

SHIRE OF LEONORA



AUDIT AND RISK COMMITTEE MEETING

MINUTES OF MEETING HELD 18TH SEPTEMBER, 2018 AT 10:52AM

1.0 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS / FINANCIAL INTEREST DISCLOSURE

Chairperson, Cr PJ Craig, declared the meeting open **10:52am**

2.0 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

2.1 Present

President	PJ Craig
Deputy President	RA Norrie
Councillors	RM Cotterill
	AE Taylor
	AM Moore
	F Harris
Chief Executive Officer	JG Epis
Deputy Chief Executive Officer	TM Browning
Corporate Service Officer	K Lord

2.2 Apologies

Councillors	LR Petersen
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2.3 Leave of Absence

Nil

3.0 CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

Moved Cr RA Norrie, Seconded Cr AE Taylor that the Minutes of the Audit Committee Meeting held on 18th June 2018 be confirmed as a true and accurate record.

CARRIED (6 VOTES TO 0)

4.0 REPORTS OF OFFICERS

4.2 DEPUTY CHIEF EXECUTIVE OFFICER

4.2.1 RELATED PARTY TRANSACTIONS AND DISCLOSURES

SUBMISSION TO: Meeting of Audit Committee
Meeting Date: 18th September 2018

AGENDA REFERENCE: 4.2.1 AUDIT SEP 2018

SUBJECT: Related Party Transactions and Disclosures

LOCATION / ADDRESS: Leonora

NAME OF APPLICANT: N/A

FILE REFERENCE: 1.8

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: Tanya Browning

OFFICER: Deputy Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 11th September 2018

BACKGROUND

In accordance with AASB 124 *Related Party Disclosures*, local governments must disclose in the annual financial statements related party relationships, transactions and outstanding balances (including commitments) from 1 July 2016. Related parties include Key Management Personnel (KMP), which in the Shire of Leonora's case will include all elected members and executive staff, their close family members and any entities that they control or jointly control.

The disclosure requires any transactions with these parties, whether monetary or not, to be identified and assessed whether disclosure is required or not. A disclosure may be in aggregate and will only occur where a transaction has actually occurred. This disclosure has been calculated and included in the 2017 annual financial report.

For larger local governments and perhaps local governments that are located in the metropolitan region, this disclosure would be fairly simple given the variety of suppliers and operators available, and as such, the reporting aspect would not be too onerous on staff. With smaller local governments located in more remote areas however, the circumstances are different in that family businesses operate extensively within small communities, there are fewer alternatives available, and that inevitably family members and connections are much more prevalent due to the smaller employment pool and population base. In this respect, not only is it important to properly disclose and declare related party transactions, the data collection and evidence trail is much more labour intensive.

With regard to the disclosures, the following approach was developed to ensure that management can properly address the requirements of the accounting standard:

- A procedure / guide for related party disclosures to be established
- Establishment of a system to identify and record related parties of KMPs
- Establishment of a system to identify and record related party relationships of KMPs
- Establishment of a system to identify and record related party transactions
- Identify 'Ordinary Citizen Transactions' (OCTs) that will not be disclosed by Council
- Create declaration forms to be completed by KMPs
- Set a materiality threshold for management to apply when assessing transactions for inclusion in the financial statements

A workshop was held at the June 2017 Audit and Risk Committee Meeting to assist the Audit and Risk Committee gain some insight and understanding into the disclosure requirements, and to begin declarations ready for the preparation of the annual financial statements.

The workshop provided the committee the opportunity to review the approach taken by the management team in relation to addressing the requirements of AASB 124, and explanation behind the reasoning for the requirement. During the workshop, it was noted that the exercise of declarations should be completed quarterly, to ensure that staff are progressively collecting and collating information, and that the Audit and Risk Committee Meetings (also held quarterly) is a good forum to table this item whilst keeping abreast of any changes to interpretations to regulations etc.

These declarations will again be provided at the meeting, for completion and return to the administration so that data collection can be progressively undertaken. This process also allows the committee to recommend any changes required to future risk review processes.

STATUTORY ENVIRONMENT

Accounting Standard AASB 124 Related Party Disclosures was extended in July 2015 to include application by not for profit entities, including local governments. Disclosures are required 1 July 2016, with the first disclosures made in the Financial Statements for the year ended 30 June 2017.

POLICY IMPLICATIONS

There are no policy implications resulting from the recommendation of this report.

FINANCIAL IMPLICATIONS

There are no financial implications resulting from the recommendation of this report that will have any detrimental effect on the Shire's finances.

STRATEGIC IMPLICATIONS

Strategic References within the Shire of Leonora Strategic Community Plan 2017-2027 demonstrate connections between services and the desired outcomes and community vision for the Shire of Leonora, particularly in relation to Governance services in this instance such as 4.1 Efficient service offerings to the community, 4.2 Effective and open engagement with all sections of the community, 4.5 Strong leadership and planning.

RECOMMENDATIONS

That the Audit and Risk Committee note the approach taken and the systems established by management with regard to addressing the requirements of *AASB 124 Related Party Disclosures*.

VOTING REQUIREMENT

Simple Majority

COUNCIL DECISION

Moved Cr RM Cotterill, Seconded AM Moore that the Audit and Risk Committee note the approach taken and the systems established by management with regard to addressing the requirements of *AASB 124 Related Party Disclosures*.

CARRIED (6 VOTES TO 0)

4.0 REPORTS OF OFFICERS

4.2 DEPUTY CHIEF EXECUTIVE OFFICER

4.2.2 MEETING BETWEEN COUNCIL AND ITS AUDITOR

SUBMISSION TO: Meeting of Audit Committee
Meeting Date: 18th September 2018

AGENDA REFERENCE: 4.2.2 AUDIT SEP 18

SUBJECT: Meeting between Council and its Auditor

LOCATION / ADDRESS: Leonora

NAME OF APPLICANT: N/A

FILE REFERENCE: 1.10

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: Tanya Browning

OFFICER: Deputy Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 11th September 2018

BACKGROUND

Previously, Council has satisfied the regulatory requirement to meet with its auditors by either teleconference or in person meetings, and usually during the Ordinary Meeting of Council, or when the opportunity has presented to meet with the appointed auditors in person.

Previously, as the audit committee is represented by the full Council, it was decided after discussions with the Shire of Leonora's appointed auditors to schedule to meet with the Council around the same time as the Audit Committee Meeting. This enabled one of Council's appointed auditors, Mr Marius van der Merwe, to attend in person and liaise with the committee.

Unfortunately this year, scheduling has prevented the Shire of Leonora's auditor to meet during an Audit Committee meeting due to timing of travel, however meeting with Council in person at the full Council meeting still satisfies compliance requirements. It has been proposed that instead of meeting with the audit committee to discuss the audit and the annual financial statements etc, that the meeting between Council and its auditor take place during the October 2018 Ordinary Meeting of Council.

The independent audit report for the 2017/18 period was not available at the time of writing this report, however there will be opportunity for Council to engage with its auditor to raise queries about audits carried out this year and any other matter when the meeting occurs next month. Should the independent audit report become available prior to that meeting, it will be forwarded to Councillors/committee members for review at the earliest opportunity.

STATUTORY ENVIRONMENT

Section 7.12 A (2) of the Local Government Act 1995 requires a local government meet with its auditor at least once every year.

POLICY IMPLICATIONS

There are no policy implications resulting from the recommendation of this report.

FINANCIAL IMPLICATIONS

There are no financial implications resulting from the recommendation of this report.

STRATEGIC IMPLICATIONS

There are no strategic implications resulting from the recommendation of this report.

RECOMMENDATIONS

That the Committee note that the requirement to meet with the Council's auditor at least once per year will occur be included in the agenda for the Ordinary Meeting of Council to be held 16th October 2018.

VOTING REQUIREMENT

Simple Majority

COUNCIL DECISION

Moved Cr RM Cotterill, Seconded RA Norrie that the Committee note that the requirement to meet with the Council's auditor at least once per year will occur be included in the agenda for the Ordinary Meeting of Council to be held 16th October 2018.

CARRIED (6 VOTES TO 0)

4.0 REPORTS OF OFFICERS

4.2 DEPUTY CHIEF EXECUTIVE OFFICER

4.2.3 RISK MANAGEMENT SUPPORT SERVICES

SUBMISSION TO: Meeting of Audit Committee
Meeting Date: 18th September 2018

AGENDA REFERENCE: 4.2.3 AUDIT SEP 2018

SUBJECT: Risk Management Support Services

LOCATION / ADDRESS: Leonora

NAME OF APPLICANT: N/A

FILE REFERENCE: 1.46

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: Tanya Browning

OFFICER: Deputy Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 11th September 2018

BACKGROUND

At its meeting held 20th March 2018, the Audit and Risk Committee unanimously resolved to continue to utilise the services of Moore Stephens (external consultant) for risk management support services, given that the Shire of Leonora has enjoyed a very collaborative and positive professional relationship for a number of years with Moore Stephens.

A workplan for the continuation of risk management advisory services has been prepared by Moore Stephens for the balance of 2018 and presented at the Audit and Risk Committee Meeting held 19th June 2018, which was represented by three stages to develop sustainable control framework, gather better understanding of current/emerging risks for reporting to the CEO and Audit and Risk Committee, and updating of risk assessment and risk registers for the Audit and Risk Committee. Some timing considerations were also provided for the committee's information.

Since the last meeting, meetings with the Chief Executive Officers (CEO's) for the Shires of Leonora, Laverton, Menzies and Wiluna were held, where it was considered a viable opportunity to further explore the possibility of engaging the services of a consultancy company to perform the Statutory Compliance Services for the four local governments.

The Shires of Leonora, Laverton, Menzies and Wiluna supported proceeding to the tender stage and subsequently the tender was awarded to Moore Stephens. This tender includes risk management support services, and as a result, the timing of the work that was already in progress has been reviewed to maximise efficiency with the delivery of statutory support services.

The executive team will be working in close consultation with Moore Stephens, and an update will be provided with regard to progress of risk management, as well as other statutory compliance services, once more information is available.

STATUTORY IMPLICATIONS

Areas of risk are subject to change and modification during the year on the authorisation of the Chief Executive Officer and Audit Committee, whom as per section regulation 17.1 of the Local Government (Audit) Regulations 1996 will continue to monitor the Appropriateness and Effectiveness of the Councils Systems and Procedures.

POLICY IMPLICATIONS

The Risk Management Policy outlines the Shire's commitment and approach to managing risks that may impact on its day-to-day operations and threaten the delivery of strategic objectives.

FINANCIAL IMPLICATIONS

The improvement of risk profiling and reporting may increase opportunity for funding towards key service delivery objectives. Provision is included in the 2018/19 Adopted Budget to utilise consultants for this purpose, as well as to meet the commitment for Statutory Compliance Services contract. Further provision will be included in the 2018/19 draft budget also (as per committee resolution 20th March 2018).

STRATEGIC IMPLICATIONS

The Chief Executive Officer plays a key role in the establishment and development of an effective risk management framework. To ensure the successful delivery of the Strategic Planning objectives, the framework requires ongoing monitoring and revision for Strategic Planning alignment.

The role of the audit committee is to monitor identified strategic high risks and their treatment solutions to ensure the community receives the services delivered effectively as outlined within the Strategic Plans.

Monitoring and reviewing activities will continue to provide evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the Local Government (Audit) Regulations 1996.

Strategic References within the Shire of Leonora Strategic Community Plan 2017-2027 demonstrate connections between services and the desired outcomes and community vision for the Shire of Leonora, particularly in relation to Governance services in this instance such as 4.1 Efficient service offerings to the community, 4.2 Effective and open engagement with all sections of the community, 4.5 Strong leadership and planning.

The Leadership objectives of the Shire of Leonora Community Strategic Plan includes Council's commitment to strategic forward thinking, strong representation and providing the community with leadership, with a provision to leverage partnerships through greater collaboration, including regional collaboration.

The proposed Shared Services arrangement for the delivery of Statutory Compliance Services in partnership with the Shires of Laverton, Menzies and Wiluna is an ideal opportunity to commence fostering regional collaboration.

RECOMMENDATIONS

That the Audit and Risk Committee note the update to risk management support services, to now be included with Statutory Compliance Services provided by Moore Stephens over the next four years.

VOTING REQUIREMENT

Simple Majority

COUNCIL DECISION

Moved Cr AM Moore, Seconded Cr AE Taylor that the Audit and Risk Committee note the update to risk management support services, to now be included with Statutory Compliance Services provided by Moore Stephens over the next four years.

CARRIED (6 VOTES TO 0)

5.0 NEXT MEETING

18th December 2018, following the conclusion of the Ordinary meeting of Council commencing at 9:30am.

6.0 CLOSURE OF MEETING

There being no further business, Chairperson Cr PJ Craig declared the meeting closed at **11:02am**