



SHIRE
of
DANDARAGAN

AGENDA

for

AUDIT COMMITTEE MEETING

to be held at the

MEETING ROOM, JURIEN BAY

on

MONDAY 22 MARCH 2021

COMMENCING AT 3.00PM

AGENDA FOR AUDIT COMMITTEE MEETING TO BE HELD MONDAY 22 MARCH 2021

1. DECLARATION OF OPENING

2. RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

Members Councillor L Holmes (Chair)
 Councillor A Eyre
 Councillor D Slynys
 Councillor R Shanahun

Staff Mr B Bailey (Chief Executive Officer)
 Mr S Clayton (Executive Manager Corporate & Community Services)

Apologies

Leave of Absence

3. CONFIRMATION OF MINUTES

3.1 MINUTES OF THE AUDIT COMMITTEE MEETING HELD 26 NOVEMBER 2020

4. MATTERS FOR DISCUSSION

4.1 STATUTORY COMPLIANCE AUDIT RETURN 2020

Location:	Shire of Dandaragan
Applicant:	N/A
Folder Path:	Business Classification Scheme / Corporate Management / Audit / Internal
Disclosure of Interest:	None
Date:	3 March 2021
Author:	Denaye Kerr, Executive Secretary

PROPOSAL

That the Compliance Audit Return for the period 1 January 2020 to 31 December 2020 be presented to Council for adoption.

BACKGROUND

Local governments in Western Australia are required to complete, on an annual basis, a Compliance Audit Return (CAR). The Return is a self-assessment of compliance with Local Government (Audit) Regulation 13 and covers compliance in the areas of Caravans and Camping, Cemeteries, Commercial Enterprises, Delegations, Disclosure of Interest, Disposal of Property, Elections, Executive Functions, Finance, Local Government Employees, Grants Commission, Local Laws, Meeting Process,

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Miscellaneous Provisions, Official Conduct, Swimming Pools and Tenders. In December 2011, Mr Castrilli announced a reduction of 20 per cent to the size of the CAR with a further 70 per cent reduction in 2012, meaning local governments will deal with eight, not 27 pages.

The remaining questions relate to areas of compliance considered high risk, such as:

- financial interest disclosures;
- procurement and tendering;
- delegation and use of delegated power; and
- the recruitment and appointment of the Chief Executive Officer.

After the Compliance Audit Return has been reviewed by the Audit Committee and a report presented to Council, a certified copy of the return along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit is to be submitted to the Director General of the Department of Local Government and Communities by **31 March 2021**.

COMMENT

For the period 1 January 2020 to 31 December 2020 the CAR demonstrates that the Shire has achieved the required level of compliance except in one instance relating to Integrated Planning and Reporting whereby the Shire had commenced but not completed the review process for their Corporate Business Plan. This non-compliance has been noted within the CAR.

CONSULTATION

- Chief Executive Officer
- Executive Manager Corporate and Community Services
- Executive Secretary

STATUTORY ENVIRONMENT

The contents of the Compliance Audit Return relates to *Section 14.3A* of the *Local Government (Audit) Regulations 1996* whereby 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.

POLICY IMPLICATIONS

There are no policy implications relevant to this item.

FINANCIAL IMPLICATIONS

There are no financial implications relevant to this item.

STRATEGIC IMPLICATIONS

Not applicable

ATTACHMENTS

Circulated with the agenda is the following item relevant to this report:

- Compliance Audit Return 2020 (Doc Id: 171841)
(Marked 4.1)

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Simple majority

OFFICER RECOMMENDATION

That the Compliance Audit Return as per attached (Doc Id: 171841) for the period 1 January 2020 to 31 December 2020 be presented to Council for adoption.

4.2 INFORMATION SECURITY INTERNAL POLICY

Location:	Shire of Dandaragan
Applicant:	N/A
Folder Path:	Business Classification Scheme / Corporate Management / Policy / Policy Register
Disclosure of Interest:	None
Date:	8 March 2021
Author:	Scott Clayton, Executive Manager Corporate and Community Services

PROPOSAL

To acknowledge the Information Security Internal Policy.

BACKGROUND

The following is an extract from Office of the Auditor General's (OAG) transmission letter titled "Interim Audit Results for the Year Ending 30 June 2020"

IT Change Management

Finding 2020

We noted that there is still no formal Change Management policy and procedures in place.

We acknowledge that management is currently in the process of drafting these documents.

Finding 2019

We noted that while management has a process in place to ensure all changes to IT systems are appropriately controlled and managed, there is no formal Change Management policy and procedures documenting this process.

Rating: Moderate Implication

There is a risk that without formalised change management policy and procedures, changes made to IT systems may not be adequately planned, tested, recorded and authorised. The availability or security of IT systems could be compromised should a change negatively affect them.

Recommendation

We recommend that the Shire develop and implement appropriate change control policies and procedures. These should ensure that all changes to IT systems are appropriately controlled and managed.

COMMENT

This finding has been raised by the OAG for two consecutive financial years.

The management comments provided to this finding are as follows;

Management Comment 2019

This has already been discussed with Bridged and formulation of appropriate policies are currently in early draft.

Management Comment 2020

There is a process in place that is maintained by Bridged and myself. The aim was to formalise this in 2019/20. However, this was delayed as a result of COVID and the finalisation of this policy was not considered a priority at the time.

This will be rescheduled for completion in 2020/21.

Given the size of the Shire of Dandaragan, there are limited officers and consultants involved in security and change management at the Shire of Dandaragan. The process involved in any significant changes of IT Infrastructure and access controls to system resources are already tightly controlled between the Executive Manager Corporate and Community Service and Bridged the Shires managed services partner.

The limitation identified by the OAG is based on a lack of documenting this relationship rather than any identified security risk.

The attached internal policy, formally documents the current arrangement, controls and change management processes related to Information Security. This is an internal document and is not required to be formally endorsed by Council.

It is presented to the audit committee for information purposes only in their oversight function that currently exists.

CONSULTATION

- Bridged

STATUTORY ENVIRONMENT

There are no policy implications relevant to this item.

POLICY IMPLICATIONS

There are no policy implications relevant to this item.

FINANCIAL IMPLICATIONS

There are no financial implications relevant to this item.

STRATEGIC IMPLICATIONS

Not applicable

ATTACHMENTS

Circulated with the agenda is the following item relevant to this report:

- Information Security Internal Policy (Doc Id: 172204)

(Marked 4.2)

VOTING REQUIREMENT

Simple majority

AGENDA FOR AUDIT COMMITTEE MEETING TO BE HELD MONDAY 22 MARCH 2021**OFFICER RECOMMENDATION**

That the Audit Committee acknowledge the Shire of Dandaragan's Information Security Internal Policy (Doc Id: 172204).

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4.3 BUDGET REVIEW 2020/21

Location:	Shire of Dandaragan
Applicant:	N / A
Folder ID:	/Business Classification Scheme / Financial Management / Financial Reporting
Disclosure of Interest:	None
Date:	22 March 2021
Author:	Scott Clayton, Executive Manager Corporate and Community Services

PROPOSAL

To recommend to Council that the budget review for the 2020/2021 financial year based on the financial statements from 1 July 2020 to 31 December 2020 be adopted.

BACKGROUND

As part of the amendments to the Financial Management Regulations (1996), Regulation 33A - Review of budget has been inserted.

“This requires;

1. *between 1 January and 31 March in each year, local government is to carry out a review of it’s annual budget for that year;*
2. *it is to be submitted to council within 30 days of the review;*
3. *Council is to consider the review and determine whether or not to adopt the review, any parts of the review or any recommendations made in the review; and*
4. *a copy of the review and determination is to be then forwarded to the Department within 30 days.”*

COMMENT

Staff have reviewed the 2020/2021 budget to identify any significant variances. The financial statements to the 31 December 2020 have been used as the basis for the review, however, where a variance has occurred and is known prior to the completion of the staff component of the review on 2 March 2021, these have been accounted for.

Attached is a detailed summary of the identified variances, the Rates Setting Statement and other statements showing the effect of these variances.

Historically, where budgeted projects have not begun and are unlikely to begin prior to 30 June, they have not been considered during the budget review process and have generally been left to carryover into the next financial year budget.

For 2020/2021 the budget review has considered the completability of projects and where it is determined that a project will not be completed within this financial year it has been removed.

A number of projects have been removed due to unsuccessful or ineligible grant funding or due to inability to complete the projects because of external factors such as land tenure.

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Any projects that have been deleted can be re-considered in the 2021/2022 budget deliberations.

CONSULTATION

- Chief Executive Officer
- Executive Manager Infrastructure
- Executive Manager Development Services

STATUTORY ENVIRONMENT

- Regulation 33A and 34 of the Local Government Financial Management Regulations (1996)

POLICY IMPLICATIONS

There are no policy implications relevant to this item.

FINANCIAL IMPLICATIONS

The adoption of this budget review will amend the budget with an overall recognition of a deficit of \$16,736.

STRATEGIC IMPLICATIONS

There are no direct strategic implications relevant to this item, however, legislative compliance, strong financial controls and good governance are core functions of Local Government.

Any projects proposed to be brought forward should consider their alignment with the goals contained in the Community Strategic Plan and/or projects already identified in the Corporate Business Plan.

ATTACHMENTS

Circulated with the agenda is the following item relevant to this report:

- Budget Review identifying variances and statements for the period ending 30 June 2021 (Doc id: 172245)

(Marked 4.3)

VOTING REQUIREMENT

Simple Majority

OFFICER RECOMMENDATION

To recommend to Council that the budget review, as presented with a deficit of \$16,736 be adopted, with the following variances being formally adopted as budget amendments;

1.

G/L ACCOUNT	GENERAL LEDGER ACCOUNT NAME	DESCRIPTION	Amount DR/ (CR)
11112	General Rates - GRV	GRV actual raised more than budgeted	(18,000)
13260	Other Reimbursements (No GST)	Unbudgeted apprenticeship incentives	(16,500)
20160	Building Licences	Higher than budgeted building licence fees	(15,000)
20501	Sale of Tourism Merchandise	Higher than budgeted tourism merchandise	(5,000)

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G/L ACCOUNT	GENERAL LEDGER ACCOUNT NAME	DESCRIPTION	Amount DR/ (CR)
		sales	
20830	Lease Charges	DPAW contracted reimbursement of outgoings	(38,722)
20390	Private Works General (GST Applicable)	Private works sealing Lake Thetis Rd	(35,000)
28545	Materials and Contracts (ALL)	Private works sealing Lake Thetis Rd	35,000
31140	Professional Indemnity incl employment practices	Premium less than budgeted	(7,398)
13190	Insurance	Insurance reimbursement of stolen sign trailer	(5,786)
13190	Insurance	Bowling club water damage claim	(16,260)
28885	Insurance Claims	Insurance stolen sign trailer	5,886
28885	Insurance Claims	Bowling club water damage claim	4,500
28815	Lease Repayments	Councillor laptop lease quarterly payments	7,556
20010	Trading in Public Place Licence	Fees income higher than budgeted	(870)
20021	Lodging House Registration	Fees income higher than budgeted	(700)
20022	Lodging House Reg. - Holiday Homes	Fees income higher than budgeted	(4,800)
20025	Home Occupation Registration	Fees income higher than budgeted	(1,000)
20036	Food Premises Registration & Inspection	Fees income higher than budgeted	(4,455)
13260	Other Reimbursements (No GST)	Health services for 3rd parties	(5,890)
13180	Other Reimbursements	Health services for 3rd parties	(15,989)
20290	Staff Housing Rent	Staff housing rental adjustment	20,800
26550	Staff Housing	Staff housing rental adjustment	(20,800)
26560	FBT Expenses	Adjust FBT allocations	(3,751)
26560	FBT Expenses	Adjust FBT allocations	2,981
26560	FBT Expenses	Adjust FBT allocations	1,180
26560	FBT Expenses	Adjust FBT allocations	3,598
26560	FBT Expenses	Adjust FBT allocations	4,435
26560	FBT Expenses	Adjust FBT allocations	270
26560	FBT Expenses	Adjust FBT allocations	1,810
26560	FBT Expenses	Adjust FBT allocations	(10,522)
27055	Consultancy	Redirect EW runway capital job expenses	22,163
20395	Septic Tanks (Private Works)	Damage to truck, now only doing Grease Traps	94,000
20396	Controlled Waste Water Corp Fee	No longer contracted to pumpout Coalseam	38,167
20397	Controlled Waste DEC tracking Fee	No longer contracted to pumpout Coalseam	8,448
28712	Controlled Waste Water Corp Fee	No longer contracted to pumpout Coalseam	(10,858)
28713	Controlled Waste DEC tracking form	No longer contracted to pumpout Coalseam	(6,952)
28545	Materials and Contracts (ALL)	Annual themed events program	25,000
66500	Infrastructure - Other	Turquoise Way Hill River Bridge Asset	57,118
69408	Cash Advance JB Chamber of Commerce	Turquoise Way Hill River Bridge Loan	35,100
51231	Infrastructure Construction Reserve	Turquoise Way Hill River Bridge Res Trans	(57,118)
64100	Plant & Equipment	No longer disposing of Mazda CX5 DN016	44,000
64199	Less Accumulated Depreciation	No longer disposing of Mazda CX5 DN016	(27,200)
51201	Plant Reserve	No longer disposing of Mazda CX5 DN016	(16,800)
64100	Plant & Equipment	No longer disposing of Mazda CX5 DN032	44,000

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G/L ACCOUNT	GENERAL LEDGER ACCOUNT NAME	DESCRIPTION	Amount DR/ (CR)
64199	Less Accumulated Depreciation	No longer disposing of Mazda CX5 DN032	(27,200)
51201	Plant Reserve	No longer disposing of Mazda CX5 DN032	(16,800)
62100	Buildings & Improvements	Staff Housing refurbishment - 2 York St	23,630
51202	Building Renewal Reserve	Staff Housing refurbishment - 2 York St	(23,630)
62100	Buildings & Improvements	Roofing repairs- Jurien Sport & Recreation Centre	50,000
51202	Building Renewal Reserve	Roofing repairs- Jurien Sport & Recreation Centre	(50,000)
66400	Infrastructure - Parks & Reserves	Jurien Golf Club Irrigation Project	247,648
51218	Sport and Recreation Reserve	Jurien Golf Club Irrigation Project	(247,648)
15126	Local Roads and Comm. Infr.	Transfer EW runway grant to Ablution Pavilion	590,929
15126	Local Roads and Comm. Infr.	Transfer EW runway grant to Ablution Pavilion	(590,929)
82100	Loans Non Current	Increase loan - Dandaragan House (GROH)	(620,302)
74100	Loans Current	Remove budgeted loan & Repayments for Dandaragan House (GROH)	25,432
82100	Loans Non Current	Remove budgeted loan & Repayments for Dandaragan House (GROH)	514,568
74100	Loans Current	Remove budgeted loan & Repayments for Dandaragan House (GROH)	(25,432)
74100	Loans Current	Remove budgeted loan & Repayments for Dandaragan House (GROH)	25,591
74100	Loans Current	Remove budgeted loan & Repayments for Dandaragan House (GROH)	25,751
82100	Loans Non Current	Remove budgeted loan & Repayments for Dandaragan House (GROH)	(25,591)
82100	Loans Non Current	Remove budgeted loan & Repayments for Dandaragan House (GROH)	(25,751)
35100	Interest on Loans	Remove budgeted loan & Repayments for Dandaragan House (GROH)	(3,375)
62100	Buildings & Improvements	Increase cost of GROH housing project	80,302
66500	Infrastructure - Other	Transfer EW runway project to Ablution Pavilion	(650,000)
62100	Buildings & Improvements	Increase cost of Pavilion project	483,808
66100	Infrastructure - Roads	Increase costs of Roberts St capital project	181,050
66400	Infrastructure - Parks & Reserves	Remove Container Bar project - Land tenure issues	(165,000)
15127	RED Grant	Remove Grant - Land tenure issues	100,000
51236	Economic Development Reserve	Remove Reserve transfer - Container Bar project	65,000
66500	Infrastructure - Other	Increase cost of Badgingarra Cricket net project	5,000
15115	CSRFF Grant	Remove CSRFF grant - Badgingarra Cricket nets	5,000
15112	Other Non Operating Contributions	Increase BCA contribution - Cricket net project	(2,500)
15117	Planning Commission	Remove Dept Plan Grant for Coastal Fencing Project	40,000
66500	Infrastructure - Other	Reduce exp for Coastal Fencing project, no grant	(40,000)
66500	Infrastructure - Other	Reduce expenses for Coastal Fencing project	(25,000)
62100	Buildings & Improvements	Remove Arrival Centre Project -Land tenure issues	(177,071)

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G/L ACCOUNT	GENERAL LEDGER ACCOUNT NAME	DESCRIPTION	Amount DR/ (CR)
15124	RAD Grants	Remove Arrival Centre Project -Land tenure issues	132,803
62100	Buildings & Improvements	Remove BCC roof support/solar panel project	(20,000)
96200	Transfers From Reserve Funds	Remove Reserve Transfer BCC roof support solar project	20,000
15114	Federal Drought	Transfer Aragon grant to Foreshore playground	40,000
15114	Federal Drought	Transfer Aragon grant to Foreshore playground	(40,000)
15114	Federal Drought	Transfer Drought funding from CCRC to Foreshore playground	40,000
15114	Federal Drought	Transfer Drought funding from CCRC to Foreshore playground	(40,000)
15114	Federal Drought	Transfer funding from CCC carpark to Foreshore playground	38,000
15114	Federal Drought	Trans funding from CCC carpark to Foreshore playground	(38,000)
66500	Infrastructure - Other	CCC Carpark completed underbudget	(38,000)
15130	SBS Grant	Unsuccessful with State Black Spot grant	20,000
15130	SBS Grant	Unsuccessful with State Black Spot grant	18,000
15130	SBS Grant	Unsuccessful with State Black Spot grant	77,334
15130	SBS Grant	State Black Sport Grant	(28,000)

- 2. Expand the purpose of loan 137 from Jurien Bay Foreshore to Jurien Bay Foreshore and Roberts Street, drainage, sewer extension.**

4.4 SHIRE OF DANDARAGAN – RISK MANAGEMENT STATUS REPORT

Location:	Shire of Dandaragan
Applicant:	Not Applicable
Folder Path:	Business Classification Scheme / Corporate Management / Audit / Internal
Disclosure of Interest:	Nil
Date:	10 March 2021
Author:	Brent Bailey, Chief Executive Officer

PROPOSAL

The purpose of this report is to provide the Committee with the Shire's Risk Register, with updated actions since its introduction in November 2019.

BACKGROUND

On 28 November 2019, the Audit Committee received the Chief Executive Officer's report, satisfying both Regulation 17 of the Local Government (Audit) Regulations 1996 and Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996. Included in this was the Shire of Dandaragan's Local Risk Profile and Reporting Tool.

A key recommendation of the report was to provide a standing agenda item providing the Audit Committee with a status update on matters arising from the review.

One of the major process adjustments suggested was to increase the utilisation and distribution of the Shire's risk profiles which provide up to date tracking of known risks and how they are being managed. It was proposed that internal process changes result in the risk profiles being an element of both Executive Management discussions and future Audit Committee meetings. This process ensures that risk management remains a contemporary consideration in the Shire's business, both at staff and elected member level.

COMMENT

Whilst the monitoring of risk management is on ongoing process, an official review was undertaken in November 2020. Consultation with the responsible officers was undertaken to update the register. During this review some pending actions were found to have been completed. The items highlighted green on the dashboard are completed and will be removed from the Risk Register.

External factors and reliance on third parties has lead to a number of actions being commenced but not been completed. Due dates have been extended on these actions.

CONSULTATION

Assigned Responsible Officers
Senior Finance Officer

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STATUTORY ENVIRONMENT

Local Government (Audit) Regulation 1996 - 16 Functions of audit committee,
17 - CEO to review certain systems and procedures

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.*

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 not less than once in every 3 financial years.*
- (3) The CEO is to report to the audit committee the results of that review.*

Local Government (Financial Management) Regulation 1996 – 5(2)(c) -
CEO's duties as to financial management

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5. CEO's duties as to financial management

(2) The CEO is to —

- (c) *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 3 financial years) and report to the local government the results of those reviews.*

POLICY IMPLICATIONS

There are no policy implications relevant to this item.

FINANCIAL IMPLICATIONS

This review has been undertaken in-house and incurred no additional budget implications.

STRATEGIC IMPLICATIONS

Strategic Community Plan – Envision 2029

04 – Community	The Shire's resident population will grow more than the WA regional average supported by increased community recreation and cultural opportunities and access to key liveability factors such as health and wellbeing services and educational opportunities
Priority Outcomes	Our Roles
A region that develops and supports community leadership and collective values	Increased usage of renewable energy and energy saving technologies on Council assets

ATTACHMENTS

Circulated with the agenda is the following item relevant to this report:

- Risk Register (Doc Id: 172315)
(Marked 4.4)

VOTING REQUIREMENT

Simple Majority

OFFICER RECOMMENDATION

That the Audit Committee receives the Shire of Dandaragan's Risk Register with updates as at November 2020.

5. CLOSURE OF MEETING