



# MINUTES

## Audit Committee Meeting

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### Monday, 29 June 2020 at 6.35pm

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**MINUTES OF THE ORDINARY MEETING OF THE AUDIT COMMITTEE HELD IN THE COUNCIL CHAMBER,  
135 CANNING HIGHWAY EAST FREMANTLE ON MONDAY, 29 JUNE 2020.**

**1. DECLARATION OF OPENING OF MEETING/ANNOUNCEMENTS OF VISITORS**

The Presiding Member opened the meeting at 6.34pm.

**2. ACKNOWLEDGEMENT OF COUNTRY**

*"On behalf of the Council I would like to acknowledge the Whadjuk Nyoongar people as the traditional custodians of the land on which this meeting is taking place and pay my respects to Elders past, present and emerging.*

**3. RECORD OF ATTENDANCE**

**3.1 Attendance**

The following members were in attendance:

Cr A Natale	Presiding Member
Mayor J O'Neill	
Cr J Harrington	
Cr A McPhail	
Cr M McPhail	
Cr A Watkins	

The following staff were in attendance:

Mr G Tuffin	Chief Executive Officer
Mr P Kocian	Executive Manager Corporate Services
Ms Bron Browning	Minute Secretary

**3.2 Apologies**

Nil.

**3.3 Leave of Absence**

Nil.

**4. MEMORANDUM OF OUTSTANDING BUSINESS**

Nil.

**5. DISCLOSURES OF INTEREST**

**5.1 Financial**

Nil.

**5.2 Proximity**

Nil.

**5.3 Impartiality**

Nil.

**6. PUBLIC QUESTION TIME**

**6.1 Responses to previous questions from members of the public taken on notice**

Nil.

**6.2 Public Question Time**

Nil.

**7. PRESENTATIONS/DEPUTATIONS**

Nil.

**8. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**8.1 Audit Committee (11 March 2020)**

**8.1 OFFICER RECOMMENDATION**

Moved Cr A McPhail, seconded Cr Watkins

That the minutes of the Audit Committee meeting held on Wednesday, 11 March 2020 be confirmed as a true and correct record of proceedings.

(CARRIED UNANIMOUSLY)

**9. ANNOUNCEMENTS BY THE PRESIDING MEMBER**

Nil.

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## 10. REPORTS

### 10.1 Report to the Audit Committee on the Application of New Accounting Standards for the year ended 30<sup>th</sup> June 2020.

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	John Mordini, Manager Finance and Administration
<b>Supervised by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Meeting Date:</b>	29 June 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Moore Stephens – New Accounting Standards impacting the Town of East Fremantle at 1 July 2019.

#### **Purpose**

The purpose of this report is to advise the Audit Committee on new accounting standards impacting the financial statements for the year ending 30 June 2020.

#### **Executive Summary**

The Town requested Russel Barnes from Moore Stephens to provide general guidance on the application and impact of new accounting standards for the 2020 financial year. There are three accounting standards that are required to be considered. These are as follows:

- AASB 15 Revenue from Contracts with Customers
- AASB 1058 Income of Not for Profit Entities, and
- AASB 16 Leases.

#### **AASB 15 – Revenue from Contracts with Customers**

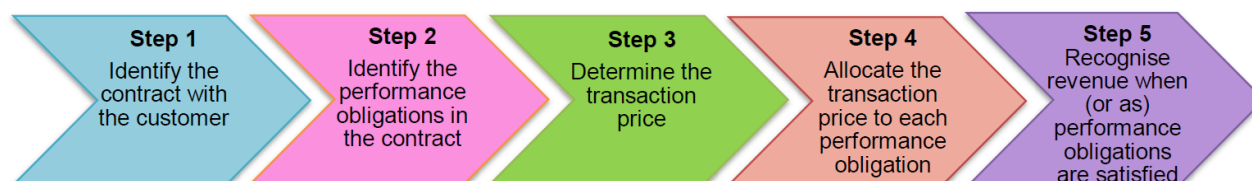
AASB 15 Revenue from Contracts with Customers establishes the accounting principles a local government shall apply in relation to the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

The core principle is that an entity will recognise revenue at an amount that reflects the consideration entitled in exchange for transferring goods or services to a customer.

As at the 31<sup>st</sup> May 2020, the Town had \$84,302 of unspent grant funding on its balance sheet. These funds will be recognised as income when the requirements of the contract are completed. This amount is not considered to have a material impact on the financial statements for the year ending 30<sup>th</sup> June 2020.

AASB 15 provides a comprehensive framework for revenue recognition using the following five-step model:

## Five step revenue recognition model

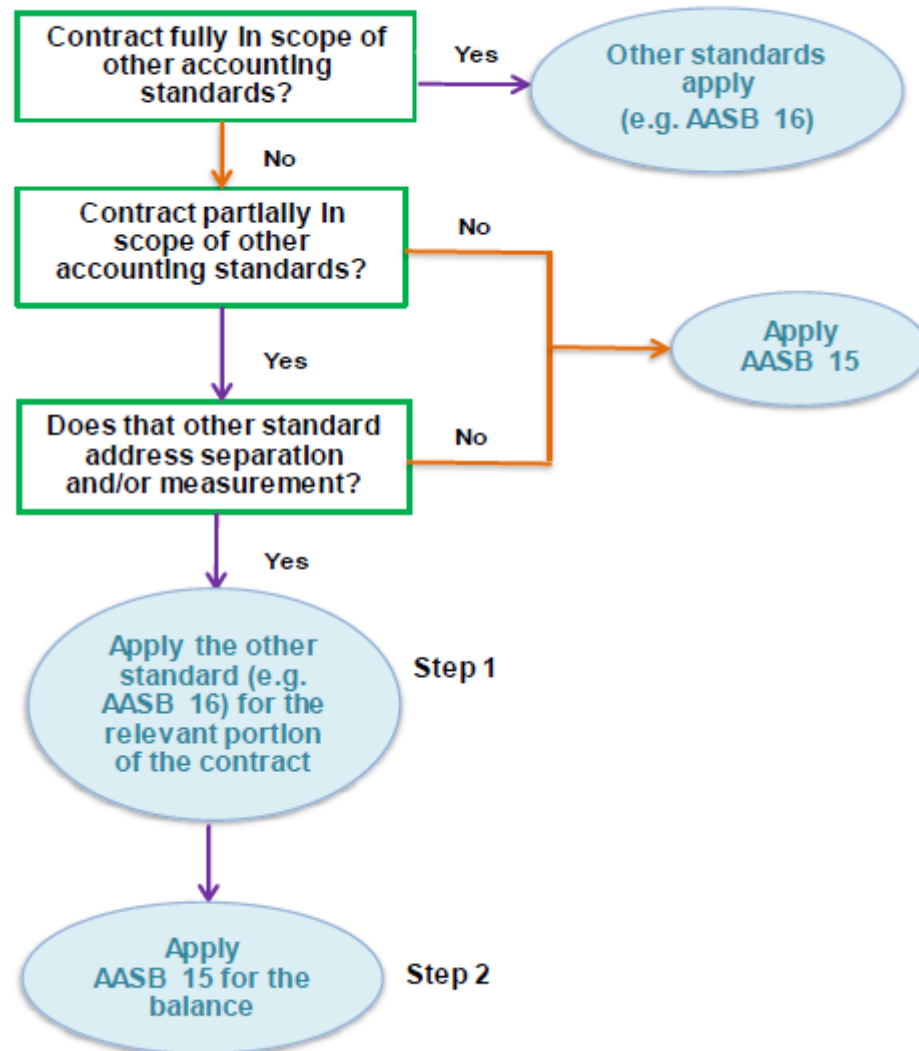


The standard requires a local government to recognise revenue aligned to the transfer of promised goods or services to customers for an amount that reflects the consideration the local government is entitled for those goods or services.

Each contract with a customer needs to be assessed to identify the performance obligations it creates. If there is a mismatch between the timing of performance obligations under a contract and receiving an asset in exchange, for example, cash, or undertaking works and services in advance, then a contract liability or contract asset is created until the performance obligation(s) under the contract are satisfied. Once the performance obligation(s) are satisfied, the associated level of revenue is recognised.

A contract with a customer may partially be in the scope of AASB 15 and partially within the scope of other Standards. In such instances, the Town is required to apply the other standard first, if those standards specify how to separate and/or initially measure one or more parts of the contract. The entity will then apply AASB 15 to the remaining components of the contract.

### Decision tree for the application of AASB 15



#### AASB 1058 – Income of Not for Profit Entities

AASB 1058 Income of Not for Profit Entities applies to local governments and significantly changes income/revenue recognition for local governments.

The purpose of AASB 1058 is to more closely recognise Not for Profit income transactions that are not contracts with customers in accordance with their economic reality. Therefore, AASB 1058 needs to be recognised in conjunction with AASB 15 Revenue from Contracts with Customers.

The application of AASB 1058 will impact the 2019/2020 annual financial statements of the Town. On 1 July 2019, prepaid rates of \$176,653 will be recognised as a financial asset and a related amount as a financial liability and no income recognised by the Town.

When the taxable event occurs (being when the rate in the dollar is struck), the financial liability will be extinguished, and the Town will recognised income for the prepaid rates of \$176,653 that have not been refunded.

As at 31<sup>st</sup> May, the current balance of the Excess Rates account in the general ledger was \$94,100. This amount will remain in the financial statements as a liability as at 30<sup>th</sup> June 2020.

AASB 1058 applies to:

- (a) transactions where the consideration to acquire an asset is significantly less than its fair value, principally to enable a not-for-profit entity to further its objectives, i.e. a 'donation transaction'; and
- (b) the receipt of volunteer services

A key feature of AASB 1058 is that it is necessary to first determine whether each transaction, or part of a transaction, falls in the scope of AASB 15 Revenue from Contracts with Customers. Only if AASB 15 does not apply then consider the application of AASB 1058.

The main impacts of AASB 1058 are:

- The timing of income recognition will depend on whether there is any performance obligation or other liability. This will result in better matching of income and related expenses.
- Not For Profit lessees will now recognise peppercorn leases as right-of-use assets at fair value.
- All Not For Profit entities can elect to recognise volunteer services if they can be reliably measured.

To determine if AASB 15 or AASB 1058 applies requires a two-step process.

#### Step 1

Not For Profit entities should first determine whether a transaction is a contract with a customer under AASB 15.

To be in scope of AASB 15, there should be:

- an 'enforceable contract' – i.e. the contract between two or more parties must create enforceable rights and obligations
- 'sufficiently specific performance obligations' – i.e. the NFP entity's promise to transfer a good or service must be sufficiently specific
- 'underlying goods or services are not retained by the entity' – i.e. the goods or services will be transferred to the customer or to other parties on behalf of the customer (AASB 1058.IE5) and not retained by the entity for its own use.

If all criteria are met, income is recognised under AASB 15 when (or as) the performance obligations under the contract are satisfied. If any of these criteria are not met, then Step 2 applies.

#### Step 2

Determine if a volunteer service has been received or there is a significant 'donation' component in the contract. A donation component and thereby a donation transaction exists if:

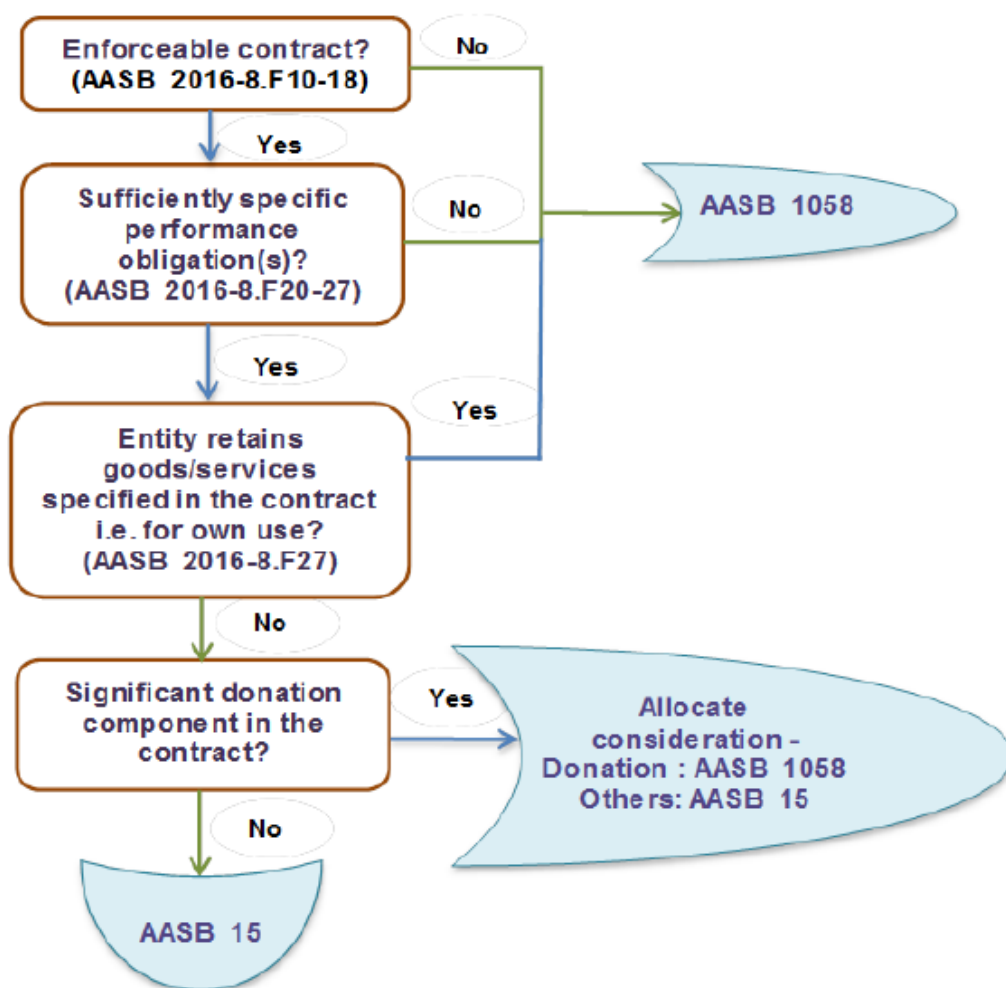
- the consideration to acquire an asset is significantly less than its fair value; and
- the intent is primarily to enable the NFP entity to further its objectives



AASB 1058 applies if NFP entities enter into 'donation' transactions as above or receive volunteer services.

In circumstances where a contract with a customer contains both a donation and non-donation component, the transaction should be allocated between AASB15 and AASB 1058 to ensure appropriate recognition.

**Decision tree for which standard to apply**



Specific transactions that fall under the scope of AASB 1058 that the Town will need to consider are as follows:

- Assets received below fair value,
- Transfers received to acquire or construct non-financial assets,
- Prepaid rates,
- Leases entered into at below market rates, and
- Volunteer services.

#### *Assets received below fair value*

For an asset received below fair value a local government is required to initially measure the asset at its fair value in accordance with its relevant standard. For example, AASB 9 Financial Instruments (e.g. Cash), AASB 16 Leases, and AASB 117 Property, Plant and Equipment.

An increase in the asset will require an increase in either a liability or recognition of revenue, such as revenue or liability from a contract under AASB 15, a lease liability under AASB 16, a financial liability under AASB 9 or a provision in accordance with AASB 137.

#### *Transfer received to acquire or construct non-financial assets*

A transfer received to acquire or construct non-financial assets refers to grant funds received to either buy or construct a non-financial asset, such as a building, for the Council's own use.

With these transactions, the Council is not required to transfer the non-financial asset back to the transferor or other parties. The transaction also occurs under an enforceable agreement.

Once the obligations to create the non-financial asset are satisfied, the difference between the amount received to acquire/construct the non-financial asset and the grant amount received is recognised as income in the profit and loss.

If the obligation has not been fulfilled the grant amount remains as a liability until such time as the Town satisfies its obligation under the initial transfer of the financial asset.

#### *Prepaid rates*

Prepaid rates are a financial liability and are not recorded as revenue until the associated taxable event occurs. In local government, the taxable event is when Council determines land values are subject to taxation, when the rate in the dollar is struck.

This differs from the previous treatment where, as per AASB 1004, prepaid rates were recorded as revenue when received.

#### *Leases entered into below market rates*

Leases entered into at below market rates (peppercorn leases) requires the Town to measure the lease assets as a "right of use asset", with the lease liability measured at the present value of the minimum lease payments. The difference between the lease asset and liability is recorded as income.

#### *Volunteer services*

Volunteer services are services received by an entity from individuals or other entities without charge or for consideration significantly less than the fair value of those services.

Local governments are required to recognise volunteer services received as income when such services would be purchased if they had not been donated, and the fair value of those services can be reliably measured.

In many instances, the economic benefits of volunteer services will be consumed as the services are acquired, and will be expensed immediately. In other cases, the volunteer services could contribute to the development of an asset and therefore be included in the carrying amount of that asset.

#### **AASB 16 – Leases**

The Town does not currently have any assets that it leases from third parties. Therefore there is no impact on the 2019/2020 financial statements.

The Town as Lessor has a number of leases in place that are mainly for community infrastructure. Assets underlying the leases are recognised within the Town's financial statements and revenue is recognised when it is due to the Town. No change in accounting practices for these leases are currently required.

For future application should the Town enter into a lease agreement, AASB 16 Leases introduces a single lessee accounting model to the extent that there is no longer a distinction between finance and operating leases. Lessees will now recognise a right-to-use asset and a lease liability onto the 'balance sheet' for all leases.

The Standard contains an exemption for short-term leases (less than 12 months) or leases where the underlying asset is of low value (applying the mandatory level of below \$5,000).

Right-to-use assets shall initially be measured at cost. The cost shall comprise:

- Amount of initial measurement of the lease liability,
- Upfront lease payments less any lease incentives received,
- Any initial direct costs incurred, and
- Any "make-good" costs (best estimate).

Generally, local governments in Western Australia have leases that are currently defined as operating leases.

The most common examples include, although are not limited to:

- Vehicles (usually cars),
- Photocopiers,
- Computers,
- Staff Housing, and
- Phones.

AASB 16 very specifically indicates cars do not qualify as low-value assets.

AASB 16 specifically indicates tablet and personal computers, small items of office furniture and telephones qualify as low-value assets.

The implementation guidance is silent with regards to photocopiers. At this stage, and subject to further guidance, corporate photocopiers would not qualify, as they are not considered small items. They will rather need to be assessed based on their materiality to the local governments' financial statements.

#### **Consultation**

Chief Executive Officer

### Statutory Environment

Part 6 and Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* applies to financial reporting and audit in local government.

### Policy Implications

Nil.

### Financial Implications

The adoption of these new accounting standards will have a minimal impact on preparation of the Annual Financial Report for 2019/2020.

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
The application of new accounting standards may impact the net profit or loss of the Town for the year ended 30 <sup>th</sup> June 2020.	Unlikely (2)	Minor (2)	Low (1-4)	FINANCIAL IMPACT \$10,000 - \$50,000	Control through Audit Committee monitoring and OAG financial statement year-end audit.

### Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
Likelihood	Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
	Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
	Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
	Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
	Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

Risk Rating	2
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

**Comment**

The Town has considered the impact that the adoption of new accounting standards will have on the financial report for the 2019/2020 financial year and believe that any impact will be minimal.

**10.1 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A010620**

**Moved Cr A McPhail, seconded Cr Watkins**

**That the Audit Committee:**

- 1. receive the report for the Application of New Accounting Standards for the year ended 30<sup>th</sup> June 2020.**
- 2. note that any impact on the adoption of these new accounting standards will be minimal.**

**(CARRIED UNANIMOUSLY)**

## 10.2 Procurement Review – Requisitions/Purchase Orders over \$5k

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	29 June 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	<ol style="list-style-type: none"> <li>1. Procurement Review (Confidential Attachment)</li> <li>2. Independent Auditors Report 13 December 2019</li> <li>3. Minutes Special Council Meeting 4 February 2020</li> </ol>

### Purpose

The Audit Committee is requested to receive the assessment of all supplier purchases greater than \$5k for the period 1 July 2019 to 22 May 2020, for compliance against Council's Purchasing Policy.

### Executive Summary

Between the period 1 July 2019 and 22 May 2020, the Town released 111 purchase orders over \$5k. Full information is provided as confidential attachment 1, and is summarised as follows:

Amount	Purchasing Requirement	No. Purchase Orders	No. Compliant with Purchasing Policy or Exempt i.e. Sole Supplier	% Compliant
Over \$5,001 and up to \$20,000	Attempt to obtain 2 written quotes	73	63	86%
Over \$20,001 and up to \$50,000	Attempt to obtain 3 written quotes	28	24	86%
Over \$50,001 and up to \$150,000	Attempt obtain 3 written quotes under a Request for Quotation	7	7	100%
Over \$150,000	Request for Tender unless exempt	3	3	100%
Total		111	97	

### Background

The Independent Auditors Report dated 13 December 2019 (attachment 2) included the following significant audit finding:

For 75% of purchases we sampled below the tender threshold, there was inadequate or no evidence that a sufficient number of quotations was obtained to test the market, and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement. This could also result in favouring certain suppliers, although our audit did not identify any instances.

In response to the above finding, management provided the following comment, extracted from the minutes of the Special Council Meeting dated 4 February 2020 (attachment 3):

*The Town's purchasing policy states that where the value of a purchase is between \$5,001 and \$20,000, efforts should be made to obtain at least two written quotes.*

*During the Auditor's procurement testing, 6 purchases were identified in this range, out of a sample of 8, where there was insufficient documentation to indicate that the requisite number of quotations had been obtained.*

*Extended security permissions, including a purchasing requisition system, were implemented in June 2019. Staff are now required to upload evidence of quotations for purchases in excess of \$5,000 against a requisition request, which is converted into a purchase order only after it has been reviewed and approved by a Manager.*

*The Internal Audit Work Plan for 2020 also proposes that an internal audit of all requisitions over \$5,000 be completed, and presented to the Audit Committee in July 2020. This will ensure a complete sample and identify all instances of non-compliance. Findings will then inform areas for improvement, education, and if deemed appropriate, removal of financial delegation.*

#### **Consultation**

Finance team

#### **Statutory Environment**

Section 5.41 of the *Local Government Act 1995* details the functions of the CEO.

Regulation of the *Local Government (Financial Management) Regulations 1996* details the CEOs duties as to the financial management of the local government.

Regulation 11A of the *Local Government (Functions and General) Regulations 1996* requires local governments to prepare and adopt a Purchasing Policy.

#### **Policy Implications**

Council's Purchasing Policy applies.

The following requirements apply for purchases over \$5,001:

<b>Amount (ex GST)</b>	<b>Purchasing Requirement</b>
Over \$5,001 and up to \$20,000	Attempt to obtain 2 written quotes
Over \$20,001 and up to \$50,000	Attempt to obtain 3 written quotes
Over \$50,001 and up to \$250,000 (previously \$150,000)	Attempt obtain 3 written quotes under a Request for Quotation
Over \$250,000	Request for Tender unless exempt

#### **Financial Implications**

There are no financial implications relevant to this item.

### Risk Implications

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Non-compliance with Purchasing Policy, giving rise to risk of not receiving value for money or favouring certain suppliers.	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance/ Financial	Treat through regular review/audit

### Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Extreme	
		1	2	3	4	5	
Likelihood	Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
	Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
	Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
	Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
	Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

<b>Risk Rating</b>	9
<b>Does this item need to be added to the Town's Risk Register</b>	No
<b>Is a Risk Treatment Plan Required</b>	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Comment

An internal audit of all purchases greater than \$5k has been completed. Of 111 purchase orders, 97 or 87% demonstrated compliance with Council's Purchasing Policy by having a copy of the requisite number of quotes uploaded into the financial system or a proper explanation as per the table below.



Of the 14 purchase orders that did not demonstrate compliance with the requisite number of quotes, 10 required 2 quotes and 4 required 3 quotes.

No Purchase Orders	Explanation
64	Compliant
2	Inter-government transaction (i.e. Regional Council)
7	Sole Supplier Exemption
22	Supplier listed on WALGA preferred supplier panel or State Supply Commission Common User Agreement
1	Supplier is sole local provider registered in the Town of East Fremantle
1	Donation/Funding Agreement
14	Non-compliant
<b>111</b>	<b>Total</b>

In order to address the non-compliance, staff education and constructive reinforcement of purchasing requirements will be implemented. The Purchasing Policy may also need to be reviewed to provide greater flexibility to take into account the aforementioned explanations.

**10.2 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A020620**

**Moved Cr Harrington, seconded Cr Watkins**

**That the Audit Committee receive the procurement review of all purchases over \$5k, as detailed in the confidential attachment, for assessment of compliance against Council's Purchasing Policy.**

(CARRIED UNANIMOUSLY)

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### 10.3 Recurrent Status Report – Risk Management, Internal Controls and Legislative Compliance

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	Peter Kocian, Executive Manager Corporate Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date:</b>	29 June 2020
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil
<b>Attachments</b>	1. Status Report

#### **Purpose**

It is recommended that the Audit Committee receive a status report on all outstanding matters raised in external audit reports, financial management reviews, performance audits, internal audit reports and any other review relevant to the Audit Committee's Terms of Reference.

#### **Executive Summary**

A status report has been prepared reporting against identified issues with respect to audit, risk management, internal controls, procurement matters and legislative compliance. The status report is not an exhaustive listing and will become a living document and updated as issues are identified. It is presented to the Audit Committee to assist in their role to report to Council and provide advice and recommendations on matters relevant to its terms of reference.

#### **Background**

The Department of Local Government has published an Operational Guideline on Audit in Local Government. Appendix 3 of this Guideline lists a number of matters that should be presented to an Audit Committee for review and monitoring:

#### Risk Management:

- Reviewing whether the local government has an effective risk management system;
- Reviewing whether the local government has a current and effective business continuity plan;
- Reviewing areas of potential non-compliance with legislation, regulations and standards and local governments policies;
- Reviewing the following; litigation and claims, misconduct, and significant business risks;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local governments internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied.

#### Internal Control Systems:

- Separation of roles and functions, processing and authorisation;
- Control of approval of documents, letters and financial records;

- Limit of direct physical access to assets and records;
- Control of computer applications and information system standards;
- Regular maintenance and review of financial control accounts and trial balances;
- Comparison and analysis of financial results with budgeted amounts;
- Report, review and approval of financial payments and reconciliations;
- Comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Obtaining assurance that adverse trends are identified and review managements plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Considering the internal auditors role in assessing compliance and ethics risks in their plan;
- Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements.

**Consultation**

Chief Executive Officer  
Manager Finance and Administration

**Statutory Environment**

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of a local governments systems and procedures in relation to risk management, internal control and legislative compliance separately or all at the one time, on the provision that each matter is reviewed at least once every three years. The CEO is also required to report the results of that review to Council.

**Policy Implications**

There are no Council Policies relevant to this item.

**Financial Implications**

There are no financial implications relevant to this item.

### Risk Implications

Risk	Risk Likelihood (based on history & with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That key findings are not actioned	Possible (3)	Moderate (3)	Moderate (5-9)	Compliance	Control through oversight by the Audit Committee and ensuring adequate budget allocation for resourcing

### Risk Matrix

Consequence / Likelihood		Insignificant	Minor	Moderate	Major	Extreme
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating is provided below. Any items with a risk rating over 16 will be added to the Risk Register, and any item with a risk rating over 16 will require a specific risk treatment plan to be developed.

Risk Rating	4
Does this item need to be added to the Town's Risk Register	No
Is a Risk Treatment Plan Required	No

### Strategic Implications

Strategic Priority 5 – Leadership and Governance

5.1 Strengthen organisational accountability and transparency

5.3 Strive for excellence in leadership and governance

### Comment

The status sheet has been updated accordingly.



The following summary of completion is provided:

Risk Category	No. Issues	Completed	Underway	Not Commenced
High	21	11	9	1
Medium	38	10	26	2
Low	11	6	4	1
	<b>70</b>	<b>27</b>	<b>39</b>	<b>4</b>

**10.3 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION A030620**

Moved Cr M McPhail, seconded Cr A McPhail

That the Audit Committee receives the status report on items relevant to its Terms of Reference.

(CARRIED UNANIMOUSLY)

NB: The Presiding Member and Cr A McPhail thanked the Town staff for their outstanding efforts in working through a number of outstanding items raised in the Auditor's Report.

11. **MATTERS BEHIND CLOSED DOORS**  
Nil.

12. **CLOSURE OF MEETING**  
Meeting closed at 7.10pm.

*I hereby certify that the Minutes of the ordinary meeting of the **Audit Committee** of the Town of East Fremantle, held on **29 June 2020**, Minute Book reference 1. to 12. were confirmed at the meeting of the Committee on*

*4 NOVEMBER 2020*

A handwritten signature in black ink, appearing to be 'A. McPhail', written over a horizontal line.

*Presiding Member*