



AUDIT COMMITTEE MEETING

AGENDA

21 FEBRUARY 2017

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CITY OF GREATER GERALDTON
AUDIT COMMITTEE MEETING
ON TUESDAY 21 FEBRUARY AT 3.30PM
IN THE COMMITTEE MEETING ROOM – CIVIC CENTRE

A G E N D A

1. DECLARATION OF OPENING

2. ATTENDANCE

Present:

Officers:

By Invitation:

Apologies:

Leave of Absence:

3. CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 3 October 2016, as attached be accepted as a true and correct record of proceedings.

4. AC047 COMPLIANCE AUDIT RETURN 2016

5. AC048 PROCUREMENT AGGREGATION

6. AC049 EXTENSION OF CONTRACT EXTERNAL AUDIT SERVICES

7. AC050 REVIEW OF COMPLIANCE -LOCAL GOVERNMENT OPERATIONAL GUIDELINE 09

8. AC051 STRATEGIC INTERNAL AUDIT PLAN

9. AC052 AMEND AUDIT COMMITTEE CHARTER

10. MEETING CLOSURE

4. AC047 COMPLIANCE AUDIT RETURN 2016

AC047	COMPLIANCE AUDIT RETURN 2016
AGENDA REFERENCE:	D-17-03357
AUTHOR:	M Adam, Coordinator Governance
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	6 February 2017
FILE REFERENCE:	GO/11/0020
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	A. Compliance Audit Return 2016

EXECUTIVE SUMMARY:

The purpose of this report is to submit the 2016 Compliance Audit Return (CAR) to the Audit Committee for review.

EXECUTIVE RECOMMENDATION;

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. ENDORSE the results of the Compliance Audit Return 2016.
2. REPORT the results of the Compliance Audit Return 2016 to Council at the Ordinary meeting to be held on 28 March 2016.

PROponent:

The proponent is the City of Greater Geraldton.

BACKGROUND:

In accordance with section 7.13(1) of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*, the City is required to complete a Compliance Audit Return in relation to the period 1 January 2016 to 31 December 2016 against the requirements set out in the CAR.

The 2016 CAR continues in a reduced format, with the areas of compliance included restricted to those considered high risk.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic impacts.

Social:

There are no social impacts.

Environmental:

There are no environmental impacts.

Cultural & Heritage:

There are no cultural or heritage impacts.

RELEVANT PRECEDENTS:

The Audit Committee reviewed the 2015 Compliance Audit Return for the City of Greater Geraldton on 1 March 2015 AC041.

COMMUNITY/COUNCILLOR CONSULTATION:

No community consultation has been undertaken.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 s. 7.13(1)

Local Government (Audit) Regulations 1996 r. 14

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.*

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The CAR is a statutory compliance requirement for local governments and requires a review first by the Audit Committee and then a report to Council for adoption before being submitted to the Department of Local Government. The City is required to provide this to the Department prior to 31 March 2016.

The Audit Committee does not have the option not to review the CAR as it would therefore be non-compliant with the Local Government Act and associated regulations.

ALTERNATIVE OPTIONS CONSIDERED

There were no alternative options considered



Greater Geraldton - Compliance Audit Return 2016

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2016.	N/A	The City has no existing trading undertakings with expenditure exceeding the amount prescribed in LG(F&G) Reg'n 9 and no new undertakings were commenced in 2016.	Bob Davis
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2016.	N/A	No such major land transactions were initiated in 2016.	Bob Davis
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2016.	N/A	No such land transactions were initiated in 2016.	Bob Davis
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2016.	N/A	No new major trading undertakings or major land transactions were commenced in 2016.	Bob Davis
5	s3.59(5)	Did the Council, during 2016, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A	No new major land transactions or major trading undertakings were initiated in 2016.	Bob Davis

Delegation of Power / Duty

No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A	There were no delegations to committees	Jacinta Altham
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Jacinta Altham
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Jacinta Altham
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Jacinta Altham
5	s5.18	Has Council reviewed delegations to its committees in the 2015/2016 financial year.	Yes	Council reviewed delegations to its committees at the Ordinary Meeting of Council on 24 November 2015.	Jacinta Altham
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Jacinta Altham
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Margot Adam
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Margot Adam



9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Margot Adam
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	N/A	There were no decisions to amend or revoke a delegation made.	Margot Adam
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Margot Adam
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2015/2016 financial year.	Yes	Delegations were reviewed by Council on 26 July 2016. Delegations were reviewed by the CEO on 26 August 2016.	Margot Adam
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Margot Adam

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Jacinta Altham
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Jacinta Altham
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Jacinta Altham
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes		Margot Adam
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Margot Adam
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2016.	Yes		Margot Adam
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2016.	Yes		Margot Adam
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Margot Adam
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Margot Adam
10	s5.88(1)(2) Admin	Did the CEO keep a register of financial	Yes		Jacinta Altham



Reg 28		interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.			
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Margot Adam
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Margot Adam
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Jacinta Altham
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Jacinta Altham
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Jacinta Altham
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Margot Adam

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes	Complied with in accordance with requirements	Brian Robartson
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes	Complied with in accordance with requirements	Brian Robartson

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes		Margot Adam



Finance					
No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Paul Radalj
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A	The Audit Committee has no delegated powers under Part 7 of the Act.	Paul Radalj
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Paul Radalj
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Paul Radalj
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government within 30 days of completion of the audit.	Yes		Paul Radalj
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2016 received by the local government by 31 December 2016.	Yes		Paul Radalj
7	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 by the local government, was that action undertaken.	N/A	No Matters raised in the auditors report prepared under s.7.9(1) of the Act required action to be taken.	Paul Radalj
8	S7.12A (4)	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 by the local government, was a report prepared on any actions undertaken.	N/A		Paul Radalj
9	S7.12A (4)	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 by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Paul Radalj
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Paul Radalj
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Paul Radalj
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Paul Radalj
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Paul Radalj



14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Paul Radalj
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Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A	There was no appointment of a CEO in this return period.	Jeff Graham
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A		Jeff Graham
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Jeff Graham
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Jeff Graham
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A	There are no designated Senior Employees	Jeff Graham

Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A	The CEO is the Complaints Officer.	Jacinta Altham
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes	No Complaints were received between 1 January 2016 and 31 December 2016.	Jacinta Altham



3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes	Jacinta Altham
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes	Jacinta Altham
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes	Jacinta Altham
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes	Jacinta Altham

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Brodie Pearce
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes		Brodie Pearce
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Brodie Pearce
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Brodie Pearce
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Brodie Pearce
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Brodie Pearce
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Brodie Pearce
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Brodie Pearce



9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Brodie Pearce
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Brodie Pearce
11	F&G Reg 21 & 22	Did the local governments' advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Brodie Pearce
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	Yes		Brodie Pearce
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes		Brodie Pearce
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes		Brodie Pearce
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	No	No panels were established for the period 1 January 2016 to 31 December 2016.	Brodie Pearce
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A		Brodie Pearce
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A		Brodie Pearce
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Brodie Pearce
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Brodie Pearce
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A		Brodie Pearce
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Brodie Pearce



22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A		Brodie Pearce
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	Yes	CP016 Regional Pricing Preference	Brodie Pearce
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	Yes		Brodie Pearce
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes	CP010 Procurement of Goods and Services.	Brodie Pearce

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5. AC048 PROCUREMENT AGGREGATION

AC048 PROCUREMENT AGGREGATION

AGENDA REFERENCE:	D-17-07582
AUTHOR:	B Pearce, Coordinator Procurement & Risk
EXECUTIVE:	B Davis, Director Department Corporate & Commercial Services
DATE OF REPORT:	2 February 2017
FILE REFERENCE:	RM/6/0019
APPLICANT / PROPONENT:	The City of Greater Geraldton
ATTACHMENTS:	Yes X 2
	a. Confidential Briefing Note, Procurement Aggregation.
	b. City of Greater Geraldton Suppliers List.

EXECUTIVE SUMMARY:

The purpose of this report is to provide a summary of the City's current procurement contracts.

EXECUTIVE RECOMMENDATION;

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. NOTE the attached Confidential Briefing Note, Procurement Aggregation, summarising the status of the City's procurement contracts.

PROponent:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The City received a request from the Mayor, via the Councillor Helpdesk on 11 January 2017, for the following information:

In circumstances where purchases over \$100,000 (\$150,000 used) over the course of a year require tendering can I get clarity as to the below items that do / may exceed this limit and how we are complying with the Act.

For example, do we have current tenders (what term left), current WALGA panel suppliers etc

- *Traffic Control*
- *IT*
- *Airport Security*
- *Slashing*
- *Tree lopping*
- *Plant Hire*

Also any others I may have missed.

Can we also include in my request Concrete, rock and bituminous products?

The Mayor also requested that the response be submitted to the next meeting of the Audit Committee.

Attached is the Confidential Briefing Note in response to the Mayors request.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:

Economic:

There are no economic impacts.

Social:

There are no social impacts.

Environmental:

There are no environmental impacts.

Cultural & Heritage:

There are no cultural or heritage impacts.

RELEVANT PRECEDENTS:

Councillor Briefing Note (CHD WR# 67263) – Local Procurement 10 October 2016

Councillor Briefing note (CHD WR# 64015) – Policy of Classified Business 26 April 2016

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no community/councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 Section 3.57

Local Government (Functions and General) Regulations 1996 -Divisions 1 and 2.

Council Policy CP4.9 Procurement of Goods and Services.

Council Policy CP4.10 Procurement via Panels of Prequalified Suppliers.

Council Policy CP4.11 Regional Price Preference

FINANCIAL AND RESOURCE IMPLICATIONS:

The purpose of the attached confidential briefing note relates to the current expenditure, operations and planned development of City contracts required to maintain effective service levels to the Community.

INTEGRATED PLANNING LINKS:

Title: Governance	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

The City has significant risk control processes documented and in operation. These controls are designed to ensure legislative compliance and ethical management of risk exposures in all of procurement and financial functions.

ALTERNATIVE OPTIONS CONSIDERED

No alternative options were considered.

City of Greater Geraldton Suppliers List



City employees are able to go directly to suitable suppliers to buy goods and services valued at less than \$1,000 without the need for seeking quotes.

Please be advised that City Employees when seeking to buy goods and services should in the first instance make use of the below established City Contracts which can be accessed for any level of purchasing without seeking quotes.

City Established Contract	Contract End Date	Suppliers
RFT 10 1415 Traffic Management Services	31 Jan 2017	Tru-Line Excavations & Plumbing
RFT 43 1213 Chemical Weed Control	30 April 2017	Midwest Pest Management
RFQ 04 1314 Internal Mail & Parcel Delivery	7 March 2017	Acrosstown Couriers
RFT 44 1213 Drainage Construction and Maintenance Services	30 June 2017	Batavia Fencing Geraldton Limestone Retaining Walls Tru-Line Excavations & Plumbing
RFT 17 1415 Supply and Delivery of Personal Protective Equipment and Workwear	31 March 2017	Totally Workwear Geraldton
RFT 26 1415 Construction of Concrete Pathways, Kerbing & Paving – Separable Portion 3 (Kerbing)	30 Sept 2017	Midwest Kerbing
RFT 26 1415 Construction of Concrete Pathways, Kerbing & Paving – Separable Portion 2 (Paving)	30 Sept 2017	Geraldton Limestone Retaining Walls
RFT 26 1415 Construction of Concrete Pathways, Kerbing & Paving – Separable Portion 1 (Concrete Pathways)	30 Sept 2017	Geraldton City Concrete
EOI 13 1415 Confidential Document Shredding Service	31 Dec 2017	Rip-It Security Shredding
Temporary Supply Contract for Line Marking Services	31 May 2017	Westline Contracting
Feature Surveying Services	31 May 2017	HTD Surveyors and Planners Quantum Surveys Pty Ltd
RFT 17 1516 Cleaning of City Public Ablution Block's	1 June 2018	Hot Cleaning Services

This Contract list is subject to frequent change please ensure that you access the most current version from intranet

City of Greater Geraldton Suppliers List



RFT 03 1516 Townsite and Under Powerline Tree Pruning	31 Dec 2018	Aussie Tree Services
RFP 20 1314 Managed Printer Services	30 March 2019	Staples Australia
RFT 01 1617 Cleaning of City Buildings	30 Sept 2019	Delron Cleaning Services OCS Services Norfolk Cleaning Services

Purchases below \$1,000 not covered by any of the City's established supply contracts may be conducted without first obtaining quotes provided the value for money principle is observed.

Purchasers should also consider utilising WALGA preferred suppliers or State Common Use Arrangements (CUA). The following are locally based WALGA and CUA preferred suppliers.

WALGA Preferred Supplier Panels

The City is able to go directly to a WALGA Preferred Suppliers to purchase goods and services.

The following table lists local suppliers who are on WALGA panels.

WALGA Panel	Contract No.	Local Supplier(S)
Agricultural And Turf Machinery And General Power Equipment	C030 14	McIntosh & Son Purcher International
Asset Management Consultancy Services	C013 15	GHD Aurecon
Audit Services	C026 14	AMD Chartered Accountants
Corporate Wardrobe, Casual Workwear And Footwear	C017 13	Totally Workwear (Geraldton)
Energy: Contestable Energy & Related Services	C024 14	Alinta Energy Kleenheat Gas
Energy: Sustainable Energy Infrastructure	C014 13	GHD
Engineering Consultancy Services	C001 13	GHD Aurecon Greenfield Technical Services
Fuel (Bulk), Fuel Cards And Oils & Lubricants	C031 12	BP Australia Caltex Australia Petroleum

This Contract list is subject to frequent change please ensure that you access the most current version from intranet

City of Greater Geraldton Suppliers List



WALGA Panel	Contract No.	Local Supplier(S)
		Puma Energy Australia
General Hardware, Industrial And Automotive Supplies	C009 15	Atom Blackwood's Bunnings Group Limited Repco
Household Hazardous Waste Disposal	C005 11	Tox Free Australia Pty Ltd
ICT and Related Services	C016 14	Market Creations Staples Telstra Optus
Marketing And Communication Services	C017 14	Market Creations
Natural Area Management and Environmental Consulting Services	C015 15	GHD
Office And Workplace Interior Design, Fit out & Furniture	C050 12	Staples Australia
Office And Workplace Supplies	C046 12	Staples Australia
Plant And Equipment	C023 11	Komatsu Australia Pty Ltd McIntosh & Son WesTrac CJD Equipment
Printing, Print Production And Distribution	C017 14	Market Creations
<i>Road Building Materials And Related Services</i>	<i>C033 13</i>	<i>See following breakdown of sub category</i>
Bitumen and Sprayed Bituminous Surfacing <i>Road Building Materials And Related Services</i>	C033 13	Quadrio Earthmoving
Cement & Concrete Products <i>Road Building Materials And Related Services</i>	C033 13	Holcim (Australia) Pty Ltd Patience Bulk Haulage
Drainage Services <i>Road Building Materials And Related Services</i>	C033 13	Central Earthmoving Company Pty Ltd Quadrio Earthmoving Red Dust Holdings
Disposal of Road Waste and Haulage Service	C033 13	Red Dust Holdings

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City of Greater Geraldton Suppliers List



WALGA Panel	Contract No.	Local Supplier(S)
Road Building Materials And <i>Related Services</i>		
Erosion Control & Foreshore Protection Road Building Materials And <i>Related Services</i>	C033 13	Central Earthmoving Company Pty Ltd Quadrio Earthmoving Red Dust Holdings
Fencing <i>Road Building Materials And Related Services</i>	C033 13	Midwest Telehandlers
Pavement, Kerbing & Streetscape Construction <i>Road Building Materials And Related Services</i>	C033 13	Central Earthmoving Company Pty Ltd Quadrio Earthmoving Red Dust Holdings
Road Profiling & Stabilisation Works <i>Road Building Materials And Related Services</i>	C033 13	Central Earthmoving Company Pty Ltd Red Dust Holdings
Road Base & Sub Base Road Building Materials <i>And Related Services</i>	C033 13	Central Earthmoving Company Pty Ltd Patience Bulk Haulage Quadrio Earthmoving
Road Building Ancillary Supplies Road Building <i>Materials And Related Services</i>	C033 13	Red Dust Holdings
Road Building Minor & Major Works Road Building Materials <i>And Related Services</i>	C033 13	Central Earthmoving Company Pty Ltd Quadrio Earthmoving Grading Services Australia Red Dust Holdings
Traffic Management Road Building Materials <i>And Related Services</i>	C033 13	Altus Traffic
Wet & Dry Plant Hire Road Building Materials <i>And Related Services</i>	C033 13	Central Earthmoving Coates Hire Midwest Telehandlers <i>Empty Pty Ltd T/A</i> Thurkles Dozing Grading Services Australia Patience Bulk Haulage Quadrio Earthmoving Red Dust Holdings Onsite Rental Group

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City of Greater Geraldton Suppliers List



WALGA Panel	Contract No.	Local Supplier(S)
Asphalt Road Building Materials And <i>Related Services</i>	C033 13	ATM Civil
Security Systems And Services	C018 13	Telstra GHD
Software Licensing	C020 11	Staples Australia
Temporary Personnel Services	C038 12	Chandler Macleod Group Programmed Integrated Workforce
Telecommunications Services	C030 15	Market Creation Telstra
Town Planning Consultancy Services	TPS 0942	GHD
Tyres, Tubes & Automotive And Marine Batteries	NPN 1.14	Beaurepaires Bridgestone Tyrepower Limited
Waste Collection Goods And Services	C002 11	Tox Free Australia Pty Ltd Veolia Environmental Services

Please refer to the following link for full WALGA- [Preferred Supplier Directory](#)

Disability Enterprises Tender Exempt

The City is able to go directly to registered Disability Enterprises to buy goods and services.
See www.ade.org.au for more details of Registered Disability Enterprises.

Midwest Disability Enterprises	Summary of Services
Activ Industries	External Property care, Gardening, manufacture, industrial services

Aboriginal Business Tender Exempt up to \$250,000

This Contract list is subject to frequent change please ensure that you access the most current version from intranet

City of Greater Geraldton Suppliers List



The City is able to go directly to Registered Aboriginal Businesses to buy goods and services, up to a value of \$250,000. If the value exceeds \$250,000 the requirement to call tenders comes into effect.

See www.abdwa.com.au for more details of Registered Aboriginal Businesses.

Midwest Aboriginal Businesses	Summary of Services
Batavia Blast Works	Abrasive blasting and protective coatings, maintenance programming, Specifying, Labour hire
Baba Marda Abrolhos Live Rock Pty Ltd	Coral Reef cultivation and supply
Ballgudda Cultural Experience inc	Tourism Kalbarri Outback Outreach
Bundiyarra Aboriginal Community Aboriginal Corporation	Cultural Awareness Training, Aboriginal Services and Landscaping services
MEEDAC Incorporated	Accommodation, training, food supplier
Meenangu Wajarri Aboriginal Corporation	Contact MWAC for details
Wajarri Holdings Pty Ltd	Boring, Drilling & Excavation
West Coast Offshore Services	Supply Marine related services, and labour hire
Western Indigenous Media Limited	Media services – Mulga Mail
Western Mulga Pty Ltd	Environmental land management services, training services
Yugunga-Nya People Pty Ltd	Contact YNP for details

WA State Common Use Arrangements

The City is able to go directly to certain CUA's to buy goods and services, please ensure that prior to utilising State CUA's that you contact Procurement & Risk who can advise if the City can access the desired goods and services through CUA Contracts.

The following table lists local suppliers that purchasers are likely to access via State CUAs.

CUA Title	Contract Number	Local Supplier(S)
Agricultural Products	GBA201312137	Elders Landmark

This Contract list is subject to frequent change please ensure that you access the most current version from intranet

City of Greater Geraldton Suppliers List



CUA Title	Contract Number	Local Supplier(S)
Banking & Related Services - Transactional Banking & Merchant Services	CUA 35308	Commonwealth Bank
Provision Of Food And Groceries (Mid-West)	GBA201202797	Aussie Pastries & Batavia Coast Bakery Gearing Butchers Geraldton Fruit & Vegetable Supply Pty Ltd McDonalds Wholesalers Mick Davey Butchers PFD Food Services The Luscombe Syndicate Western Independent Foods
Waste Disposal Services for the Mid-West Region	GBA201401405	Sterihealth Services Pty Ltd Tox Free Australia Pty Ltd Veolia Environmental Services
Removalist Services Retail Electricity Services	CUAREM2013	Allied Pickford Grace Removals Group

Please refer to the following link for full - [CUA Contracts Directory](#)

This Contract list is subject to frequent change please ensure that you access the most current version from intranet

6. AC049 EXTENSION OF CONTRACT EXTERNAL AUDIT SERVICES

AC049	EXTENSION OF CONTRACT EXTERNAL AUDIT SERVICES
AGENDA REFERENCE:	D-17-03356
AUTHOR:	A Van Der Weij, Financial Accountant
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	6 February 2017
FILE REFERENCE:	FM/3/0003
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	A. DLG Circular N° 31-2016 B. External Audit Services Quote 2017/18

EXECUTIVE SUMMARY:

The purpose of this report is to inform the Audit Committee of Circular N° 31-2016 issued 12th December 2016 by the Department of Local Government and the subsequent action undertaken by management.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. ENDORSE the acceptance of the quote for external audit services for the financial year 2017-2018 as submitted by the current external auditors AMD Accountants.

PROponent:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The Local Government Amendment (Auditing) Bill 2016 proposing the Auditor General taking responsibility for local government audits from 1 July 2017 did not pass before the dissolution of Parliament. As a result, the Department of Local Government advises local governments to renew or extend audit contracts until the 2017-18 audit. The City's contract with external auditors AMD expires 30 June 2017 and the City has received a quote for extension of the contract to include the 2017-2018 external audit. The quote for the 2017-2018 financial year proposes an acceptable marginal increase from the 2016-2017 audit fee of \$ 450 (exclusive of GST).

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic impacts.

Social:

There are no social impacts.

Environmental:

There are no environmental impacts.

Cultural & Heritage:

There are no cultural or heritage impacts.

RELEVANT PRECEDENTS:

There are no relevant precedents.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no consultation

LEGISLATIVE/POLICY IMPLICATIONS:

Pursuant to Regulation 16 *Local Government (Audit) Regulations 1996:*

16. Audit committee, functions of

An audit committee —

- (a) is to provide guidance and assistance to the local government —*
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;*
- and*
- (b) may provide guidance and assistance to the local government as to —*
 - (i) matters to be audited; and*
 - (ii) the scope of audits; and*
 - (iii) its functions under Part 6 of the Act; and*
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management; and*

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

There are no risks to be considered.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

There were no alternative options considered:



Government of **Western Australia**
Department of **Local Government and Communities**

Our Ref: 2689-15; E1651443

TO ALL LOCAL GOVERNMENTS

CIRCULAR N^o 31-2016

LOCAL GOVERNMENT AMENDMENT (AUDITING) BILL 2016

In March 2016, local governments were notified of the Liberal National Government's proposal for the Auditor General to undertake financial and performance audits of the local government sector.

It was proposed that the Auditor General and the Office of the Auditor General take responsibility for local government financial audits from 1 July 2017. Local governments were requested not to extend or renew audit contracts past the 2016-17 audit in anticipation of the *Local Government Amendment (Auditing) Bill 2016* taking effect.

On 25 August 2016 the *Local Government Amendment (Auditing) Bill 2016* was introduced into the Legislative Assembly. However, the Bill will not pass before the dissolution of Parliament.

With the State election scheduled for March 2017, local governments are encouraged to extend or renew audit contracts until the 2017-18 audit, with the option of annual extensions.

If you have any questions, please contact the department on 6551 8700 or via email legislation@dlgc.wa.gov.au.

A handwritten signature in black ink, appearing to read 'J Mathews'.

Jennifer Mathews
DIRECTOR GENERAL

12 December 2016

FM 13/0003



AMD
CHARTERED ACCOUNTANTS

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AMD Audit & Assurance Pty Ltd
ACN 145 719 259 t/a AMD

Unit 1, 28-30 Wellington Street,
Bunbury, WA 6230
PO Box 1306, Bunbury, WA 6231

22 December 2016

Mr K Diehm
Chief Executive Officer
City of Greater Geraldton
PO Box 101
GERALDTON WA 6531

Dear Ken

EXTERNAL AUDIT SERVICES
REQUEST FOR QUOTE

In accordance with your request, we are pleased to submit our quotation to provide Audit Services to the City of Greater Geraldton to extend our current contract for an additional 1 year period commencing 1 July 2017.

1.0 AMD AUDIT & ASSURANCE SERVICES

Since 1982, AMD Chartered Accountants has grown to be one of the largest WA chartered accounting firm outside the Perth metropolitan area with offices in Bunbury and Geraldton, and a team of over 65 people. The AMD Audit and Assurance Division services a wide range of audit clients including Local Government Councils, large proprietary companies, co-operatives, government trading enterprises and community organisations.

We are currently the auditors for twenty Local Government Councils in the Western Australia, and in addition to completing statutory audits we are often requested to provide other additional assistance and advice specific to Local Government requirements.

We are the only regional based firm within Western Australian recognised as Local Government specialists, and as such we are listed as Western Australia Local Government Association "Preferred Suppliers" in respect to the provision of both internal and external audit services.

We are also listed as a Pre-Approved Contract Audit Firm for the office of the Auditor General.

Our audit team is led by an experienced audit Directors, Tim Partridge and Maria Cavallo. Wherever possible, we ensure that team members undertaking an audit remain consistent from year to year. This approach ensures that client relationships can be formed and knowledge accumulated by team members, resulting in an efficient audit process.

Our ability to offer our audit team's expertise throughout the year at short notice will be unmatched by Perth firms. We will be available to visit your offices at short notice to assist with any issues should you require our assistance.

Since our appointment as Council's auditors over the previous audit contract period, we have been requested to provide additional assistance on occasion on a variety of matters.

Independent Member of

BKR



We are fortunate to have a variety of specialists within our firm, accordingly should assistance be required on other areas we would be pleased to provide support. We consider we have always made ourselves available at short notice, to provide the assistance required.

2.0 SCOPE OF AUDIT

Our audit will be completed based on the requirements of Part 7 – Division 3 of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996. We confirm that audits completed by us are carried out in accordance with Australian Auditing Standards and Auditing Guidance Statements.

We understand that Council wish to extend our current contract for an additional 1 year period commencing 1 July 2017 and ending 30 June 2018.

3.0 AUDIT QUOTE

Our proposed fee for the additional year ending 30 June 2018 based on the scope outlined above is as follows:

Year Ending	Audit Services	Fee (excluding GST)	Fee (including GST)
30 June 2018	Interim Audit	\$10,600	\$11,660
30 June 2018	Final Audit	\$25,400	\$27,940
Total		\$36,000	\$39,600

As with our original contract, our quoted costs are exclusive of all disbursements, including travel and accommodation which will be charged at actual cost.

4.0 CONCLUSION

We would be very pleased to act as auditors of the City of Greater Geraldton until 2018 and would appreciate the opportunity to provide a constructive and valuable contribution to Council's financial management.

Please do not hesitate to contact me should there be any areas of this proposal that you wish to discuss further. I would be pleased to meet with the Audit Committee to discuss our proposal if required.

Yours sincerely

AMD Chartered Accountants



MARIA CAVALLO CA
Director

7. AC050 – REVIEW OF COMPLIANCE–LOCAL GOVERNMENT OPERATIONAL GUIDELINE 09 - AUDIT IN LOCAL GOVERNMENT

AC050 REVIEW OF COMPLIANCE- LOCAL GOVERNMENT OPERATIONAL GUIDELINE 09 - AUDIT IN LOCAL GOVERNMENT

AGENDA REFERENCE:	D-17- 03478
AUTHOR:	M Adam, Coordinator Governance
EXECUTIVE:	B Davis, Director Corporate & Commercial Services
DATE OF REPORT:	6 February 2017
FILE REFERENCE:	FM/3/0003
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	A. Local Government Operational Guideline 09 – Audit in Local Government.
	B. Schedule of Compliance with Guideline 09- Audit in Local Government

EXECUTIVE SUMMARY:

The purpose of this report is to present to the Audit Committee a review of the City's compliance with the Local Government Operational Guideline 09, Audit in Local Government

EXECUTIVE RECOMMENDATION;

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. NOTE the results of the review of Local Government Operational Guideline 09, Audit in Local Government, detailed in attachment AC050.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The Department of Local Government and Communities issued Governance Bulletin 13 in December 2016 with details of the lessons learned from the Corruption and Crime Commission report on a matter of governance at the Shire of Dowerin. Included in the bulletin were a number of key governance questions for consideration by Local Government Councils:

1. *Do we have policies in place to govern the use of credit cards? The importance of this was noted in the September 2016 edition of this bulletin, and is also covered in the department's 'Local Government Operational Guidelines Number 11 – Use of Corporate Credit Cards'.*
2. *Do we have adequate policies in place to provide internal financial controls and mitigate the risk of fraud, including monthly reconciliation of all bank accounts?*
3. *Are these policies supported by procedures that ensure adequate security for financial transactions, such as authorisation of payments by more than one person?*
4. *Are we giving consideration to the CEO's periodic reviews of financial management systems and procedures as required by regulation 5 of the Financial Management Regulations?*

5. *Do we have an audit committee established in accordance with Part 7 of the Act? Does it have appropriate terms of reference? Refer to the model 'terms of reference' in the department's 'Local Government Operational Guidelines Number 09 – Audit in local government'.*
6. *Are the audit committee and council satisfied with the scope of the local government's annual audit? Refer to the model 'minimum standard audit specification' in the department's 'Local Government Operational Guideline Number 09 – Audit in local government'.*
7. *Most vitally, do we have an appropriate awareness of our responsibilities as council members under the Act and its regulations? Have we sought opportunities for education and training to improve our understanding of our role in ensuring good governance?*

Members of the Audit Committee subsequently requested a review of compliance with the Local Government Operational Guideline 09 –Audit in Local Government.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:

Economic:

There are no economic impacts.

Social:

There are no social impacts.

Environmental:

There are no environmental impacts.

Cultural & Heritage:

There are no cultural or heritage impacts.

RELEVANT PRECEDENTS:

The Audit Committee previously reviewed Local Government Operational Guideline 09 'Audit in Local Government' when reviewing the Audit Committee charter (AC040 – 1 March 2016). The Committee also reviewed a report on an internal audit of the effectiveness and appropriateness of the City's systems and procedures in relation to risk management, internal control and legislative compliance and financial management systems and procedures. (AC042 - 1 March 2016).

COMMUNITY/COUNCILLOR CONSULTATION:

No community consultation has been undertaken.

LEGISLATIVE/POLICY IMPLICATIONS:

Local Government Act 1995 s. 7.1A, 7.1B and 7.1C

Local Government (Audit) Regulations 1996 r. 14, r. 16

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

Local Government Act 1995 (Part 7), the Local Government (Audit) Regulations 1996 make provisions for Local Government Audit and the establishment, responsibilities and powers of Audit Committees. The *Local Government (Financial Management) Regulations 1996* provide for financial reporting requirements and the CEO's duties as to financial management. The City is therefore legislatively required to ensure compliance with these provisions.

ALTERNATIVE OPTIONS CONSIDERED

There were no alternative options considered



Government of **Western Australia**
Department of **Local Government and Communities**

Local Government Operational Guidelines

Number 09 – Revised September 2013

Audit in Local Government

The appointment, function
and responsibilities of
Audit Committees

1. Introduction

The *Local Government Act 1995* (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The purpose of this guideline is to assist local governments to establish and operate an effective audit committee. Clear and comprehensive terms of reference, setting out the committee's roles and responsibilities, are essential and a model terms of reference for an audit committee is provided with this guideline. Matters such as the governing legislation, membership, primary roles and responsibilities of the committee and ancillary functions are also addressed. Guidance is provided to the committee as it approaches its task of appointing an external auditor through provision of a minimum standard audit specification and as it forms an opinion of the local government's internal audit requirements.

2. Audit Requirements, Committees and Functions

The relevant parts of the Act and regulations that relate to audit requirements, audit committees and their functions are listed below.

Financial Management

In relation to financial management under Part 6 of the Act, a local government is to –

- a) prepare and adopt an annual budget in the form and manner prescribed (section 6.2). A copy of the budget is to be sent to the Department within 30 days of adoption.
- b) prepare an annual financial report and such other financial reports as prescribed. The accounts of the local government and annual financial report are to be submitted to the auditor for audit by 30 September (section 6.4).
- c) have a municipal fund and a separate and distinct trust fund (section 6.6).
- d) establish and maintain reserve funds for the holding of monies set aside for future use (section 6.11).

Audit Requirements for Local Governments

Part 7 of the Act and the *Local Government (Audit) Regulations 1996* (the Regulations) address the situation of audit. In relation to the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and

- ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;
- c) a local government is to examine the report of the auditor and is to –
 - i. determine if any matters raised require action to be taken by the local government; and
 - ii. ensure that appropriate action is taken in respect of those matters;
- d) a local government is to –
 - i. prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and
 - ii. forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.
- e) the only powers and duties that can be delegated to a committee are any of the powers and duties of the local government under Part 7 of the Act; that is, those relating to audit. The committee cannot on-delegate the powers and duties delegated to it;
- f) an audit committee with a member who is a person that is not an elected member can be delegated powers and duties referred to in (e); and
- g) a decision of the committee is to be made by simple majority.

Audit Committee Functions

The Regulations state that an audit committee –

Establishment of the Audit Committee

The Act and Regulations provide that:

In relation to the establishment of an audit committee –

- a) each local government is to establish an audit committee consisting of three or more persons to exercise the powers and discharge the duties conferred on it;
- b) members of the committee are to be appointed by an absolute majority decision of Council. At least three of the members, and the majority of the members, are to be elected members;
- c) the Chief Executive Officer (CEO) is not to be a member of the committee and may not nominate a person to be a member or have a person to represent him or her as a member of the committee;
- d) an employee is not to be a member of the committee;
- (a) is to provide guidance and assistance to the local government –
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act;
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;
- (b) may provide guidance and assistance to the local government as to –
 - (i) matters to be audited;
 - (ii) the scope of audits;
 - (iii) its functions under Part 6 of the Act;
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management;
- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –
 - (i) report to the council the results of that review;
 - (ii) give a copy of the CEO's report to the council;

- (d) review the annual Compliance Audit Return and report to the council the results of that review, and
- (e) consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

3. Operation of Audit Committees

Role and Responsibilities

The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

The audit committee should critically examine the audit and management reports provided by the external auditor. The committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.

A further role for the audit committee would be to receive and authorise the report relating to the audit prepared by the CEO that is to be sent to the Minister.

This report would outline any actions the local government has taken or intends to take in relation to the matters identified by the auditor.

While a formal internal audit function could be considered to be an operational function and therefore the responsibility of the CEO, it is desirable for an internal auditor to have a direct line of communication to the Audit Committee.

The Audit Committee needs to form an opinion of the local government's internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent. The role of the external auditor in this regard can be established at the time of appointment.

Please note that an audit committee (or any other committee) cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local government is assigned the function through the legislation, the audit committee may have a role unless the function has been delegated to the CEO by the Council.

The deliberations and recommendations of the committee must be independent and autonomous. Therefore, the Act prohibits the CEO being a member of the committee. However, it is essential that the CEO be given every opportunity to provide his/her expert advice to the committee as he/she does with full Council and other committees.

A model terms of reference is attached as Appendix 1 to assist local governments to define an appropriate role for its audit committee. When considering the model, local governments need to remember it is a guide and they can delete or modify any matters they believe not applicable.

It is important to note that the legislation gives the audit committee a specific role in appointing the auditor. It is to recommend to the Council who should be appointed as the auditor. Attached as Appendix 2 is a model 'Minimum Standard Audit Specification' that local governments can use when developing a process to be used to select and appoint a person to be the auditor.

Local governments can amend the document to suit their individual requirements. Any scope adopted must meet, as a minimum, the legislative requirements, as outlined in the Act and the Regulations.

The legislation specifies that a local government is required to meet with its auditor at least once in every year. The term "local government" in this context means the Council. If Council so resolved via a formal delegation, a meeting between the audit committee and the auditor would satisfy this requirement.

It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or audit committee should resolve how the meeting with the auditor will be conducted and for the record of the meeting to show that the auditor was involved and the matters discussed. It would be inappropriate for Council representatives to meet with the auditor in their offices unless they were members of the Audit Committee or a significant majority of the members are present.

The committee may need to liaise regularly with the external auditor to discuss the audit plan, results of the audit and implementation of any recommendations for action emerging from the audit. How communication and liaison between auditor and committee is to occur should be addressed in the agreement of appointment.

Advice from the auditor may address issues such as –

- (i) an assessment of accounting procedures;
- (ii) an assessment of internal controls;
- (iii) an assessment of risk;
- (iv) compliance with the Act and associated regulations;
- (v) compliance with Council policies;
- (vi) performance assessments on the efficiency and effectiveness of operations;
- (vii) processes of the internal audit;
- (viii) outcomes of the external audit prior to issue of management and audit reports; and
- (ix) changes to accounting standards and legislation and the impact on the local government.

Membership

The Act requires that an audit committee is to consist of a minimum of 3 members and in that situation all must be council members. Where a committee consists of more than 3 members then a majority of those members must be council members. Local governments may decide to appoint a committee involving only elected members or they may appoint one or more persons who are external to the Council. If a Council considers it appropriate, the whole Council can be appointed to the audit committee.

If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.

Operation of the Committee

Irrespective of the membership of the committee, all legislative requirements relating to committee meetings such as advertising meeting dates, notice of meeting and keeping minutes of meetings need to be complied with.

The legislation prevents a meeting fee being paid to an external person but it is permissible for a payment to be made as a reimbursement of expenses, commensurate with the expertise and knowledge such people bring to the committee. The Council will need to determine whether payment will be offered and the level of that reimbursement payment.

Members of the committee should be encouraged to attend appropriate courses to keep them up to date with legislation, accounting and other relevant issues.

Other Responsibilities

Local governments are required by legislation to complete a statutory compliance return (Compliance Audit Return or CAR) annually and have the return adopted by Council. The return is a checklist of a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered "high risk."

The Audit Committee is to review the annual CAR and report to the Council the results of that review, prior to adoption of the return by Council. After adoption, the return is to be signed by the Mayor or President and the CEO prior to it being forwarded to the Department.

The Audit Committee is to consider the CEO's biennial reviews (see Regulation 17.) of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

Attached as Appendix 3 is information to assist in determining what falls within the terms 'risk management,' 'internal control' and 'legislative compliance.'

The audit committee could also consider proposals from the CEO as to whether the compliance audit, and the biennial reviews of risk management, internal control and legislative compliance, are undertaken internally or an external party is contracted to undertake the task. In the case of an external party the audit committee would have responsibility to receive the review report from the CEO and make recommendations on it to full Council.

4. The External Audit

Appointment of the Auditor

The Act and Regulations provide that –

- a) on the recommendation of the audit committee a local government is to from time to time appoint, by absolute majority, a person to be its auditor;
- b) the local government may appoint one or more persons as its auditor;
- c) the local government's auditor is to be a person who is –
 - a. a registered company auditor; or
 - b. an auditor approved by the Minister;
- d) a person may not be appointed as a local government auditor if that person is –
 - a. a councillor or employee of the local government;
 - b. in debt to the local government for more than \$5,000;
 - c. a councillor or employee of a regional local government in which the local government is a participant;
 - d. a member of an incorporated association formed by the local government; or
 - e. a class of persons as prescribed in the Regulations;
- e) an auditor is not to be appointed for more than five years; and
- f) the appointment of a person as an auditor is to be made by agreement in writing and is to include –
 - i. the objectives of the audit;
 - ii. the scope of the audit;
 - iii. a plan for the audit;
 - iv. details of the remuneration and expenses to be paid to the auditor; and
 - v. the method to be used by the local government to communicate with, and supply information to, the auditor.

The committee should undertake a proper selection and appointment process as part of appointing, or reappointing an auditor. If reappointment is being considered, the process should include the review of key issues as in i. to v. above.

It is important to realise that the Act specifies that it is a named person(s) that is appointed as auditor, not the company, or 'the partners' of the company which employs the person. Therefore, when the audit report is received it must be signed by the person(s) appointed as the auditor; it cannot be the generic signature identifying the firm.

Conduct of the Audit

The Act and Regulations provide that –

- a) the auditor is required by 31 December next following the financial year to which the audit relates, to examine the accounts and annual financial report submitted for audit;
- b) the auditor is to form an opinion as to whether –
 - i. the accounts are properly kept; and
 - ii. the annual financial report –
 - is prepared in accordance with the financial records; and
 - represents fairly the results of the operations of the local government and its financial position at 30 June;
- c) the auditor is to prepare a report on the audit and within 30 days of completing the audit forward a copy to –
 - i. the mayor or president;
 - ii. the CEO of the local government; and
 - iii. the Minister;

- d) the report is to give the auditor's opinion on –
- i. the financial position of the local government; and
 - ii. the results of the operation of the local government;
- e) the report is to include –
- i. any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
 - ii. any matters indicating non-compliance with financial management requirements of the Act, Regulations and any other written law;
 - iii. details of whether information and explanations were obtained;
 - iv. a report on the conduct of the audit; and
 - v. the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions;
- f) where it is considered appropriate to do so the auditor is to prepare a management report to accompany the auditor's report;
- g) where the auditor considers that –
- i. there is any error or deficiency in an account or financial report;
 - ii. any money paid from, or due to the local government has been, or may have been misapplied; or
 - iii. there is a matter arising from the audit that needs to be addressed by the local government; details are to be included in the report to the Minister; and

- h) the auditor has a right of access at all reasonable times to such books, accounts, documents and assets of the local government as are in the opinion of the auditor necessary to allow the audit to be conducted.

Scope of the Audit

The Act and Regulations prescribe the scope of the external audit of the annual financial statements of a local government.

The scope details are going to vary between local governments but as an aid a model minimum standard audit specification is attached as Appendix 2 to this guideline. Individual local governments can amend that document to suit their particular needs.

Reporting by the Auditor

Regulations require the auditor, where appropriate, to prepare a management report to accompany the auditor's report. Although there is no legislative requirement for the auditor to prepare a management report unless he or she deems it appropriate, local government may wish to require the auditor to prepare a report on all issues identified during the audit.

The auditor, after completing the audit, is to forward a copy of his or her audit and management report to –

- the Mayor or President;
- the CEO of the local government; and
- the Minister via the Department.

It is the CEO's responsibility to ensure that the external audit report is provided to the audit committee. In considering the audit and management reports presented to the audit committee, the CEO should:

- a) examine any critical matters raised in the reports that affect the financial position of the local government; and
- b) provide comment on any critical matters raised and action proposed to be taken to address those matters.

Once Council has addressed matters raised, or accepted the CEO's planned remedial action on matters raised in the audit and management reports, the CEO should provide feedback to the Department on those matters.

Appendix 1

Model Terms of Reference – Audit Committees

Important: The following Model Terms of Reference contains clauses that may not be applicable to each local government. Local governments will need to consider each clause and only adopt those that are applicable to the roles and responsibilities and delegated powers and functions that will apply to their audit committee.

The clauses that may be considered optional have been asterisked (*).

Objectives of Audit Committees

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate –

- the enhancement of the credibility and objectivity of *internal and external financial reporting;

- *effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- *the coordination of the internal audit function with the external audit; and
- the provision of an effective means of communication between the external auditor, *internal auditor, the CEO and the Council.

Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

Membership

The committee will consist of *four members with three elected and *one external person. All members shall have full voting rights.

*External persons appointed to the

committee will have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.

*Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.

*Reimbursement of approved expenses will be paid to each external person who is a member of the committee.

The CEO and employees are not members of the committee.

The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.

The local government shall provide secretarial and administrative support to the committee.

Meetings

The committee shall meet at least *quarterly.

Additional meetings shall be convened at the discretion of the presiding person.

Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

*The committee shall report annually to the Council summarising its activities during the previous financial year.

Duties and Responsibilities

The duties and responsibilities of the committee will be –

- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor;
- c) Develop and recommend to Council –
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include –
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the local government does everything in its power to –
 - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
 - ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters to –
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) *Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO (see reference to internal audit page 14);
- l) *Review the level of resources allocated to internal audit and the scope of its authority;
- m) *Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
- n) *Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) *Review the local government's draft annual financial report, focusing on –
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;

- compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
- p) *Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- q) *Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;
- s) Review the annual Compliance Audit Return and report to the council the results of that review, and
- t) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

Internal Audit

Many local governments have recognised the need to improve their internal auditing processes, and have moved to either employ an internal auditor or contract out the internal audit function.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an

organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government's internal operations and the level of compliance to be achieved. The role differs from that of the external auditor who is appointed by council on the recommendation of the Audit Committee, to report independently to it, through the mayor/president and the CEO, on the annual financial statements. The external auditor's primary role is to decide whether the annual financial statements of a local government are free of material misstatement.

There are certain functions of the internal audit that complement the external auditor's role. As the external auditor plans for an effective audit they need to assess and determine whether to include the scope, procedures and outcomes of the internal audit. The CEO must refer all internal audit reports to the Audit Committee for consideration.

An internal auditor's activities should typically include the following:

- (a) review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements;
- (b) a risk assessment with the intention of minimising exposure to all forms of risk on the local government;
- (c) examination of financial and operating information that includes detailed testing of transactions, balances and procedures;

- (d) a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- (e) a review of compliance with management policies and directives and any other internal requirements;
- (f) review of the annual Compliance Audit Return;
- (g) assist in the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance; and
- (h) specific tasks requested by management.

For local government, the internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference.

A clear and properly defined reporting relationship ensures that the internal auditor is empowered to perform their role working with management. The direct reporting line to the audit committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.

While it is recognised that smaller councils may not be able to justify a

full-time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.

The external auditor or his or her professional company should only undertake internal audit functions that complement the external audit and do not cloud the objectivity and independence of the external audit. An external auditor must not audit information prepared by them or their accounting practice, as this is considered incompatible with the standard of independence.

Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken every four years in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

The review of financial management systems and procedures provides the external auditor with greater assurance of systems and procedures used to prepare the annual financial statements, and whether they provide information free of material misstatement.

Appendix 2

Model Minimum Standard Audit Specification

Important: The following Model Minimum Standard Audit Specification may be used as the basis for the calling of tenders or seeking of quotes for the appointment of an auditor. Local governments need to consider the Model to ensure that only those clauses applicable to its requirements are used. This applies, in particular, to the “Critical matters to be audited”.

Introduction

This document is provided for the assistance of auditors who wish to apply for the role of auditor with the City/Town/Shire.

Auditors are required to address all of the matters outlined in the specification.

Auditors who submit an application may be asked to provide further information and/or make a presentation to the audit committee.

Objectives of the Audit

To provide an independent audit opinion of the accounts and annual financial reports of the local government for each financial year covered by the term of the audit appointment.

Term of Audit Appointment

For the financial years commencing 1 July through to 30 June..... (not more than 5 years)

Scope of the Audit

The auditor is to –

Carry out such work as is necessary to form an opinion as to whether –

- (a) the accounts are properly kept; and
- (b) the annual financial report –
 - (i) is prepared in accordance with the financial records; and
 - (ii) represents fairly the results of the operations of the local government and the financial position of the local government at 30 June in accordance with the Australian Accounting Standards, the *Local Government Act 1995* (as amended) (the Act), the *Local Government (Financial Management) Regulations 1996* (as amended) and other mandatory professional reporting requirements.

Give an opinion in his or her audit report on –

- (a) the financial position of the local government; and
- (b) the results of the operation of the local government.

Include in his or her audit report –

- (a) any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
- (b) any matters indicating non-compliance with financial management or control requirements of the Act, Regulations and any other written law;
- (c) details of whether information and explanations were obtained by the auditor;

- (d) a report on the conduct of the audit; and
- (e) the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions.

Audit Methodology and Approach

Other requirements of the Auditor –

- (a) The auditor is required to comply with the requirements of section 7.9 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*;
- (b) An audit is to be carried out in accordance with accounting standards adopted from time to time by the Australian Government Auditing and Assurance Standards Board (AuASB);
- (c) The auditor is to provide the local government with a general outline of his/her methodology;
- (d) The auditor is to provide the local government with a plan for the audit including –
 - timing of interim audit visits;
 - final audit visit (within 30 days of being advised that the accounts and annual financial report are available for audit);
 - timing of the legislative requirement to meet with the local government and whether that meeting will be in person or by some other means;
 - the method to be used to communicate with, and provide advice and information to, the local government; and
- (e) The auditor is required to produce an audit report as required by section 7.9 of the *Local Government Act 1995* and, if considered appropriate by the auditor, a management report.

Critical Matters to be Audited

The auditor is to include in his or her application the extent to which the critical matters outlined below will be audited so as to form an opinion on the manner in which they have been maintained.

- (i) Revenue
 - Rates revenue
 - Government grants
 - User pays revenue
 - Profit on sale of non-current assets
 - Other income
- (ii) Expenditure
 - Salary and wage costs
 - Depreciation
 - Materials and contract expenditure
 - Loss on sale of non-current assets
 - Insurances
 - Bad debts
 - Other expenditure
- (iii) Current Assets
 - Bank and short term investments
 - Receivables and prepayments
 - Inventory
- (iv) Non-Current Assets
 - Property, plant, furniture and equipment
 - Infrastructure and depreciation
 - Other receivables
- (v) Liabilities (Current and non-current)
 - Creditors and accruals
 - Loan borrowings including new loans raised
 - Provision for annual and long service leave entitlements
- (vi) Reserve Funds
- (vii) Contingent Liabilities
- (viii) Capital Commitments
- (ix) Accounting Policies and Notes to the Financial Statements
- (x) Cash Flow Statement
- (xi) The financial ratios required by the *Local Government (Financial Management) Regulations 1996*

Hours, Fees and Expenditure

The auditor is to provide –

- estimate of the time to be spent on the audit;
- fees for completing the audit in accordance with this specification;
- nominated auditor(s) and registered company audit number(s); and
- experience of the nominated auditors in completing local government audits.

The auditor is to provide a fee for any additional audit requested by Council.

Terms

Conditions to be noted by auditors –

- the auditor shall not sub contract to a third party;
- the auditor shall not, and has no right to, assign the audit contract to third parties;
- the auditor shall not be engaged by the local government to undertake any financial consultancy with the local government that requires the preparation of financial information that will be the subject of the annual audit; and
- the auditor shall confirm that he or she has, and will maintain during the duration of the audit term, professional indemnity insurance covering the legal liability arising out of any neglect, default, error, or omission.

Termination of Appointment

The appointment as auditor is terminated if –

- (a) the auditor ceases to be a registered company auditor;
- (b) the auditor ceases to be an approved auditor under Section 7.5 of the *Local Government Act 1995*;
- (c) the auditor is a disqualified person under Section 7.4(2) of the *Local Government Act 1995*;
- (d) the auditor resigns by notice in writing to Council; or
- (e) Council serves notice in writing to the auditor terminating the appointment.

Appendix 3

Issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance

Please note: Section 7 of the Department's Western Australian Local Government Accounting Manual provides a comprehensive internal control framework related to internal control and risk management.

Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;
- Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas;
 - potential non-compliance with legislation, regulations and standards and local government's policies;
 - important accounting judgements or estimates that prove to be wrong;
 - litigation and claims;
 - misconduct, fraud and theft;
 - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- 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 government's 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;
- Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated,

monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Internal Control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- integrity and ethics;
- policies and delegated authority;
- levels of responsibilities and authorities;
- audit practices;
- information system access and security;
- management operating style; and
- human resource management and practices.

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- delegation of authority;
- documented policies and procedures;
- trained and qualified employees;
- system controls;
- effective policy and process review;
- regular internal audits;
- documentation of risk identification and assessment; and

- regular liaison with auditor and legal advisors.

The following are examples of controls that are typically reviewed:

- separation of roles and functions, processing and authorisation;
- control of approval of documents, letters and financial records;
- comparison of internal data with other or external sources of information;
- limit of direct physical access to assets and records;
- control of computer applications and information system standards;
- limit access to make changes in data files and systems;
- regular maintenance and review of financial control accounts and trial balances;
- comparison and analysis of financial results with budgeted amounts;
- the arithmetical accuracy and content of records;
- report, review and approval of financial payments and reconciliations; and
- comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Staying informed about how management is monitoring the

effectiveness of its compliance and making recommendations for change as necessary;

- 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 management's plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Reviewing whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee;
- Considering the internal auditor's 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; and
- Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.

These guidelines are also available on the Department's website at www.dlgc.wa.gov.au



About the Guideline series

This document and others in the series are intended as a guide to good practice and should not be taken as a compliance requirement. The content is based on Department officer knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

For more information about this and other guidelines, contact the Local Government Regulation and Support Branch at:

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Department of Local Government and Communities Operational Guideline Number 09

AC050

Operational Guideline 09 Audit in Local Government	City of Greater Geraldton Compliance	Key points from Governance Bulletin 13
Establishment of Audit Committee:		
Three or more persons are to be appointed to Committee with at least three members being elected members.	Mayor Van Styn, Cr Mcilwaine, Cr Caudwell, Travis Bate (external member) Proxy - Cr Reymond	
Appointed by Absolute Majority of Council.	<ul style="list-style-type: none"> • Item CEO0037 12 November 2015. • Item CCS043 – EOI External Member of Audit Committee – 22 April 2014. • Item CCS155 – External Member of Audit Committee – 6 January 2016 • Item AC040 – Review of Audit Committee Charter -1 March 2016. 	5. Do we have an audit committee established in accordance with Part 7 of the Act? Does it have appropriate terms of reference?
If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.	Current external member T Bate is an experienced , practising senior CA.	
Role of Audit Committee		
<p>1. Critical examination of audit and management reports provided by external auditor.</p> <p>Determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.</p>	AC043 –2015/2016 Audit Report City of Greater Geraldton- 3 October 2016	

Operational Guideline 09 Audit in Local Government	City of Greater Geraldton Compliance	Key points from Governance Bulletin 13
Direct line of communication to auditor	Telephone attendance of Auditor at Audit Committee Meeting to review audit.	
2. Recommend to Council on the appointment of an Auditor	AC024 – RFT 22 1314 External Audit Services 2014-2017-4 March 2014.	
3. Review a Report from the CEO under Regulation 17(3) (CEO’s Report) <ul style="list-style-type: none"> • Report to Council on results of review • Provide a copy of CEO’s Report to Council 	AC042 – Audit Reviews City of Greater Geraldton- 1 March 2016. CCS208 – Audit Committee Review of CEO’s Regulation 17(3) Report	
4. Review the Compliance Audit Return and report the results to Council	AC036- Compliance Audit Return – 24 February 2016 CCS162 – Compliance Audit Return 2015 – 22 March 2016.	
5. Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, and report to the council the results of those reviews.	AC044 Status of Risk Management and Compliance Activities – 3 October 2016. CCS230 City Operational Risk Management Review Report	
6. The Audit Committee needs to form an opinion of the local government's internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent	Audit Committee Review of the Management actions: Regulation 17, Financial systems and Risk Management internal audit –AC045 Review of Compliance (3 October 2016)	
Operation of Audit Committee		

Operational Guideline 09 Audit in Local Government	City of Greater Geraldton Compliance	Key points from Governance Bulletin 13
<p>The deliberations and recommendations of the committee must be independent and autonomous.</p> <p>The Act prohibits the CEO being a member of the committee. However, it is essential that the CEO be given every opportunity to provide his/her expert advice to the committee as he/she does with full Council and other committees.</p>	<p>Refer Audit Committee Charter –based on Audit Committees Model Terms of Reference – Guideline 09 Audit in Local Government and endorsed by the Audit Committee AC040 – 1 March 2016.</p>	
Council		
<p>A Local Government is to meet with the auditor of at least once a year. The meeting is permitted via teleconference. The Council or Audit Committee should resolve how the meeting with the auditor will be conducted and for the record of the meeting to show that the auditor was involved.</p>	<p>Audit Committee currently meets with Auditor via Teleconference to review the annual Financial Statements and Auditors report. The auditor’s attendance at the meeting is recorded in the minutes.</p> <p>AC 051 – Amend Audit Committee Terms of Reference to state that Audit Committee meet with the Auditor on behalf of Council</p>	
Internal Control environment		
Integrity and ethics	<ul style="list-style-type: none"> • Employee Code of Conduct • Code of Conduct for Elected Members and Committees 	
<p>Policies</p> <ul style="list-style-type: none"> • Documented Policies and Procedures • Effective Policy and Process review 	<p><u>Council Policies</u></p> <ul style="list-style-type: none"> • Investment Policy • Asset Management Policy • Risk Management 	

Operational Guideline 09 Audit in Local Government	City of Greater Geraldton Compliance	Key points from Governance Bulletin 13
	<ul style="list-style-type: none"> • Procurement of Goods and Services • Procurement by Panels of Pre-qualified Suppliers • Public Interest Disclosure • Related Party Disclosures • Fraud Control and Bad Debts • Property Management Leases • Elected Member Training and Travel <p>All Council Policies to be reviewed Biennially</p> <p><u>Operational Policies (OP)</u></p> <ul style="list-style-type: none"> • Employee Travel and Accommodation • External and internal Grant funding • Corporate Credit Cards • Financial Delegations to Employees • Staff purchasing • Investigations and Misconduct <p>Operational Policies under current review.</p> <p><u>Promapp</u> Electronic Process Management System – 90 process currently approved - Risk Register- 103 risks registered</p>	<p><i>1. Do we have policies in place to govern the use of credit cards</i></p> <p><i>2. Do we have adequate policies in place to provide internal financial controls and mitigate the risk of fraud, including monthly reconciliation of all bank accounts?</i></p> <p><i>3. Are these policies supported by procedures that ensure adequate security for financial transactions, such as authorisation of payments by more than one person?</i></p>
<p>Levels of responsibilities and Authorities</p> <ul style="list-style-type: none"> • Delegations of Authority 	<p>Register of Delegation from Council to CEO Register of Delegation from CEO to Employees Register of Authorisations.</p> <p>Detailed Financial authority delegations are in place with the financial delegations embedded in the Synergy Financial system.</p>	

Operational Guideline 09 Audit in Local Government	City of Greater Geraldton Compliance	Key points from Governance Bulletin 13
	A document with the names and signatures of all delegated officers is on record for verification of signatories on invoice authorisations by the Purchasing officer, Finance staff and the Financial Accountant. This document is updated as required on an ongoing basis.	
Information system access and Security • Control of computer applications and information system standards;	<ul style="list-style-type: none"> • Provisions within the City of Greater Geraldton Policy and Procedure Manual for Recordkeeping • OP013 Electronic Mail and Internet Usage. • OP006 Mobile Devices 	
Management Operating Style	Executive Management Team weekly meetings – Terms of Reference	
Human Resource Management and Practices • Trained and qualified staff	<ul style="list-style-type: none"> • City of Greater Geraldton Workforce Plan 2016-2017 • OP008 Learning and Development • OP012 Employee Recruitment and Selection • Employee Consultative Committee 	
Financial Reporting	<ul style="list-style-type: none"> • Confidential Monthly Report Accounts for payment • Monthly Management Report to Council • Mid-Year Budget Review submitted to Council (CCS 233 Mid-Year Budget Review 2016-2017 – 24 January 2017 • Annual Budget & LTFP Process – Concept Forum and budget workshop discussions • Detailed Monthly Internal Financial Management & Variance Reporting by Managers to EMT. 	
Audit practices • Regular internal audits	2014 – Internal Audit of Procurement (AC030- 1 July 2014)	<i>4.Are we giving consideration to the CEO's periodic reviews of</i>

Operational Guideline 09 Audit in Local Government	City of Greater Geraldton Compliance	Key points from Governance Bulletin 13
	2014 - Internal Audit of Accounts Payable (AC026 – 4 March 2014). 2016 – Regulation 17 audit (AC042 -1 March 2016) 2016 – Internal audit of Financial Management Systems 2016 – Internal audit of Risk Management 2016 – Review of Report on Management Actions (AC045 3 October 2016) 2016 – CCS 208 – Audit Committee Review of r.17 report - To OMC 25 October 2016 <ul style="list-style-type: none"> • Development of a 5yr Strategic Internal Audit Plan. 	<i>financial management systems and procedures as required by regulation 5 of the Financial Management Regulations?</i>
Annual Audit	<ul style="list-style-type: none"> • Annual Review of Audit Report and Financial Statements by Audit Committee – Meeting via Teleconference with Auditor – (AC043 – 3 October 2016 – 2015/2016 Audit Report City of Greater Geraldton) • Ordinary Meeting of Council CCS210 -2015/2016 Annual Report City of Greater Geraldton <p>Annual external audits include an assessment of internal controls and the interim audit is submitted to the Audit Committee. The External Auditor attends an Audit Committee meeting via Teleconference to discuss the interim and final Audit.</p>	<i>6. Are the audit committee and council satisfied with the scope of the local government’s annual audit?</i>
Separation of Roles, functions , processing and authorisations	Operational Policy OP 051 stipulates separation of duties as follows: 3 Delegated Officers <i>Only officers delegated by the Chief Executive Officer are authorised to approve procurement.</i>	

Operational Guideline 09 Audit in Local Government	City of Greater Geraldton Compliance	Key points from Governance Bulletin 13
	<p><i>Delegated Officers are listed in the Instrument of Delegation from the Chief Executive Officer to Employees.</i></p> <p><i>Delegated officers can:</i></p> <p><i>3.5 Can authorise payment of invoices associated with requisitions which they have authorised, but <u>cannot also certify receipt of the goods and services. Separation of these duties is required as an essential internal control.</u></i></p> <p><i>3.6 Cannot approve requisitions or authorise payment of invoices for their own personal expenditure such as meal, travel or attendance at professional development events.</i></p> <p><i>4.2 Approval of procurement and authorising of invoices should be confined to only those employees who are required to undertake these tasks in the performance of the duties specified in their position description.</i></p> <p><i>5 Purchasing officers are to be nominated by the Manager Treasury and Finance and are responsible for approval of purchase orders only. Purchasing officers cannot raise or approve a requisition and are not to be endorsed as a delegated officer by the CEO for authorisation of invoices for payment.</i></p> <p>The Central purchasing officer has no delegation for authorising purchase orders , and plays a pivotal role in identification of possible inconsistencies which if identified are referred to the Financial Accountant for checking.</p>	

Operational Guideline 09 Audit in Local Government	City of Greater Geraldton Compliance	Key points from Governance Bulletin 13
	<p>Accounts for payment are physically matched to purchase orders and accounts payable staff process invoice payments separate to line departments.</p>	
Procurement	<ul style="list-style-type: none"> • Council Policies Procurement of Goods and Services • Procurement by Panels of Pre-qualified Suppliers <p>Policies set the rules for acquisition of quotes at various expenditure levels. Quotes are sought online through the E-quotes system – the system records evidence of quotes sought and received. Formal RFQ and RFT are processed via the central Procurement and Risk team and cannot be released other than through them. All draft RFQ and RFT are rigorously checked.</p>	
Control of approval of documents, letters and financial records;	<p>Formal Delegations prescribe signatories to documents and levels of approval for expenditure – Register of Delegations to the CEO Register of Delegations CEO to Employees</p> <p>The Local Government Act 1995 and Regulations prescribe the powers and duties of the CEO/ employees for the management of the City’s finances and operations.</p> <p>Individual access rights within the Synergy Finance system are issued on a module basis with access to information restricted to operational requirements and levels of authority.</p>	

Operational Guideline 09 Audit in Local Government	City of Greater Geraldton Compliance	Key points from Governance Bulletin 13
<p>Risk Management</p> <p>Documentation of risk identification and assessment;</p>	<p>Risk Management Compliance Activities are reported to the Executive Management Team, The Audit Committee and the Ordinary Meeting of Council. The status of the City's risk identification and assessment process is the recording of all identified risks into the Promapp software system and the development and entry of corresponding risk treatments into the system. Access to the information will be available across the organisation</p>	
<p>Councillor Induction and Training Opportunities</p>	<p>20/11/2015 – Induction- Serving on Council, Understanding Local Government and Decision Making at Governing Board Level for Elected Members</p> <p>6/12/15 – Induction Financial Management</p> <p>12/3/2016 – Policy and Strategy Workshop</p> <p>WALGA Training for Elected Members available online, Regionally and at the WALGA training centre in Perth.</p> <p>Council Policy Elected Member Training and Travel</p>	<p><i>7. Most vitally, do we have an appropriate awareness of our responsibilities as council members under the Act and its regulations? Have we sought opportunities for education and training to improve our understanding of our role in ensuring good governance?</i></p>

8. AC051 STRATEGIC INTERNAL AUDIT PLAN

AC051 STRATEGIC INTERNAL AUDIT PLAN

AGENDA REFERENCE:	D-17- 03710
AUTHOR:	A. Van der Weij, Financial Accountant
EXECUTIVE:	B. Davis, Director Corporate & Commercial
DATE OF REPORT:	18/01/2017
FILE REFERENCE:	FM/3/0003
ATTACHMENTS:	A. Strategic Internal Audit Plan 2017-2021

EXECUTIVE SUMMARY:

The purpose of this report is to present the Audit Committee with a comprehensive 5-year Strategic Internal Audit Plan to ensure the implementation and establishment of adequate control systems, appropriate risk management and governance procedures to meet the City's objectives and statutory requirements.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. ENDORSE the implementation of the Strategic Internal Audit Plan 2017-2021.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

To ensure the appropriateness of internal control systems in place the City in the past initiated ad-hoc internal audits of certain operating segments of the organisation (e.g. Accounts Payable, Payroll, Purchasing and Procurement). Following the statutory requirement to conduct regular reviews (Audit Regulation 17 Review and Financial Management Systems Review), the City identified a need for a longer-term plan that would incorporate the City's internal audit objectives and meet the statutory requirements.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic impacts.

Social:

There are no social impacts.

Environmental:

There are no environmental impacts.

Cultural & Heritage:

There are no cultural or heritage impacts.

RELEVANT PRECEDENTS:

The Audit Committee regularly reviews reports relating to the auditing processes of the City and the Audit function, (AC045 Audit report Actions 3 October 2016).

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no consultation

LEGISLATIVE/POLICY IMPLICATIONS:

Pursuant to Regulation 16 *Local Government (Audit) Regulations 1996*:

16. Audit committee, functions of

An audit committee —

- (a) is to provide guidance and assistance to the local government —*
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;*
- and*
- (b) may provide guidance and assistance to the local government as to —*
 - (i) matters to be audited; and*
 - (ii) the scope of audits; and*
 - (iii) its functions under Part 6 of the Act; and*
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management; and*

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT

- 1) The City would be non-compliant with legislation if it fails to undertake the Audit Regulation 17 Review and Financial Management Systems Review.
- 2) The City risks discrepancies or failure of their internal controls to remain undetected and unresolved in a timely manner.

ALTERNATIVE OPTIONS CONSIDERED BY CITY OFFICERS

No alternative options were considered.



STRATEGIC INTERNAL AUDIT PLAN



For the five years ending
30 June 2021



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1. Executive Summary

1.1. Preparing the Strategic Audit Plan

At the request of the Chief Executive Officer (“CEO”) of the City of Greater Geraldton, AMD Chartered Accountants (AMD) has developed a five year Strategic Internal Audit Plan (the Plan) for the City of Greater Geraldton.

1.2. Audit Plan Period

The Plan covers the five years ending 30 June 2021.

1.3. The Role of Internal Audit

The Institute of Internal Auditors Code of Ethics states:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Therefore AMD’s role is to operate as an independent appraisal function to City of Greater Geraldton for the review of operations and effectiveness of systems and controls, as a service to the City of Greater Geraldton CEO, Audit and Risk Management Committee and Council.

1.4. Internal Audit Services

The Institute of Internal Auditors Professional Practices Framework identifies three broad categories in respect to Internal Audit as follows:

) Risk Management

“The internal audit activity should assist the organisation by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and control systems.”

) Controls

“The internal audit activity should assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.”

) Governance

“The internal audit activity should assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- ❖ *Promoting appropriate ethics and values within the organization.*
- ❖ *Ensuring effective organisational performance management and accountability.*
- ❖ *Effectively communicating risk and control information to appropriate areas of the organisation.*
- ❖ *Effectively coordinating the activities of and communicating information among the Council, external and internal auditors and management.”*

1.5. Audit Planning Approach

To be effective, internal audit needs to contribute to the achievement of City of Greater Geraldton’s objectives and statutory requirements, understanding its critical success factors and the key risks and barriers to achieving these.

To develop this Plan, the following activities were conducted:

-) Review of City of Greater Geraldton's Annual Report for 2016 and previous audited financial statements;
-) Review of risk management policies and procedures and other relevant policies as available on Council's website and obtained during recent audits and reviews;
-) The focus of the above reviews is to determine the short and medium term objectives and risks relevant to each area of operations; and
-) The results of the review were collated and a list of potential audit areas developed and ranked in order of risk to City of Greater Geraldton.

This draft plan will be discussed with City of Greater Geraldton management and endorsed by the CEO and / or Audit Committee, prior to adoption and implementation.

2. Key Issues

It is essential that a modern Internal Audit function addresses the critical risk and key issues facing the organisation. From our knowledge of City of Greater Geraldton we have identified the following issues that are critical to the ongoing success of City of Greater Geraldton.

2.1. Meeting legislative requirements

City of Greater Geraldton has to comply with a large number of statutory requirements including but not limited to the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996. These compliance activities can at times be intensive and sometimes detract key staff from focusing on core activities.

2.2. Implementation of appropriate risk management

The systematic and effective management of risk is critical to the successful achievement of strategic goals. City of Greater Geraldton's challenge is to develop an appropriate risk management framework that embeds risk management into the key decision making processes so that risk is properly considered during the deliberations leading up to a decision. In this manner, risk management becomes part of the management process rather than an after thought addressed much later.

2.3. Establishment of adequate control systems

City of Greater Geraldton's control environment and system in place are critical to the successful achievement of strategic goals. City of Greater Geraldton's challenge is to design, implement and monitor appropriate internal controls in order to ensure the following:

-) Reliable financial and operational information is available at all times;
-) Internal controls are effective and efficient;
-) Controls are in place to safeguard assets; and
-) Controls are in place to ensure compliance with laws, regulations and contracts.

2.4. Implementation of appropriate governance processes and procedures

The systematic and effective implementation of an appropriate Corporate Governance framework is critical to the successful achievement of strategic goals. City of Greater Geraldton's challenge is to develop an appropriate Corporate Governance framework that considers organisational ethics, values, performance management and accountability.

Internal Audit Role

3. Internal Audit Methodology

3.1. Specific Objectives

Specific objectives of Internal Audit are:

-) To form a partnership approach to assist the Audit Committee and the CEO to achieve objectives and discharge their responsibilities;
-) To provide assurance as to the reliability of accounting and financial management information;
-) To provide assurance as to the protection of assets and resources;
-) To provide assurance as to compliance with legislative and funding requirements, policies and procedures; and
-) To provide independent advice to improve City of Greater Geraldton's operational effectiveness, efficiency and economy.

To meet the above objectives, Internal Audit should:

-) Provide appropriate skills to enable the conduct of high quality audits;
-) Provide an appropriate balance of management, financial, operational and information technology skills amongst Internal Audit staff; and
-) Optimise the use of information technology and other tools to enable audits to be performed in the most efficient and effective manner.

All Internal Audits will be performed in accordance with the professional standards of the Institute of Internal Auditors of Australia.

3.2. Partnership Approach

To achieve the Internal Audit objectives audits would normally be structured into key service groups in order to provide a comprehensive but cohesive audit service. In this way the overall audit service is consultative, risk-based and objective-driven to provide a partnership approach and a quality service to management.

Audit Approach to Risk Assessment

4. Internal Audit Risk Assessment

4.1. Approach to Risk Assessment

In developing this Plan, AMD has adopted a risk assessment approach based on auditor judgement rather than using computerised planning tools. In conjunction with management, auditable activities were defined in terms of the business risks, critical success factors and specific risk-based criteria. The criteria used to rank each area are as follows:

Criteria	Reason for inclusion
Materiality/size	High priority was given to areas which involved larger dollar amounts
Strategic Importance for City of Greater Geraldton	Effort directed towards activities that are significant to the achievement of corporate objectives
Control Environment	Consideration was given to the status of the current control environment
Inherent Risk	The level of risk associated with the nature of the underlying assets or the operations conducted by the activity
Regulatory Compliance	It is compulsory to comply with relevant legislation and regulations due to the nature of the industry.

4.2. Guidance as to Risk Classification

Our guidance to risk classification when performing the City of Greater Geraldton's internal audit review is based on the following:

Risk is the probability that an event or action may adversely effect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

-) Consequence is the severity of the impact that would result if the event were to occur.
-) Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.

Our risk rating for each audit issue was based on the following table:

Likelihood	Consequence		
	Insignificant	Significant	Highly Significant
Low	L	M	M
Medium	L	M	H
High	L	H	H

Internal Audit Strategic Audit Plan

5. Internal Audit Strategic Audit Plan

1 July 2016 to 30 June 2021

Based on knowledge of operations, the internal audit cycle, as set out as follows, will be adopted for City of Greater Geraldton. The proposed allocation of audit days is designed to focus audit resources according to business, assessment of the auditable risk, audit objectives and planned audit coverage.

Based on management’s request, we have proposed internal audit modules to be assessed for 2017, 2018, 2019, 2020 and 2021.

Auditable Areas	Proposed				
	2017	2018	2019	2020	2021
Previous recommendations follow up – internal audit	✓	✓	✓	✓	✓
Previous recommendations follow up – external audit	✓	✓	✓	✓	✓
Information Technology	✓				
Audit Regulation 17 Review (*)		✓		✓	
Vehicle Fleet Management			✓		
Project Tender and Contract Management			✓		
Financial Management Regulation Review (*)		✓		✓	
Asset Management					✓
Planning	✓	✓	✓	✓	✓
Review and Reporting	✓	✓	✓	✓	✓

(*) – Previously completed February 2016.

We confirm the timing of the Audit Regulation 17 Review as required by section 17 of the Local Government (Audit) Regulations 1996 and the Financial Management System Review as required by section 5(2) of the Local Government (Financial Management) Regulations 1996 comply with the timing as specified within each relevant Regulation section.

Based on the previous completion date, the Financial Management System Review is due 2020 however the review will be assessed over two sessions (2018 and 2020) with particular attention to accounts payable, accounts receivable, human resources and payroll procedures.

We will review the audit modules to be assessed in each year of the rolling Strategic Internal Audit Plan, and amend the above as required based on discussions with management and / or the CEO.

**SHIRE OF AUGUSTA MARGARET RIVER
INTERNAL AUDIT**

Detailed procedures in order to assess the above internal audit modules are outlined below:

INTERNAL AUDIT MODULES	
Board Area	Including but not limited to review of the following areas:
Information Technology	<ul style="list-style-type: none">) Review of the Strategic IT environment, including Strategic IT Plans and supporting network diagrams;) Assessment of the planning processes relating to the IT environment;) Assessment of the effectiveness and efficiency of the operation of the IT environment;) Assessment of the organising and monitoring of IT processes;) Ensure appropriateness of internal control policies and procedures and ensure these are adhered to in respect to IT systems, including access controls, backup procedures and recovery procedures;) Review system support and ensure appropriate back-up personnel trained and available;) Review system security ensuring access is restricted and based on level of personnel;) Review of access identification and risk management processes in respect to IT planning;) Review of virus detection procedures; and) Review procedures and plans for determining the needs for changes / improvements to existing IT systems and processes in place to implement such changes.
Audit Regulation 17 Review Local Government (Audit) Regulations 1996	<ul style="list-style-type: none">) The scope of the review is based on Regulation 17 of the Local Government (Audit) Regulations 1996 which requires: <ul style="list-style-type: none"> o <i>The CEO to review the appropriateness and effectiveness of a Local Government’s systems and procedures in relation to –</i> <ul style="list-style-type: none"> a. <i>Risk management;</i> b. <i>Internal Controls; and</i> c. <i>Legislative Compliance.</i> o <i>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 two years;</i> o <i>The CEO is to report to the audit committee the results of that review.</i>

The review is based on (i) “Audit in Local Government” Operational Guidelines, (ii) Section 7 of the Western Australian Local Government Accounting Manual, and (iii) Australian / New Zealand Risk Management Principles and Guidelines AS/NZS ISO 31000:2009.

Risk Management

As part of our review in respect to risk management, we will perform the following procedures:

-) Reviewing whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered;
-) Reviewing whether the Local Government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
-) Assessing the internal processes for determining and managing material operating risks in accordance with the local government’s identified tolerance for risk, particularly in the following areas:
 - o Potential non-compliance with legislation, regulations and standards and local government’s policies;
 - o Important accounting judgements or estimates that prove to be wrong;
 - o Litigation and claims;
 - o Misconduct, fraud and theft; and
 - o Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
-) 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 is applicable, the level of self insurance;
-) Reviewing the effectiveness of the local government’s 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;

-) Assessing Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and
-) Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented communicated, monitored and these is regular reporting and ongoing management of fraud and misconduct risks.

Internal Controls

As part of our review in respect to internal controls, we will perform the following procedures:

-) Review of segregation of roles and functions, processing and authorisation controls;
-) Review of documented policies and procedures;
-) Assessing approval of documents, letters and financial records;
-) Assessing management internal reviews undertaken in respect to comparison of internal data with external sources of information;
-) Assessing security controls in respect to physical access to assets and records;
-) Assessing security controls in respect to computer applications and information systems (general and application IT controls);
-) Assessing access limits placed on data files and systems;
-) Assessing whether the maintained and review of financial control accounts and trial balances is regular and appropriate;
-) Assessing key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
-) Assessing key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
-) Assessing controls in respect to purchasing and payment of accounts;
-) Assessing reporting, review and approval of financial payment and reconciliations; and
-) Assessing physical cash and inventory count records when compared to accounting records

Legislative Compliance

As part of our review in respect to legislative compliance, we will perform the following procedures:

-) Assessing internal monitoring of compliance with legislation and regulations;
-) Assess the local government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
-) Assess communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the local government's compliance and recommendations for changes as required;
-) Reviewing the local government's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
-) Reviewing key managements internal review processes in respect to the identification of adverse trends and management plans to address these;
-) Reviewing management's compliance with statutory documents including budgets, annual reports, asset management, long term plans etc.
-) Reviewing management disclosures in financial reports of the effect of significant compliance issues (if any);
-) Ensuring the internal and / or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee; and
-) Review of the Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest.

As part of our review, we will compare City of Greater Geraldton current systems and procedures to Local Government best practice as outlined within the Local Government Guidelines issued by the Department of Local Government and Communities, in particular Local Government Operational Guideline number 09 – Audit in Local Governments and the Local Government Accounting Manual (section 7).

Vehicle Fleet Management

-) Assessment of fleet management including:
 - o Safety;
 - o Vehicle efficiencies;
 - o Fleet efficiency management plan; and
 - o Vehicle procurement options;
-) Assessment of vehicle / fleet lifecycle process and procedures including:
 - o Vehicle selection;
 - o Equipment options and accessories;
 - o Registration and identification of vehicles; and
 - o Insurance;
-) Review of vehicle / fleet operations including:
 - o Vehicle maintenance policies and procedures;
 - o Environmental driving and fuel economy;
 - o Breakdowns;
 - o Vehicle trailers;
 - o Fuel consumption and analysis;
 - o Driver responsibilities and penalties;
 - o Motor vehicle crashes and reporting;
 - o Care and security of vehicles;
 - o Vehicle identification and markings;
 - o Use of private vehicles for City business; and
 - o Alternative vehicles and transport;
-) Review procedures for acquisition and disposal of vehicles including:
 - o Acquisition and disposal criteria and timing of changeover;
 - o Preparing vehicles for disposal; and
 - o Replacement policy;
-) Compare fleet management policies with current best practice;
-) Review cost efficiency of fleet management policies; and
-) Review compliance with stated policy.

<p>Project Tender and Contract Management</p>	<ul style="list-style-type: none">) Review of two recent projects from inception to contractor selection, including: <ul style="list-style-type: none"> o Project identification, assessment of need, project planning and risk analysis; o Council approval; o Allocation of management responsibility; o Compliance with legislation; o Permits and approvals; o Tendering process and compliance with Council internal policy; o Contractor selection, including conflict of interest identification processes; o Project risk management and monitoring procedures; o Project and contract documentation, including contracts variations; o Budget and financial approval; o Completion and hand over procedures; o Post project finalisation review; and) Assessment of tender and request for quote processes and procedures including compliance with the Act / Regulations;) Assessment of two tenders recently sought ensuring compliance with legislative requirements and internal policies, including: <ul style="list-style-type: none"> o Compliance with legislation; o Tendering process and compliance with Council internal policy; o Contractor selection, including conflict of interest identification processes; o Project risk management and monitoring procedures; o Project and contract documentation; o Budget and financial approval; o Completion and hand over procedures; o Post project finalisation review; and) Review tender register and ensure adequately maintained;) Assess “conditions of Tendering”, “General Conditions of Contract” and any other applicable templates;) Review of four ongoing and / or recently completed contracts ensuring: <ul style="list-style-type: none"> o Service identification, assessment of need and risk analysis; o Council approval;
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	<ul style="list-style-type: none"> ○ Allocation of management responsibility and direction of work; ○ Compliance with legislation; ○ Procurements process and compliance with Council internal policy; ○ Contractor selection, including conflict of interest identification processes; ○ Contract risk management and monitoring procedures; ○ Contract documentation including contracts variations; ○ Budget and financial approval; ○ Completion and hand over procedures; ○ Ongoing contractor performance assessment and monitoring; ○ Post contract review; and <p>) Assessment of risk Management Procedures relating to tender and contract management.</p>
<p>Financial Management System Review Local Government (Financial Management) Regulation 1996</p>	<p>) The scope of our review will be in accordance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996, the scope of our review would incorporate an assessment of the appropriateness and effectiveness of Council’s financial management systems and procedures, ensuring:</p> <ul style="list-style-type: none"> ○ The proper collection of all money owing to the Local Government; ○ The safe custody and security of all money collected or held by Local Government; ○ The proper maintenance and security of the financial records of the Local Government (whether maintained in written form or by electronic or other means or process); ○ Proper accounting for municipal or trust; ○ Revenue received or receivable; ○ Expenses paid or payable; and ○ Assets and liabilities. ○ Proper authorisation for the incurring of liabilities and the making of payments; ○ Maintenance of payroll, stock control and costing records; and ○ Preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

Examples of the procedures we will undertake in order to assess the appropriateness and effectiveness of Council's Financial Management Systems are (but not limited) to the following:

-) Document financial systems detailing controls, procedures and reconciliations in relation to all sources of income;
-) Site visits to all cash collection points (other than the City of Greater Geraldton administration building) to review the controls and procedures over the collection, receipting, recording and banking of cash collected offsite. From inquiries of management, we have ascertained the following sites are to be reviewed (if available):
 - o Meru Landfill;
 - o Aquarena;
 - o Mullewa Administration Offices;
 - o Mullewa Swimming Pool;
 - o Family Day Care Centre;
 - o Library;
 - o Airport;
 - o Visitor Centre;
 - o Queens Park Theatre;
 - o Animal Pound;
 - o Art Gallery; and
 - o Parking metres.
-) Test collection, receipting, invoicing and posting procedures over cash receipts on a sample basis;
-) Review credit control procedures in respect to sundry debtors and rates debtors;
-) Review the security of cash and banking procedures to ensure the appropriate controls and procedures are in place;
-) Site visit to the depot on Gordon Garrett Drive and Stock Street in Mullewa to review security over stocks held and allocation / costings of stocks used (including fuel and inventory stocks);
-) Review of payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure these controls were operating effectively;
-) Review of controls and procedures over the authorisation of purchase orders and making of payments, with a sample of payments tested;
-) Review of credit card processes and procedures, and testing transactions on a sample basis;

	<ul style="list-style-type: none">) Review the procedures for preparation of monthly accounts and general ledger account reconciliations;) Review the procedures for preparation of the annual Financial Statements and annual Budget, including assessment of accounting policy, notes and applicable reporting requirements and efficiency of the process;) Review the budget review to ensure compliance with Regulation 33A of the Local Government (Financial Management) Regulations 1996 and assessment of budgetary expenditure controls in place;) Detailed review of information technology systems to assess physical security, access security, data backups, contingency plans, compliance and systems development;) Detailed analysis and testing to review the allocation of overheads and administration costs;) Review of registers maintained (including key register, tender register etc) and review of Council minutes;) Review policies and procedures in respect to insurance, recording claims and insuring newly acquired assets; and) Review processes in respect to BAS, FBT Return and other statutory returns preparation.
<p>Asset Management, including: Capital Expenditure Asset Control Depreciation Schedules Preventative Maintenance Programs</p>	<ul style="list-style-type: none">) Review of asset management responsibilities and related duties;) Assessment of physical asset security, including theft deterrents;) Review of asset capitalisation policies and procedures;) Assessment of policies and procedures relating to attractive items and obsolete assets;) Review of asset stocktake frequency and procedures;) Review of asset disposal processes including disposal identification, approval, methods of disposal, advertising, sale of assets less than \$5,000, reporting and asset write off procedures;) Review of procedures relating to gifted assets received and gifting assets to community organisations;) Review of asset loan and hire procedures;) Assessment of the maintenance of fixed asset register, including recording of additions, disposals, depreciation and regular reconciliation to general ledger;) Review of depreciation rates including useful life assessments;) Review of capital expenditure in line with budget or Council approval sought;) Review of tender and request for quote processes and procedures in respect to asset acquisition including compliance with the Act / Regs;) Review of asset valuations;) Ensure compliance with stated asset management plans and policies;

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| | <ul style="list-style-type: none">) Review policy documentation in light of generally accepted practice, with particular attention to:<ul style="list-style-type: none">o Repair or replace policies;o Returns on investment;o Reporting procedures;o KPI's; ando Practicability of integrating proposed policies and procedures with other areas of policy/management; and) Assessment of the asset maintenance programs, including completion and recording. |
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6. Measurement of Internal Audit Effectiveness

6.1. Effective Measures

In order to ensure that Internal Audit is effective, a mechanism for measuring this effectiveness is required. The proposed measurement of Internal Audit's effectiveness will comprise of:

-) Comparison of actual audit areas completed for the year against those planned, together with explanations for audits not performed;
-) Comparison of actual time on audits with set budgets on a quarterly basis and explanation of major variances;
-) The degree of acceptance of audit recommendations. The target is 90% of recommendations to be implemented within 12 months of the recommendation being made;
-) Productivity of audit staff, measured by proportion of time spent on audit tasks compared to administrative tasks. The overall target is 80% of available working days for the function;
-) The value of cost savings achieved as a result of audit recommendations. Cost savings will be quantified, wherever possible, but in many cases this can be very difficult due to changes in circumstances or the intangible nature of the benefit, for example, a reduction in risk of error or fraud due to improved controls; and
-) Feedback from the Audit Committee on the effectiveness of the function.

7. Internal Audit Reporting

7.1. The Audit and Risk Management Committee

The Audit Committee is responsible for ensuring the activities of Internal Audit satisfy City of Greater Geraldton's expectations to maintain an effective, independent internal audit function.

The Audit Committee is also responsible for:

-) Endorsing and monitoring internal audit plans;
-) Ensuring the satisfactory clearance of internal audit reports;
-) Ensuring Internal Audit has an appropriate level of skills; and
-) Facilitating a satisfactory working relationship between Internal Audit and management.

7.2. Reporting of Audit Results

Internal Audit must maintain operational independence at all times. However, whilst recognising this Internal Audit should adopt a partnership approach with management to ensure that audit findings are accurate and recommendations are practical/commercial.

Internal Audit operationally reports to the Council. A structured reporting mechanism and format has been established. All audit reports group audit findings into three risk weightings being as follows:

High Risk Issues which would cause considerable concern and have a material impact on Shire of Augusta Margaret River's performance. Depending on their nature, major findings will be reported to Management and the Council as soon as practicable.

Medium Risk Issues which impact upon the performance of City of Greater Geraldton and while "not individually significant", are of concern and should be actioned as a matter of priority.

Low Risk Issues which must be dealt with but are not of primary concern.

An internal audit report will be issued. The report should be commercially oriented and balanced providing positive comments, if appropriate, together with matters requiring management's attention.

This report is structured as follows:

Part A

Is a clear focused business oriented report for senior management, and members of the Audit and Risk Management Committee, comprising of a summary of findings, incorporating our overall opinion and conclusions with management comment.

Part B

Contains the findings, action plan showing the individual recommendations, agreed action and management responsibilities.

The process for reporting audit results applies the following procedures:

-) Maintain an ongoing liaison with management during the execution of the audit;
-) Discuss the draft report with management to obtain acceptance and commitment and incorporate management's response; and
-) Issue the final report to the Audit Committee.

Our report will also include:

-) A report on the status of previous audit findings;
-) A report on the progress of internal audit against the strategic and annual audit plans; and
-) Variations from Strategic Internal Audit Plan.

8. Fee Quotation

Our fees are costed primarily based on time required on site, and also include Audit Director time which we feel is necessary to undertake this type of internal audit engagement effectively.

Our fees also include an allowance for us to complete the annual review of the Rolling Strategic Internal Audit Plan, our internal audit work and preparation of the Internal Audit Report in our office on completion of the audit fieldwork.

Based on the stated requirements and the services previously described, our fee quotation for each internal audit area set out within City of Greater Geraldton’s Strategic Internal Audit Plan are as follows:

Auditable Areas	Year	Quoted Fee (excluding GST)	Quoted Fee (including GST)
Information Technology	2017	\$7,500	\$8,250
Audit Regulation 17 Review	2018	\$9,450	\$10,395
Financial Management Regulation Review (session 1)	2018	\$3,600	\$3,960
Vehicle Fleet Management	2019	\$7,500	\$8,250
Project Tender and Contract Management	2019	\$8,500	\$9,350
Financial Management Regulation Review (session 2)	2020	\$8,300	\$9,130
Audit Regulation 17 Review	2020	\$10,200	\$11,220
Asset Management	2021	\$9,800	\$10,780

Please note that the fees quoted above are exclusive of travel and accommodation disbursements which will be charged at actual cost (no mark up).

9. AC052 AMENDMENT TO AUDIT COMMITTEE CHARTER

AC052 AMENDMENT TO AUDIT COMMITTEE CHARTER

AGENDA REFERENCE:	D-17-03773
AUTHOR:	M Adam, Coordinator Governance
EXECUTIVE:	B. Davis, Director Corporate & Commercial
DATE OF REPORT:	18/01/2017
FILE REFERENCE:	GO/11/0020
ATTACHMENTS:	A. Draft Audit Committee Charter v.4-2017

EXECUTIVE SUMMARY:

The purpose of this report is propose an amendment to section 6.1.f of the Audit Committee Charter, for consideration to the Audit Committee. The amendment is to enable the Audit Committee to meet with the City's external auditor, on an annual basis, on Councils behalf.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority pursuant to Section 7.1C of the Local Government Act RESOLVES to:

1. ENDORSE amendment at section 6.1 f. to the Audit Committee Charter to enable the Audit Committee to meet with the City's external Auditor, on an annual basis, on Councils behalf.
2. RECOMMEND to Council proposed amendments to the Audit Committee Charter as determined by the Audit Committee.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

Local Government Operational Guideline 09 Audit in Local Government provides information on the appointment, function and responsibilities of Audit Committees.

'The Local Government Act 1995 (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.'

In relation to the annual audit, the guideline notes that Audit Committees may find it necessary to liaise with the external auditor, to discuss the audit and audit plan. The Audit Committee currently meets with the auditor on an annual basis via telephone and the Audit Committee Charter includes clause 1.1:

- 1.1. The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

The guideline also highlights that it is a legislative requirement for Council to meet with the auditor on an annual basis, a provision that may be satisfied by a meeting between the auditor and the Audit Committee, if Council has delegated this task to the Audit Committee.

The Audit Committee charter currently includes section 6.1:

6.1 The duties and responsibilities of the committee will be –

f. Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions.

The City has requested clarification on the above legislative requirements from the Department of Local Government and Communities. In accordance with advice received the City provide the below draft amendment to the Audit Committee Charter, for the Audit Committees consideration:

6.2 The duties and responsibilities of the committee will be –

f. Meet with the auditor once in each year on behalf of Council in accordance with s.7.12A(2) of the Local Government Act 1995 and provide a report to Council on the matters discussed and outcome of those discussions.

If the Audit Committee endorses this amendment, the matter will be referred to Council for consideration.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:

Economic:

There are no economic impacts.

Social:

There are no social impacts.

Environmental:

There are no environmental impacts.

Cultural & Heritage:

There are no cultural or heritage impacts.

RELEVANT PRECEDENTS:

The Audit Committee has previously reviewed its charter and is able to recommend changes, for consideration by Council.

COMMUNITY/COUNCILLOR CONSULTATION:

There has been no Community or Councillor consultation.

LEGISLATIVE/POLICY IMPLICATIONS:

Part 7 Division s.7.1A, 7.12A of the *Local Government Act 1995*.

r.16. *Local Government (Audit) Regulations 1996*

FINANCIAL AND RESOURCE IMPLICATIONS:

There are no financial or resource implications.

INTEGRATED PLANNING LINKS:

Title: Governance	Planning and Policy
Strategy 5.2.7	Ensuring efficient and effective delivery of service

REGIONAL OUTCOMES:

There are no impacts to regional outcomes.

RISK MANAGEMENT:

It is a requirement of the Local Government Act 1995 that the external auditor meet with Council, or the Audit Committee on behalf of Council, if so delegated, by Council on an annual basis, s.7.12A.

ALTERNATIVE OPTIONS CONSIDERED:

The Committee may choose to discuss the suggested amendment and recommend changes to the charter, for consideration by Council. Note that the Committee is able to seek a review of its Charter at a future time.



AUDIT COMMITTEE CHARTER

Audit Committee Charter

1. Objectives of Audit Committees

- 1.1. The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.
- 1.2. Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.
- 1.3. The committee is to facilitate –
 - the enhancement of the credibility and objectivity of internal and external financial reporting;
 - effective management of financial and other risks and the protection of Council assets;
 - compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
 - the coordination of the internal audit function with the external audit; and
 - the provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.
- 1.4. The committee at the time of the mid-year budget review will review the financial performance of the Council and identify any variance due to the failure of lack of internal controls.

2. Powers of the Audit Committee

- 2.1 The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.
- 2.2 The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

3 Membership

- 3.1 The committee will consist of four members with three elected and one external person. All members shall have full voting rights.
- 3.2 External persons appointed to the committee will have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.
- 3.3 Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment shall be aligned to the biennial council election cycle.
- 3.4 Reimbursement of approved expenses will be paid to each external person who is a member of the committee.

- 3.5 The CEO and employees are not members of the committee.
- 3.6 The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.
- 3.7 The local government shall provide secretarial and administrative support to the committee.
- 3.8 The Chairperson shall be recommended by the Audit Committee and appointed by Council.

4. Meetings

- 4.1. The committee shall meet at least quarterly.
- 4.2. Additional meetings shall be convened at the discretion of the presiding person.

5. Reporting

- 5.1. Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.
- 5.2. The committee shall report annually to the Council summarising its activities during the previous financial year.

6 Duties and Responsibilities

- 6.1 The duties and responsibilities of the committee will be –
 - a. Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
 - b. Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor;
 - c. Develop and recommend to Council –
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken;
 - d. Recommend to Council the person or persons to be appointed as auditor;
 - e. Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include –
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor;
 - f. Meet with the auditor once in each year on behalf of Council, in accordance with s.7.12A(2) of the *Local Government Act 1995*, and provide a report to Council on the matters discussed and outcome of those discussions.
 - g. Liaise with the CEO to ensure that the local government does everything in its power to –
 - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
 - ensure that audits are conducted successfully and expeditiously;
 - h. Examine the reports of the auditor after receiving a report from the CEO on the matters and –
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
 - i. Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to

- the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j. Review the scope of the audit plan and program and its effectiveness;
 - k. Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO (see reference to internal audit page 14);
 - l. Review the level of resources allocated to internal audit and the scope of its authority;
 - m. Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
 - n. Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
 - o. Review the local government's draft annual financial report, focusing on –
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
 - p. Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
 - q. Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
 - r. Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council.
 - s. Review the annual Compliance Audit Return and report to the council the results of that review, and
 - t. Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

7. Internal Audit

- 7.1. Many local governments have recognised the need to improve their internal auditing processes, and have moved to either employ an internal auditor or contract out the internal audit function.
- 7.2. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 7.3. The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government's internal operations and the level of compliance to be achieved. The role differs from that of the external auditor who is appointed by council on the recommendation of the Audit Committee, to report independently to it, through the mayor/president and the CEO, on the annual financial statements. The external auditor's primary role is to decide whether the annual financial statements of a local government are free of material misstatement.
- 7.4. There are certain functions of the internal audit that complement the external auditor's role. As the external auditor plans for an effective audit they need to assess and determine whether to include the scope, procedures and outcomes of the internal audit. The CEO must refer all internal audit reports to the Audit Committee for consideration.
- 7.5. An internal auditor's activities should typically include the following:

- a. review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements
 - b. a risk assessment with the intention of minimising exposure to all forms of risk on the local government;
 - c. examination of financial and operating information that includes detailed testing of transactions, balances and procedures;
 - d. a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
 - e. a review of compliance with management policies and directives and any other internal requirements;
 - f. review of the annual Compliance Audit Return, and
 - g. assist in the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance.
 - h. specific tasks requested by management.
- 7.6. For local government, the internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference.
- 7.7. A clear and properly defined reporting relationship ensures that the internal auditor is empowered to perform their role working with management. The direct reporting line to the audit committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.
- 7.8. While it is recognised that smaller councils may not be able to justify a full-time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.
- 7.9. The external auditor or his or her professional company should only undertake internal audit functions that complement the external audit and do not cloud the objectivity and independence of the external audit. An external auditor must not audit information prepared by them or their accounting practice, as this is considered incompatible with the standard of independence.
- 7.10. Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken every four years in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- 7.11. The review of financial management systems and procedures provides the external auditor with greater assurance of systems and procedures used to prepare the annual financial statements, and whether they provide information free of material misstatement.

10. MEETING CLOSURE