

SHIRE OF BRUCE ROCK

AUDIT COMMITTEE MINUTES MEETING 19 NOVEMBER 2020

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SHIRE OF BRUCE ROCK

AUDIT COMMITTEE MINUTES MEETING 19 NOVEMBER 2020

1. Declaration of Opening

The Shire President Stephen Strange declared the meeting open at 3.20pm.

2. Record of Attendance / Apologies / Leave of Absence (Previously Approved)

President	Cr SA Strange
Councillors	Cr AR Crooks
	Cr IS Dolton
	Cr KP Foss
	Cr PG Negri
	Cr BJ Waight
Chief Executive Officer	Mr DRS Mollenoyux
Deputy Chief Executive Officer	Mr A O’Toole
Manager of Finance	Mrs JL Bow
Executive Assistant	Mrs MJ Schilling
Apology	Cr R Rajagopalan

3. Response to Previous Public Questions Taken on Notice

4. Public Question Time

5. Petitions / Deputations / Presentations / Submissions

6. Confirmation of Minutes

6.1. Audit Committee Meeting – 17 September 2020

COMMITTEE DECISION

Resolution ACM Nov 20 – 6.1

Moved: Cr Waye

Seconded: Cr Crooks

That the minutes of the Audit Committee held 17 September 2020 be confirmed as a true and correct record.

Carried 8/0

7. Reports of Officers

7.1. Manager of Finance

Agenda Reference and Subject:	7.1.1 Report from OAG Western Australian Public Sector Audit Committees – Better Practice Guide
File Reference:	8.2.6.1 – Annual Audit
Reporting Officer:	Jennifer Bow, Manager of Finance
Author:	Jennifer Bow, Manager of Finance
Disclosure of Interest	Nil
Attachment	Item 7.1.1 – Attachment A OAG Better Practice Guide Audit Committees Item 7.1.1 – Attachment B Dept of Local Govt Guideline 9 Audit Committees

Summary

In June 2020, the OAG released its Better Practice Guide into Public Sector Audit Committees. This report was aimed at entities in both the State and local government entities who are required to have audit committees.

Background

The OAG recognises that State and local government entities operate with different legislative requirements, however this report provides principle-based guidance for the effective operation of audit committees.

This report was not the result of performance audits, rather draws on best practice from across the audit sector.

As per the Introduction to the report (page7);

“Audit committees are an essential part of an entity’s governance framework. They provide independent advice and assurance to accountable authorities on systems of risk management and internal control, and finance and performance reporting.

All State and local government entities in Western Australia are require to establish an audit committee that is independent from management influence, a fundamental element of effective audit committees. If they are not independent, objectivity may be compromised, making it difficult for them to perform their oversight duties.”

Comment

In local government, the role of the Audit Committee is prescribed by the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*. They do not have powers or authority to implement actions in areas over which the CEO has legislated responsibility and they do not have any delegated financial responsibility. The Committee does not have management functions and cannot involve itself in management processes or procedures.

Local government entities are encouraged to have at least 1 appropriately skilled audit committee member who is completely independent of the Council and can bring fresh insight or bridge gaps in the experience needed by the Audit Committee to perform its duties.

The OAG also recommends that Audit Committees have at least 3 members. They acknowledge that too few members may mean that the Committee does not have the extent of experience and knowledge to make informed decisions, and too many members may hinder robust discussion and debate.

The OAG outlines 6 key elements of an effective Audit Committee.

1. Membership: Members have the right experience and leadership skills to be trusted as independent advisors.
 - a. This includes that the Audit Committee is not the entire Council. They recommend a maximum of 5 members.
2. Roles and responsibilities: The roles and responsibilities of the Audit Committee allow for wholesome oversight of internal audit, governance, risk management and internal control practices.
3. Professional practices: The Audit Committee conducts itself professionally to provide independent, sound and valuable advice to the accountable authority.
4. Performance and accountability: The Audit Committee is aligned with the entity's strategic outcomes and is accountable for its performance.
5. Entity relationships: The Audit Committee is a trusted, independent partner.
6. Governance and reporting: The Audit Committee is governed effectively to enable transparent, objective and timely reporting.

The OAG advises local government to look to the regulations as to the specific legislative requirements of audit committees.

The Local Government (Audit) Regulations 1996 outline the role of the audit committee. This is outlined at regulation 16. Functions of Audit Committee.

16. Functions of audit committee

An audit committee has the following functions —

(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) its functions relating to other audits and other matters related to financial management;

(b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;

*(c) 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; and

(ii) give a copy of the CEO's report to the council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —

(i) regulation 17(1); and

(ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

- (e) to support the auditor of the local government to conduct an audit and carry out the auditor’s other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government –
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

The last amendments to the Audit Regulations saw the introduction of the wording, assist and guide to the function of the Audit Committee. This is an important change as this increases the scope of the Audit Committee. The Department of Local Government released a Guideline (Number 9) however this has not been updated since the amendments to Regulations. The Guideline does however still contain useful advice for Audit Committee members.

The membership of the Audit Committee also needs reviewing. Having all members of Council on the Audit Committee does not allow it to complete its legislative requirements effectively and efficiently.

The Audit Committee is asked to review the OAG’s Better Practice Guide for Audit Committees and also Guideline 9 on Audit Committees.

Consultation CEO, DCEO and MOF

Statutory Implications

Local Government Act 1995, Local Government (Audit) Regulations 1996

Policy Implications

Nil

Risk Implications

Risk: Compliance – Non-compliance with relevant sections and regulations of the Act		
Likelihood	Consequence	Rating
Possible	Moderate	Moderate
Action / Strategy		
This item has been evaluated against the Shire of Bruce Rock’s Risk Management Procedures Risk Matrix. The perceived level of risk is considered to be “Medium” risk and will be managed to mitigate the risks associated with Audit Committee.		

Financial Implications

Nil

Strategic Implications

Shire of Bruce Rock – Strategic Community Plan 2017-2027

Governance

Goal 12 Council leads the organisation in a strategic and flexible manner

Voting Requirements

Simple Majority

COMMITTEE DECISION

Resolution ACM Nov 20 – 7.1.1

Moved: Cr Waye

Seconded: Cr Kilminster

That the Audit Committee receives the report regarding the OAG’s Better Practice Guide on Audit Committees.

Carried 8/0

List of recommendations to be taken to Council at a later date.

8. New Business of an urgent nature introduced by discussion of the meeting.

9. Closure of Meeting.

The Shire President Stephen Strange declared the meeting closed at 3.28pm.

These minutes were confirmed at a meeting on

Cr Stephen Strange
Shire President