



SHIRE OF CARNARVON

MINUTES

AUDIT & RISK MANAGEMENT COMMITTEE

TUESDAY

15 MARCH 2022

INDEX

1.0 ATTENDANCES , APOLOGIES & APPLICATIONS FOR LEAVE OF ABSENCE

(The Local Government Act 1995 Section 2.25 provides that a Council may, by resolution, grant leave of absence to a member for Ordinary Council Meetings. The leave cannot be granted retrospectively and an apology for non-attendance at a meeting is not an application for leave of absence.)

2.0 ELECTED MEMBER AND PUBLIC QUESTION TIME

3.0 DECLARATIONS OF INTEREST

(Councillors and Staff are reminded of the requirements of Section 5.65 of the Local Government Act 1995, to disclose any interest during the meeting or when the matter is to be discussed.)

4.0 CONFIRMATION OF MINUTES

4.1 Audit & Risk Management Committee Meeting – 31 August 2021

5.0 ITEMS FOR DISCUSSION

5.1 Compliance Audit Return 20214

6.0 REPORTS

7.0 MATTERS FOR WHICH MEETING MAY BE CLOSED TO THE PUBLIC

8.0 DATE OF NEXT MEETING

9.0 CLOSURE



**MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN COUNCIL CHAMBERS, STUART STREET CARNARVON ON
TUESDAY 15 MARCH 2022 COMMENCING AT 2.00PM**

1.0 ATTENDANCES AND APOLOGIES

Cr E Smith.....Shire President/Chairperson
Cr B Maslen.....Councillor
Cr L Skender.....Councillor
Cr A Fullarton.....Councillor

Mrs A Selvey..... Chief Executive Officer
Mrs D Hill.....Senior Executive Officer
Mrs A Leighton..... Manager, People & Culture Systems
Mrs C Ballard.....Governance & Information Coordinator

ApologiesCr Vandeleur
Observers Nil

1.1 ELECTION OF CHAIR AND DEPUTY CHAIR

The Chief Executive Officer called for nominations for the position of Chair and Deputy Chair of the Audit and Risk Management Committee.

ARMC 1/3/22

COMMITTEE RESOLUTION

Cr Maslen/Cr Smith

That Cr Vandeleur be elected to the Chair of the Audit & Risk Management Committee.

CARRIED
F4/A0

ARMC 2/3/22

COMMITTEE RESOLUTION

Cr Fullarton/Cr Skender

That Cr Maslen be elected to the Chair of the Audit & Risk Management Committee.

CARRIED
F4/A0

2.02pm – Cr Maslen, as Deputy, assumed the Chair.

2.0 PUBLIC QUESTION TIME

No public in attendance

3.0 DECLARATIONS OF INTEREST:

Nil

4.0 CONFIRMATION OF MINUTES

ARMC 3/3/22

COMMITTEE RESOLUTION

Cr Smith/Cr Fullarton

That the Minutes of the Audit & Risk Management Committee held on 31 August 2021 be confirmed as a true record of proceedings.

CARRIED

F4/A0

5.0 ITEMS FOR DISCUSSION

5.1 COMPLIANCE AUDIT RETURN

File No:	ADM0011
Date of Meeting:	TBA
Location/Address:	N/A
Name of Applicant:	Shire of Carnarvon
Name of Owner:	Shire of Carnarvon
Author/s:	Amanda Leighton, Manager People, Culture & Systems
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority
Schedules:	Compliance Audit Return 2021

Authority / Discretion

	Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
X	Executive	The substantial direction setting and oversight role of the Council. E.g., adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
	Legislative	Includes adopting local laws, town planning schemes and policies.
	Quasi-Judicial	When Council determines an application / matter that directly affects a person's right and interest. The judicial character arises from the obligations to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licenses, applications for other permits / licenses.
	Information	Includes items provided to Council for information purposes only that do not require a decision of Council (i.e. – for noting).

Summary of Item:

The purpose of this report is to present to the Audit and Risk Committee (ARC) the 2021 Compliance Audit Return (CAR) for review, and to request that the ARC recommend that Council adopt the 2021 CAR for submission to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March 2022.

The 2021 CAR comprised of 11 categories with 98 questions. These questions require a response of YES, NO or N/A.

Yes- Indicates compliance

No- Indicates non-compliance

N/A- Indicates that this function was not required to be performed this year, or is not a requirement for this Local Government.

Background:

Local governments are required to complete a compliance audit for the previous calendar year by the 31 March. The DLGSC provides the questions each year with the compliance audit being an in-house self audit that is undertaken by the appropriate responsible officer. In accordance with Regulation 14 of the Local Government (Audit) Regulations 1996 the ARC is to review the CAR and is to report to Council the results of that review. The CAR is to be:

1. Presented to an Ordinary Meeting of Council
2. Adopted by Council; and
3. Recorded in the minutes of the meeting at which it is adopted.

Following the adoption by Council of the CAR, a certified copy of the return, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGSC by 31 March 2022. The return requires the Shire President and the Chief Executive Officer to certify that the statutory obligations of the Shire of Carnarvon are compliant.

Consultation:

Nil

Statutory Environment:

Regulation 14, *Local Government (Audit) Regulations 1996*.

Relevant Plans and Policy:

Nil.

Financial Implications:

Nil.

Risk Assessment:

		STEP 3 – Risk Tolerance Chart Used to Determine Risk				
		Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 5
Consequence	Likelihood					
Almost certain	A	High	High	Extreme	Extreme	Extreme
Likely	B	Moderate	High	High	Extreme	Extreme
Possible	C	Low	Moderate	High	Extreme	Extreme
Unlikely	D	Low	Low	Moderate	High	Extreme
Rare	E	Low	Low	Moderate	High	High

Risk Category	Description	Rating (Consequence x likelihood)	Mitigating Action/s
Financial	N/A		
Health & Safety	N/A		
Reputation	There is a reputational risk with the DLGSC should the CAR not be completed on time or if significant non compliances are reported.	Low	Pending the decision of the ARC, this item can be presented to Council in time to meet the compliance requirement. The compliance % rate is acceptable and this report demonstrates improvements are being made.
Service disruption	N/A		
Compliance	There is a reputational risk with the DLGSC should the CAR not be completed on time or if significant non compliances are reported.	Low	Pending the decision of the ARC, this item can be presented to Council in time to meet the compliance requirement.
Property	N/A		
Environment	N/A		
Fraud	The CAR responses are fraudulent.	Low	Spot checking of responses were carried out by the Manager People, Systems and Culture and the CEO; and the Governance Coordinator did a thorough audit of responses.

Community & Strategic Objectives:

The proposal accords with the following Shire desired outcomes as expressed in the *Community Strategic Plan 2018-2028*:

Objective 5: Civic – *Strong and Listening Council*.

ITEM	OUTCOMES AND STRATEGIES
5.2	The Shire has a high standard of governance and accountability.
5.2.6	Compliance with the Local Government Act 1995 and all other legislation and regulations.

Comment:

The process for completing the 2021 CAR involved individual officers for each area being delegated the questions by the Governance & Information Coordinator. As officers returned their information, it was then verified by the Governance & Information Coordinator. Once the whole document was complete, it was then subject to further review by the Manager of People, Culture & Systems and the CEO which resulted in changes to two answers advising of non-compliance, to ensure that a high quality and verified CAR was completed.

When comparing the 2021 CAR against the 2020 CAR (which was completed by an external consultant) the Shire of Carnarvon has increased its level of compliance by 8% (rounded %).

Compliance Audit Return Categories	2020 Audit Questions	Non Compliance	Compliance Rating	2021 Audit Questions	Non Compliance	Compliance Rating
Commercial Enterprises by Local Government	5		100%	5		100%
Delegation of Power/Duty	13		100%	13	1	92%
Disclosure of Interest	21	2	90%	25	2	92%
Disposal of Property	2		100%	2		100%
Elections	3		100%	3		100%
Finance	11	7	36%	7	5	28%
Integrated Planning and Reporting	3		100%	3		100%
Local Government Employees	6		100%	6		100%
Official Conduct	4		100%	3		100%
Optional Questions	10	5	50%	9	1	88%
Tenders for Providing Goods and Services	18	3	83%	22		100%
TOTAL	96	17	82%	98	9	90%

The following are areas were identified as being non-compliant

Delegation of Power/Duty

12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2020/2021 financial year?	No	A review was conducted at the Ordinary Council Meeting held 24 August 2021 - 2 months late	caroline ballard
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To minimize the risk of future non-compliance, iAuditor software is being implemented in the coming months to ensure that all statutory and legislative functions are captured and monitored on a system, as opposed to being captured and monitored by a person.

Disclosure of Interest

22	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates within 3 months of the prescribed model code of conduct coming into operation (3 February 2021)?	No	Code of Conduct was adopted at the April Ordinary Meeting of Council - 2 months late	caroline ballard
25	s5.51A(1) & (3)	Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?	No	Code of Conduct is being reviewed by an external contractor who is reviewing the whole suite of Policies	caroline ballard

This new legislation was introduced at a time of significant upheaval in the organisation with an Acting CEO, various staff positions vacant, and the major flood event. This period of instability at the Shire coincided with a time of major changes in legislation. Hence this deadline was missed.

Finance

3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2021 received by the local government by 31 December 2021?	No	Apology letter from OAG for the delay received	caroline ballard
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	No	Apology letter from OAG for the delay received	caroline ballard
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	No	Apology letter from OAG for the delay received	caroline ballard
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	No	Apology letter from OAG for the delay received	caroline ballard
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	No	Apology letter from OAG for the delay received	caroline ballard

The non-compliance in this area, was a result of timing issues with the Office of the Auditor General (OAG) and beyond the control of the Shire of Carnarvon – see attached letter from the OAG. Councillors at the WALGA Zone meeting heard directly from the OAG about the issues that have prevented them from finalising Local Government audits (not just at the Shire of Carnarvon).

Optional Questions

2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2021? If yes, please provide date of council's resolution to accept the report.	No	Reviewed by Audit Committee on 31 August 2021, but not presented to Council	caroline ballard
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This non-compliance was a result of an oversight. The Reg 17 Report was presented to the ARC and would usually be presented to Council at the following Ordinary Meeting of Council. This requirement will be added to iAuditor to ensure future compliance.

ARMC 4/3/22

COMMITTEE RESOLUTION

Cr Fullarton/Cr Skender

OFFICER'S RECOMMENDATION PART ONE

That the Audit and Risk Committee, pursuant to Regulation 14 of the Local Government (Audit) Regulations 1996, resolves to:

- 1. Review the Shire of Carnarvon's Compliance Audit Return for the period 1 January 2021 to 31 December 2021 and report the results to Council via the minutes of the Audit and Risk Committee meeting;*

2. *Recommend that Council, at its Ordinary Meeting on 22 March 2022, adopts the Shire of Carnarvon's Compliance Audit Return for the period 1 January 2021 to 31 December 2021.*

OFFICER'S RECOMMENDATION PART TWO

That the Audit and Risk Committee, pursuant to Regulation 15 of the Local Government (Audit) Regulations 1996, resolves to:

1. *Authorise the Shire President and Chief Executive Officer to certify the Shire of Carnarvon Compliance Audit Return for the period 1 January 2021 to 31 December 2021 and submit the certified copy to the Department of Local Government, Sport and Cultural Industries by 31 March 2022.*

CARRIED
F4/AO

(Note to Minute – For public record, the letter of apology from the Office of the Auditor General is attached to these minutes. Also to be noted that commentary to be added in relation to non compliance items.)

6.0 REPORTS

Nil

7.0 MATTERS FOR WHICH MEETING MAY BE CLOSED TO THE PUBLIC

Nil

8.0 DATE OF NEXT MEETING

To be advised

9.0 CLOSE

The Chairman closed the meeting at 2.09pm

From: Caroline Spencer <Caroline.Spencer@audit.wa.gov.au>
Sent: Thursday, 23 December 2021 12:15 PM
To: Andrea Selvey <Selvey.A@carnarvon.wa.gov.au>
Subject: OAG - 2021 Annual Financial Audit Delay



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Our Ref: 8689

Dear President Smith

2020-21 ANNUAL FINANCIAL AUDIT REPORT DELAY FOR SHIRE OF CARNARVON

Under section 7.9 of the *Local Government Act 1995*, I am required to prepare a report by 31 December on my Office's audit of your entity's annual financial report for the 2020-21 financial year.

I am aware my Office will not deliver this report to you within the stipulated timeframe. Yours is one of a number of our local government audits that have been delayed this year. This is largely due to increasingly complex reporting and audit issues contributing to longer audits across the entire public sector. Other factors contributing to these delays include the carryover work of some significant findings in our State sector audits, and the quality of financial records and availability of staff in a number of local government entities which has affected our teams' ability to finalise audits sooner. Some entities have also requested to have their exit meeting postponed to

February 2022, while some others have sought extensions from the Department of Local Government, Sport and Cultural Industries.

In addition, COVID-19 border closures have resulted in a labour shortage in the audit profession, and while some other audit offices throughout Australasia have been granted extended reporting deadlines through legislative amendments, this has not occurred in Western Australia. My Office will formally communicate these impacts to Government and our parliamentary committees.

I do regret our inability to provide your audit report prior to year-end, as it has flow-on consequences for us all, and I thank you for your understanding. My Office aims to finalise your audit and deliver it to you as soon as practicable, understanding that many of our auditors will be taking well-earned leave throughout January 2022 following gruelling audit seasons. I also appreciate the support of your staff providing any outstanding audit information to our Office (or contract audit firm) when it can be collated. I recognise your team may also be taking a much needed break in this period.

I would welcome a debrief between council staff and our audit team following the audit to discuss ways we may be able to improve our respective processes to ensure timely delivery next year. I continue to engage with Government on reporting requirements for the sector.

A copy of this letter has also been sent to your CEO, Ms Andrea Selvey.

I extend my very best wishes to you, your staff and all in your community for a very Merry Christmas and pleasant and restful festive period.

Yours faithfully



Caroline Spencer

Auditor General for Western Australia

www.audit.wa.gov.au

