengthen governance, risk management and compliance	Risk Management Profile
	5.1.4 Improve efficiency and effectiveness of planning and services	Financial Ratio Benchmarked. Asset Ratio Benchmarked
	5.1.5 Ensure optimal management of assets	Financial Ratio Benchmarked. Asset Ratio Benchmarked

## COMMENT

Each Local Government Authority is required to complete a Compliance Audit Return for the period 1 January 2018 to 31 December 2018. The Compliance Audit Return must be submitted to the Director General, Department of Local Government, Sport and Cultural Industries, by 31 March 2019.

The return is one of the tools that allows Council to monitor how the organisation is functioning. It places emphasis on the need to bring to Council's attention, issues of non-compliance, or issues where full compliance was not achieved.

In addition to explaining or qualifying cases of non-compliance, the return also requires Council to endorse any remedial action taken or proposed to be taken in regard to instances of non-compliance.

The document contains 95 questions to test compliance with the Local Government Act and Regulations.

The compliance areas include:

TOPIC	NUMBER OF QUESTIONS
Commercial Enterprises by Local Governments	5
Delegation of Power / Duty	13
Disclosure of Interest	16
Disposal of Property	2
Finance	16
Integrated Planning & Reporting	7
Local Government Employees	5
Official Conduct	6
Tenders for Providing Goods and Services	25

In preparing this return, the following staff were asked to provide responses and assistance to the above topics.

CEO's Office Executive Assistant	Delegation of Power/Duty Disclosures of Interest Elections Official Conduct
Council Support Officer	Disclosures of Interest
Manager Development Services	Disposal of Property
Acting Director Corporate Services	Commercial Enterprises Finance Integrated Planning Tenders for Good/Services
Acting HR Coordinator	Local Government Employees

A summary of the responses are shown below. Statistics on previous year's returns are provided.

RESPONSE	2018	2017	2016	2015
Areas of Compliance	63	63	52	72
Areas of Non Compliance	0	0	1	0
Not Applicable	32	31	34	15
Total	95	94	87	87

### STATUTORY REQUIREMENTS

Local Government (Audit) Regulations 1996

#### 14. *Compliance audits by local governments*

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*

- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
- (a) *presented to the council at a meeting of the council; and*
  - (b) *adopted by the council; and*
  - (c) *recorded in the minutes of the meeting at which it is adopted.*
15. *Certified copy of compliance audit return and other documents to be given to Departmental CEO*
- (1) *After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —*
- (a) *a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
  - (b) *any additional information explaining or qualifying the compliance audit,*

*is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.*

- (2) *In this regulation —*
- certified** *in relation to a compliance audit return means signed by —*
- (a) *the mayor or president; and*
  - (b) *the CEO.*

## FINANCIAL CONSIDERATIONS

Nil.

## OFFICER RECOMMENDATION – ITEM 8.1

That the Audit and Governance Committee recommends that Council adopt the Compliance Audit Return 2018 for the period 1 January 2018 to 31 December 2018, as attached to the Audit and Governance Committee Agenda of 18 March 2019.

**Voting requirements: Simple Majority**

**8.2 Risk Management Framework - Review on Appropriateness and Effectiveness in accordance with Local Government Audit Regulations (Ref: GOVR/LREGLIA/3 – Ken Lapham, Acting Director Corporate Services)**

APPLICATION

The Committee is requested to consider the CEO's review of the appropriateness and effectiveness of the Town's systems and procedures in relation to risk management, internal controls and legislative compliance. This is in accordance with the requirements of the Audit Regulation 17, and the Local Government Financial Management Regulations 5 (2) (C).

ATTACHMENTS

**Attachment No. 2:**

Moore Stephens - Proposal for the Provision of Audit Regulation 17: Risk Management Review.

BACKGROUND

In 2014 & 2016, the Town had engaged LGIS Risk Management Services to undertake processes to ensure that the Town complied with the requirements of Audit Regulation 17. Their processes covered the following:

- Current risks assessed within Council's activities, and the appropriateness and effectiveness of the systems and processes in place for risk management, internal controls and legislative compliance.
- Generate Risk Management Guidelines (previously Risk Management Manual). This was an operational document. There was no requirement for formal Council adoption. The document was presented to the ARMC to articulate the internal risk and control management processes in place.
- Risk Profiles, incorporating existing risk profile data and extending to ensure appropriate coverage of risk across all areas of operations. These profiles cover operating risks; legislative compliance obligations; key controls and any relevant treatment plans to improve the risk position.

## STRATEGIC IMPLICATIONS

### *Good Governance*

<b>Objectives</b> <i>What we need to achieve</i>	<b>Strategies</b> <i>How we're going to do it</i>	<b>Measures of Success</b> <i>How we will be judged</i>
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	5.1.2 Ensure financial sustainability	Compliance Audit
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	5.1.5 Ensure optimal management of assets	Financial Ratio Benchmarked. Asset Ratio Benchmarked

### COMMENT

On 22 February 2019, Council adopted the revised Audit and Governance Committee's Instrument of Appointment and Delegation, with a significant change being that the Internal Auditors, Moore Stephens, will attend each Audit and Governance Committee meeting.

Moore Stephens was appointed in 2016 as the Town's Internal Auditors, and have a contract that expires in 2020. The basis of this appointment was to ensure that the Town complied with the Local Government Financial Management Regulations 1996 (5) (2)(c):

The CEO is to 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.

The CEO sought Moore Stephens to undertake an organisational risk assessment, and review of internal controls and legislative compliance.

A proposal has been prepared in this regard and is attached to the agenda.

This proposal gives an overview of the processes that Moore Stephens will undertake to ensure that the Town will comply with both the following regulatory requirements.

### STATUTORY REQUIREMENTS

#### Local Government (Audit) Regulations 1996

##### 17. CEO 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 sub regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 3 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

#### Local Government Financial Management Regulations 1996

##### *5 - CEO's duties as to financial management*

- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
- (2) *The CEO is to —*
  - (c) *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*

### FINANCIAL CONSIDERATIONS

Funds have been allocated in the 2018/19 Budget. The cost of \$16,000, plus workshop costs of \$3,000, are in line with the existing Internal Audit Contract, which meets the requirements of the Town's current Procurement Guidelines.



**OFFICER RECOMMENDATION — ITEM 8.2**

That the Audit and Governance Committee endorse the engagement of Moore Stephens to undertake the Audit Regulation 17: Risk Management Review and Regulation (5) (2) (c) of the Local Government Financial Management Regulations 1996.

**Voting requirements: Simple Majority**

**9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil.

**10.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING**

**11.0 CONFIDENTIAL BUSINESS**

**12.0 CLOSURE**

The next meeting is to be held on Wednesday, 9 May 2018, commencing at 5.30pm.