# Committee Attachments
# Wednesday, 14 December 2016

| REPORT NUMBER | REPORT TITLE AND ATTACHMENT DESCRIPTION | PAGE NUMBER(S) |
|---|---|---|
| **10.1** | **Audit Committee Meeting – 22 November 2016**<br>1. "Unconfirmed" minutes from the Chittering Audit Committee meeting held on 22 November 2016 | 1 – 20 |

# MINUTES FOR THE AUDIT COMMITTEE

Tuesday, 22 November 2016

Council Chambers
6177 Great Northern Highway
Bindoon

Commencement: 4.20pm
Closure: 4.22pm

Shire of Chittering

## Preface

When the Chief Executive Officer approves these Minutes for distribution they are in essence "Unconfirmed" until the following Chittering Audit Committee (CAC) Meeting, where the minutes will be confirmed subject to any amendments.

The "Confirmed" Minutes are then signed off by the Chairperson.

Attachments that formed part of the agenda, in addition to those tabled at the CAC Meeting are put together as an addendum to these Minutes.

## Unconfirmed Minutes

These minutes were approved for distribution on 25 November 2016.

Alan Sheridan
**Chief Executive Officer**
**Shire of Chittering**

## Confirmed Minutes

These minutes will be confirmed at a meeting held at a date to be confirmed.

Signed .....

*Note:* *The Chairperson at the meeting at which the minutes were confirmed is the person who signs above.*

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

The Presiding Member declared the meeting open at 4.20pm.

## 2. RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

### 2.1 Attendance

The following elected members were in attendance:

| | |
|---|---|
| Cr Gordon Houston | President (Presiding Member) |
| Cr Mary Angus | |
| Cr Aaron King | |
| Cr Michelle Rossouw | |

The following staff were in attendance:

| | |
|---|---|
| Mr Alan Sheridan | Chief Executive Officer (Secretary) |
| Ms Bronwyn Southee | Executive Manager Development Services |
| Mr Jim Garrett | Executive Manager Technical Services |

There were no members of the general public in attendance.

### 2.2 Apologies

| | |
|---|---|
| Ms Jean Sutherland | Executive Manager Corporate Services |
| Cr Don Gibson | |
| Cr George Tilbury | |

### 2.3 Approved leave of absence

Council has previously approved leave of absence for Cr Peter Osborn for the period inclusive of Thursday, 17 November 2016 to Sunday, 27 November 2016 (Resolution 031016).

## 3. DISCLOSURE OF INTEREST

Nil

## 4. PUBLIC QUESTION TIME

### 4.1 Public question time

Nil

## 5. CONFIRMATION OF MINUTES – Wednesday, 17 February 2016

**5.1 OFFICER / COMMITTEE RECOMMENDATION**
**Moved Cr King / Seconded Cr Rossouw**
**That the minutes of the Audit Committee meeting held on Wednesday, 17 February 2016 be confirmed as a true and correct record of proceedings.**

**THE MOTION WAS PUT AND DECLARED CARRIED 4/0**

## 6. PURPOSE OF MEETING

### 6.1 Review of Risk Management, Internal Controls and Legislative Compliance*

| | |
|---|---|
| **Report date** | 22 November 2016 |
| **Applicant** | Shire of Chittering |
| **File ref** | 27/01/2 |
| **Prepared by** | Alan Sheridan, Chief Executive Officer |
| **Supervised by** | Alan Sheridan, Chief Executive Officer |
| **Voting requirements** | Simple Majority |
| **Documents tabled** | Nil |
| **Attachments** | 1. Risk Management Governance Framework<br>2. Risk Profile Assessment Sheets |

**Executive Summary**
The Audit Committee is requested to consider the following report relating to Council's systems and procedures for risk management, internal controls and legislative compliance.

**Background**
Audit Regulation No. 17 of the *Local Government (Audit) Regulations 1996* was introduced on 8 February 2013. The Regulation requires that the Chief Executive Officer review the appropriateness and effectiveness of a local government's systems and procedures in relation to:
(a) risk management; and
(b) internal control; and
(c) legislative compliance.

A review of this kind is to be undertaken at least once every two years. The first such review was submitted to the Audit Committee and Council in December 2014. As such, a review, in accordance with Audit Regulation No. 17 is required by December 2016.

**Consultation**
For the 2014 Review, LGIS Risk Management assisted Council staff with the preparation of Risk Management Governance Framework (refer Attachment 1). At the time, Council's Executive Team met on a number of occasions to develop the Risk Profile Assessments.

Council's Executive Team met again on 13 October 2016 to review the Risk Profile Assessments and to update / amend the assessment sheets (refer Attachment 2).

**Statutory Environment**
State: Regulation 17 of the *Local Government (Audit) Regulations 1996*

> ***17. CEO to review certain systems and procedures***
> *(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
> *(a) risk management; and*
> *(b) internal control; and*
> *(c) legislative compliance.*
>
> *(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
>
> *(3) The CEO is to report to the audit committee the results of that review.*

**Policy Implications**
Local: *Policy 1.16 Risk Management Policy*

**Financial Implications**
There are no financial implications in considering this item.

**Strategic Implications**
There are no strategic implications in considering this item.

**Site Inspection**
Not applicable

**Triple Bottom Line Assessment**
*Economic implications*
There are no known significant economic implications associated with this proposal.

*Social implications*
There are no known significant social implications associated with this proposal.

*Environmental implications*
There are no known significant environmental implications associated with this proposal.

**Comment**
In 2014 LGIS Risk Management were engaged to develop a "Risk Management Governance Framework", which consists of the Risk Management Policy and Risk Management Producers. At the same time, the Chief Executive Officer used the independent Financial Management Review conducted by UHY Haines Norton dated March 2013, which was endorsed by Council in May 2013.

In accordance with the *Local Government (Financial Management) Regulations 1996*, an Independent Financial Management Review is required to be conducted every four years. The next review is scheduled for early 2017.

Appendix 3 of *Operational Guideline Number 09 – Audit in Local Government* (issued by the Department of Local Government and Communities) lists issues that should be considered for inclusion in the Chief Executive Officer's Review of Risk Management, Internal Control and Legislative Compliance, as follows:

***a) Risk Management***

| Number | Details | Comment |
|---|---|---|
| 1 | ***Does the local government have an effective risk management system?*** | A suitable risk management framework has been adopted which aims to balance a documented, structured and systematic process with the current size and complexity of the Shire along with existing time, resource and workload pressures.<br><br>Council *Policy 1.16 Risk Management* (adopted in 2014) establishes the framework for effective risk management within the Council. The aim of the policy is to achieve best practice risk management in accordance with AS/NZS ISO 31000:2009 Risk Management.<br><br>In 2014, LGIS Risk Management was engaged to assist Council with the development of a Risk Management Governance Framework and Risk Management Procedures. At the time, Risk Profile Sheets were developed for identified risks. These were reviewed and updated in October 2016 (refer Attachment 2). |

| Number | Details | Comment |
|---|---|---|
| 2 | ***Are material operating risks to the local government being appropriately considered?*** | The adopted Risk Management Framework is based on a "Three Lines of Defence" model for the management of risk. This model ensures roles, responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance.<br><br>In summary, operational areas of the Shire are considered the 1st Line of Defence - managers are responsible for ensuring that risks are identified, assessed, managed, monitored and reported. The Executive Manager Corporate Services acts as the primary 2nd Line of Defence - the position owns and manages the framework for risk management. Internal and External Audit are the 3rd Line of Defence – providing independent verification on the effectiveness of processes and systems.<br><br>By operating within the framework risks are managed effectively to support the delivery of the Strategic, Corporate and Operational Plans.<br><br>The Risk Management Framework has been subject to review by the Executive Management Team (October 2016). As a result, 15 major risk themes were identified for assessment, being:<br>(1) Misconduct<br>(2) External theft and fraud (inc. Cyber Crime)<br>(3) Business & community disruption<br>(4) Errors, omissions, delays<br>(5) Failure of IT &/or Communications Systems and Infrastructure<br>(6) Failure to fulfil statutory, regulatory or compliance requirements<br>(7) Providing inaccurate advice / information<br>(8) Inadequate Document Management Processes<br>(9) Inadequate safety and security practices<br>(10) Inadequate engagement practices<br>(11) Inadequate asset sustainability practices<br>(12) Inadequate Supplier / Contract Management<br>(13) Ineffective employment practices<br>(14) Ineffective management of facilities / venues / events<br>(15) Inadequate environmental management.<br><br>Updated / reviewed Risk Profile Assessment Sheets can be found in Attachment 2. |
| 3 | ***Does the local government have a current and effective business continuity plan (including disaster recovery) which is tested from time to time?*** | The Shire's first Business Continuity Plan was finalised in April 2013. LGIS Risk Management was engaged to assist with the preparation of the plan.<br><br>The plan was tested, in part, as part of the LEMC Exercise conducted on 11 October 2016.<br><br>The Continuity Plan requires updating to reflect the current structure / staffing arrangements and to review the general layout and content of the plan.<br><br>Further testing of the updated plan is required to ensure systems / communications can operate effectively during time of activation.<br><br>Update of the plan will be undertaken prior to the end of 2016 with testing to occur in 2017. |

| Number | Details | Comment |
|---|---|---|
| 4 | ***How effective are 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:***<br>***a. Potential non-compliance with legislation, regulations and standards and the local government's policies;***<br>***b. Important accounting judgements or estimates that prove to be wrong;***<br>***c. Litigation and claims;***<br>***d. Misconduct, fraud and theft; and***<br>***e. 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.*** | Refer to Attachment 2. |
| 5 | ***Are regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, provided to ensure that identified risks are monitored and new risks are identified, mitigated and reported.*** | All new works sites are risk assessed (Take 5 and /or Job Safety Analysis - JSA) and documented by staff and contractors. Risk assessment reports are also produced and appropriate arrangements put in place for public events (e.g. Wear- Ya-Wellies, Taste of Chittering).<br><br>Training is regularly programmed for specific and high risk activities including first aid, chainsaw, manual handling, workplace behaviours and compilation of JSA's. Load restraint training is programmed for early 2017.<br><br>Worksafe has provided a regional OSH checklist which identifies high risk areas relating to Regional Local Governments. This information is being used to test competencies and identify any deficiencies (which are in the process of being addressed).<br><br>Additional emphasis has been placed on OSH at Toolbox Meetings and Managers / Staff are rotated through OSH Meetings (held quarterly) to increase awareness throughout the organisation.<br><br>All contractors are now required (implemented in 2016) to undertake the LGIS Contractor Induction. As part of this process, contractors are required to provide all insurance and licence documentation. |

| Number | Details | Comment |
|---|---|---|
| 6 | ***Are the local government's processes to manage insurable risks adequate? How adequate is insurance cover, and if applicable, the level of self-insurance?*** | Council's insurance cover and policy coverage is reviewed annually with Council's Insurance Broker (LGIS) to ensure appropriate insurances and cover amounts are in place.<br><br>*Local Government (Financial Management) Regulations 1996,* Regulation 17A requires the revaluation of all assets every three years. An insurance revaluation will be undertaken during the 2016/17 budget process to ensure the insurance values remain appropriate.<br><br>Property insurance values were last assessed by Griffin Valuers (licensed valuers) in 2013 and the insurance values register was amended accordingly. Properties are due to be re-valued in 2016/17.<br><br>During non-revaluation years, insurance values are generally adjusted in accordance with CPI movements.<br><br>*Auditor's comments for the Financial Management Review (FMR)*<br>*"Discussions with staff and review of policy documents revealed policies are current and the coverage is currently adequate. Evidence also exists to suggest an annual review of insurance risks occurs".* |

| Number | Details | Comment |
|---|---|---|
| 7 | ***Has the effectiveness of the local government's internal control system been reviewed with management and the internal and external auditors?*** | Yes. In accordance with the *Local Government (Financial Management) Regulations 1996* the last internal financial management review was conducted by UHY Haines Norton in March 2013. The review was presented to Council for endorsement 15 May 2013 - no major issues were raised.<br><br>The last review covered the period 1 July 2012 to 28 February 2013. The following financial systems and procedures of Council were examined by Council's Auditors:<br>• Bank Reconciliations and Petty Cash<br>• Costs Allocations<br>• Trust Fund<br>• Administration Allocations<br>• Receipts and Receivables<br>• Minutes and Meetings<br>• Rates<br>• Financial Reports<br>• Fees and Charges<br>• Budget<br>• Purchases, Payments and Payables (Including Purchase Orders)<br>• Plan for the Future<br>• Registers (Including Annual & Primary Return)<br>• Wages and Salaries<br>• Delegations<br>• Fixed Assets (Including acquisition and disposal of property)<br>• Insurance<br>• Audit Committee<br>• Credit Card Procedures<br>• General Compliance Issues<br>• Storage of Documents/Record Keeping<br><br>*Auditor's comments*<br>*"Based on our work described in this report, nothing has come to our attention to indicate the Shire of Chittering has not established and maintained appropriate and effective financial management systems and procedures during the period 1 July 2012 to 28 February 2013."*<br><br>Note: The Chief Executive Officer is required to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews. The next review is due the first part of 2017. |

| Number | Details | Comment |
|---|---|---|
| 8 | ***Does management have controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk?*** | **....unusual types of transactions....**<br><br>In relation to unusual transactions that are once off, credit cards are used. Each staff member allocated a credit has an assigned credit limit. Guidelines for the use of credit cards are documented in Council Policy 2.11.<br><br>*Auditor's comments for the Financial Management Review (FMR) in relation to credit card transactions*<br>*"A review of Council's credit card procedures was performed to determine if adequate controls were in place ... Overall testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for Council's current scope of operations".*<br><br>With the recent restructure, the Manager Human Resources position has been replaced by a Payroll / HR Officer. As a result, the number of credit cards has been reduced from 6 to 5.<br><br>**...more than an acceptable degree of risk....**<br><br>Council has an "*Investment of Funds*" Policy 2.2 which details the types of allowable investments:<br>***Approved Investments***<br>*Investments may only be made with authorised institutions.*<br>*Definition of an "authorised institution" is as follows:*<br>*An authorised deposit-taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or*<br>*The Western Australian Treasury Corporation established by the **Western Australian Treasury Corporation Act 1986**.*<br><br>***Prohibited Investments***<br>*Investments which are not allowed are as follows:*<br>• *Deposits with an institution except an authorised institution;*<br>• *Deposits for a fixed term of more than 12 months;*<br>• *Bonds that are not guaranteed by the Commonwealth Government, or a State or Territory Government;*<br>• *Bonds with a term to maturity of more than 3 years;*<br>• *Foreign currency.*<br><br>Additionally no transfer of funds can be transacted without the Chief Executive Officer co-signing the transfer request. |

| Number | Details | Comment |
|---|---|---|
| 9 | ***How effective and robust is the local government's procurement framework, with a focus on the probity and transparency of policies and procedures/processes? Are these procedure/processes being applied?*** | Council's purchasing is undertaken in accordance with its adopted Purchasing Policy 2.12 in accordance with the *Local Government (Functions and General) Regulations 1996.*<br><br>A review of the policy is undertaken on a regular basis to ensure its relevance. The last review was undertaken 2015 and was presented to the Council OCM on 28 Oct 2015.<br><br>The broad objectives of Council's purchasing policy is to:<br>• ensure conformity to processes that are designed to achieve best value for money;<br>• improve accountability;<br>• encourage commercial competition on the basis that all tenders will be assessed against the same criteria;<br>• ensure consideration of environmental impact and whole of life costs; and<br>• preserve public and tenderer confidence in local government processes; and<br><br>These objectives are underpinned by five essential principles as follows:<br>• open competition,<br>• transparency of process,<br>• value for money,<br>• accountability, and<br>• monitoring and evaluating performance. |
| 10 | ***Should the need arise, does the Audit Committee meet periodically with key management, internal and external auditors and compliance staff to understand and discuss any changes in the local government's control environment?*** | Each member of Council is a member of the Audit committee. The Council meets with its Auditor every year to discuss the results of the annual audit and otherwise meets as required. |
| 11 | ***Have fraud and misconduct risks been identified, analysed and evaluated? Has an appropriate treatment plan been implemented, communicated and monitored? Is there regular reporting and ongoing management of fraud and misconduct risks?*** | Yes - refer to the Shire of Chittering risk theme "External Theft and Fraud" in Attachment 2.<br><br>There have been no reported cases of fraud. |

**b)** ***Internal Control***

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.

*Comment*

The following controls have been reviewed:

| Number | Control | Comment |
|---|---|---|
| 1 | ***Separation of roles and functions processing and authorisation*** | All financial roles have appropriate levels of separation, which have been confirmed by Council's Auditors, i.e. Creditors payments cannot be approved by the staff member processing the accounts. |
| 2 | ***Control of approval of documents, letters and financial records*** | Council has a number of internal policies that deal with these issues, including for example:<br>- Council Policy 1.5 Execution of Documents<br>- Council Policy 2.2 Investment of Finds<br>- Council Policy 2.7 Significant Accounting Policies<br>- Council Policy 2.10 Cheque Signatory / EFT Requirement<br>- Council Policy 2.11 Credit Cards<br>- Council Policy 2.12 Purchasing<br><br>All correspondence if not signed by the Chief Executive Officer is signed by the respective Executive Manager.<br><br>All transactions and changes to any internal record on Council's software package is traceable, via the internal audit function.<br><br>Document control pages have been applied to all major internal documents, so that any changes are recorded and tracked appropriately.<br><br>In accordance with *Local Government (Financial Management) Regulation 34(1),* the Executive Manager Corporate Services prepares, each month, a statement of financial activity reporting on revenue and expenditure for the month in question.<br><br>An audited financial statement is included as part of the Annual Report. The Independent Auditors Report for 2015/16 noted that:<br>• There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.<br>• No matter indicating non-compliance with Part 6 of the *Local Government Act 1995* (as amended), the *Local Government (Financial Management) Regulations 1996* (as amended) or applicable financial controls of any other written law were noted during the course of the audit.<br><br>All financial records/reconciliations are generally approved by the Executive Manager Corporate Services. |

| Number | Control | Comment |
|---|---|---|
| 3 | ***Limit of direct physical access to assets and records*** | All building and vehicle keys are stored in various key cabinets, restricting general access by staff.<br><br>Fuel is accessed via an electronic key tag and each staff member with access has a personal pin number allocated so that all use can be tracked.<br><br>Fuel vouchers / receipts for fuel which is purchased at service stations are collected and reconciled on a monthly basis.<br><br>New recording and reporting arrangements being implemented as part of the Fleet Review will provide enhanced reporting and fuel consumption data.<br><br>Record access is controlled via the Synergy operating software that allows restricted access to each staff member subject to their level of clearance.<br><br>Any changes to any documents or documented records are recorded via the internal audit software (Audit trail function).<br><br>Most general records are stored in a locked room and can only be accessed when accompanied by the Records Officer.<br><br>All Council's high priority records (Council minutes, legal agreements etc) are stored in the strongroom, which is also locked.<br><br>Personnel Records are kept in locked cabinets, and only two officers have keys (Executive Manager Corporate Services and the Payroll / Human Resources Officer). |
| 4 | ***Control of computer applications and information system standards*** | An external provider (PCS) is engaged to manage the data files and system.<br><br>During the review of IT services in 2014, it was identified that Council did not have a service level agreement in place to manage this arrangement. This has since been rectified.<br><br>Staff receive a daily report from the provider to confirm that all electronic files/data has been backed-up safely and stored.<br><br>Restrictions have been placed on the level of access each staff member can have, generally only to allow them to perform their specific functions. For example some staff only have the ability to view records only and have no ability to enter any data/information into the system. |
| 5 | ***Limit access to make changes in data files and systems*** | Council's software (Synergy) allows for certain levels of access to be applied to each staff member. |
| 6 | ***Regular maintenance and review of financial control accounts and trial balances*** | All subsidiary ledgers (rates, creditor, debtors, payroll, trust a/c) are balanced monthly by the relevant officer and are checked by the Executive Manager Corporate Services. |

| Number | Control | Comment |
|---|---|---|
| 7 | ***Comparison and analysis of financial results with budgeted amounts*** | Each month an assessment of the budget variances is undertaken by the Executive Manager Corporate Services and reported to Council in accordance with Regulation 34 of the *Local Government (Financial Management) Regulations 1996*. |
| 8 | ***The arithmetical accuracy and content of records*** | All accounts are double checked by an independent person prior to being authorised for payment.<br><br>*Auditor's comments for the Financial Management Review (FMR)*<br>*"Detailed testing of ten receipts, randomly selected, was performed. This included tracing to individual receipt detail, bank deposits and the general ledger to ensure allocation/posting was correctly performed.*<br><br>*The receivables system including raising of invoices was also reviewed with limited testing in respect to allocation/posting.*<br><br>*Overall testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for Council's current scope of operations...".* |

| Number | Control | Comment |
|---|---|---|
| 9 | ***Report, review and approval of financial payments and reconciliations*** | When an account is received the creditor number is allocated, purchase order attached, GL Account allocated the goods must be signed off as received by the receiving officer, the computations are checked and signed off by the creditors officer, and lastly the account is checked and authorised by the Executive Manager Corporate Services or other Executive Manager/Chief Executive Officer.<br><br>A payment reconciliation statement is prepared and checked by a staff member independently from the officer who prepared the payment report.<br><br>A random selection of payments are checked by another independent staff member to ensure the banking details are correct, and that they match Council's hard copy records.<br><br>The actual payment of the creditor requires one electronic token and two separate passwords (two staff), which is generally undertaken by the Executive Manager Corporate Services and either the CEO or one of the Executive Managers.<br><br>*Auditor's comments for the Financial Management Review (FMR)*<br>*"A sample of forty payment transactions were randomly selected and testing performed to determine whether purchases were authorised/ budgeted and payments were supported, certified, authorised and correctly allocated. Council's purchases, payments and payables system was also examined to determine if adequate controls in place in ensuring liabilities are properly recorded and payments are properly controlled.*<br><br>*Our testing and observations lead us to conclude the system is operating effectively".*<br><br>A bank reconciliation is prepared by the relevant officer monthly and checked by the EMCS. |
| 10 | ***Comparison of the result of physical cash and inventory counts with accounting records*** | Generally, very little stock is kept on-hand, as it is only ordered when required.<br><br>*Auditor's comments for the Financial Management Review (FMR)*<br>*"An examination of bank reconciliations and procedures noted they are up to date as well as being prepared regularly and promptly for all bank accounts.*<br><br>*We also examined the petty cash system and procedures and concluded these were being properly controlled and maintained.*<br><br>*Trust funds held by Council were examined to determine proper accountability in the Shire's financial management system and compliance with regulatory requirements.*<br><br>*Our observation and testing confirmed that trust funds are adequately controlled and all statutory requirements were satisfactorily met".* |

c) ***Legislative Compliance***

| Number | Details | Comment |
|---|---|---|
| 1 | ***Monitor compliance with legislation and regulations*** | This is undertaken each year when the Compliance Audit return is completed.<br><br>Additionally, Council's operations are subject to an external Audit process each year.<br><br>Also to assist with this process an internal "Corporate Calendar" has been developed to ensure critical dates are not missed throughout the year, i.e. Annual Returns, review of delegation register...etc |
| 2 | ***Review the annual Compliance Audit Return and reporting to Council of the results of that review*** | Each year when the Compliance Audit Return is completed it is presented to the Audit Committee and Council for their endorsement within the required timeframe. |
| 3 | ***Review whether the local government has procedures to receive, retain and treat complaints, including confidential and anonymous employee complaints*** | Council has adequate policies and procedures that deal with such matters:<br>• Shire of Chittering – HR Policy 3.0 – Managing Issues and Grievances<br>• Shire of Chittering - Council Policy 1.4, Complaints Handling<br>• *Public Interest Disclosure Act 2003* |
| 4 | ***Obtain assurance that adverse trends are identified and review management's plans to deal with these*** | Any adverse trends are identified through the use of monthly management financial reports, these reports are tailored specific for each Executive Manager. |
| 5 | ***Review 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*** | Council has adopted the standard template recommended by the Department of Local Government for setting the audit scope.<br><br>Council currently only uses external auditors.<br><br>This is an area that has been identified for improvement in relation to documenting internal audit processes. |

The Review has confirmed that the Shire has adequate and effective systems and procedures in place for areas covered by the Review. The Review also highlighted those areas where improvements to strengthen the Shire's position are required, and these will be attended as indicated above.

Other areas identified for improvement has been included in the actions sections of the Risk Assessment sheets (refer Attachment 2).

**6.1 COMMITTEE RECOMMENDATION**
**Moved Cr Rossouw / Seconded Cr Angus**
**That the Audit Committee recommends that Council receives the Chief Executive Officer's review of the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal controls and legislative compliance as detailed in this report.**

**THE MOTION WAS PUT AND DECLARED CARRIED 4/0**

## 7. CLOSURE

The Presiding Member declared the meeting closed at 4.22pm.

Shire of Chittering

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