



**SHIRE OF ASHBURTON
AUDIT COMMITTEE MEETING
AGENDA & ATTACHMENTS
Onslow Multi-Purpose Centre
Cnr McGrath Road & Hooley Avenue
Onslow**

**10 December 2014
Commencing at 10:00am**

SHIRE OF ASHBURTON
AUDIT COMMITTEE MEETING

Dear Councillor

Notice is hereby given that an Audit Committee Meeting of the Shire of Ashburton will be held on Wednesday 10 December 2014 at the Onslow Multi-Purpose Centre, Cnr McGrath Road & Hooley Avenue, Onslow commencing at 10:00 am.

The business to be transacted is shown in the Agenda.

Neil Hartley
CHIEF EXECUTIVE OFFICER

DISCLAIMER

The recommendations contained in the Agenda are subject to confirmation by Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.

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1. DECLARATION OF OPENING

2. ATTENDANCE

2.1 PRESENT

Cr K White	Shire President, Onslow Ward
Cr L Rumble	Deputy Shire President, Paraburdoo Ward
Cr A Eyre	Ashburton Ward
Cr I Dias	Paraburdoo Ward

Mr N Hartley	Chief Executive Officer
Mr F Ludovico	Executive Manager Corporate Services
Mrs L Hannagan	Administration Manager

2.2 APOLOGIES

2.2 APPROVED LEAVE OF ABSENCE

Nil

3. ANNOUNCEMENT OF VISITORS

4. DECLARATION BY MEMBERS

That Councillors have given due consideration to all matters contained in the Agenda presently before the meeting.

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Officer's Recommendation

That the Minutes of the Audit Committee held on 19 March 2014 be accepted as true and correct.

ATTACHMENT 5

6. TERMS OF REFERENCE

Under the Local Government Act 1995, Local Governments are required to appoint an Audit Committee (section 7.1A of the Local Government Act 1995).

An Audit Committee is to provide guidance and assistance to the Local Government – as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act and as to the development of a process to be used to select and appoint a person to be an auditor and may provide guidance and assistance to the Local Government as to – matters to be audited, the scope of audits, its functions under Part 6 of the Act and the carrying out of its functions relating to other audits and other matters related to financial management. (clause 16 Local Government (Audit) Regulations 1996).

Meeting cycle: At least once a year to recommend adoption of Annual Report.

7. AGENDA ITEMS

7.1 REGULATION 17(3) - RISK AUDIT

FILE REFERENCE:	FI.AU.13.14
AUTHOR'S NAME AND POSITION:	Lisa Hannagan Administration Manager
NAME OF APPLICANT/RESPONDENT:	Not applicable
DATE REPORT WRITTEN:	24 November 2014
DISCLOSURE OF FINANCIAL INTEREST:	The author has no financial interest in the proposal.
PREVIOUS MEETING REFERENCE:	19 March 2014, Audit Committee Meeting

Summary

New regulations were gazetted for the Local Government (Audit) Regulations 1996 in February 2013. As a result of those amendments Local Government Operational Guideline – 9 – Audit in Local Governments has been revised.

The new Regulation 17 prescribes a number of matters that are to be reviewed by the Audit Committee. These functions now include reviewing the Chief Executive Officer's report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance; and reporting the results of the Committee's consideration of that review, to the Council.

Background

This Risk Audit and review process is to occur at least once every two calendar years, with the first review of each of the three areas to be completed by 31 December 2014.

Quotations were advertised via the WALGA E-Quotes system. AMD Chartered Accountants were appointed to conduct the Regulation 17 Audit.

The Audit was conducted onsite, 13 – 17 October 2014. The AMD report is attached.

ATTACHMENT 7.1

Comment

The attached report from AMD Chartered Accountants has been reviewed by the Audit Committee and contains recommendations to improve the Shire of Ashburton's performance in the areas covered by the audit, that being;

1. Risk Management;
2. Internal Controls; and
3. Legislative Compliance.

The Report also contains “Management Comments” which describe what the Shire’s administration will do to see the recommendations implemented.

There were no critical issues raised in the AMD Chartered Accountants Regulation 17 Audit.

Of the 29 recommendations made in the report, all have either already been addressed or are in progress to be completed within the next 6 months. In most cases planning was already under way and/or systems have been put in place to address the issues raised.

Consultation

Chief Executive Officer
Executive Manager – Corporate Services
Administration Manager
AMD Chartered Accountants

Statutory Environment

Regulation 17 Local Government Audit Regulations 1996.

Financial Implications

The cost of the Regulation 17 Review was \$16,500 (including GST).

Implementing the recommendations of the Report will have financial impact that will be processed through normal budgetary processes.

A suitable allocation will be made in the budget for future reviews which are to take place every two years.

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2012-2022
Goal 5 – Inspiring Governance
Objective 4 – Exemplary Team & Work Environment

Risk Management

Adoption of this item has been evaluated against the Shire of Ashburton’s Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be “Low” risk and can be managed by routine procedures, and is unlikely to need specific application of resources.

Policy Implications

Various policies may need to be amended to become aligned with new process. This will take place over the coming months via now standardized policy review process.

Voting Requirement

Simple Majority Required.

Recommendation

That the Audit Committee;

1. Recommends to Council that it notes the AMD Report – Regulation 17 Risk Audit, including recommendations and the management comments which describe how the recommendations will be implemented; and forwards the AMD Report – Regulation 17 Risk Audit to the Minister for Local Government as required.

Author: Lisa Hannagan	Signature:
Manager: Frank Ludovico	Signature:

8. NEXT MEETING

The next Audit Committee Meeting will be held at a time to be determined.

9. CLOSURE OF MEETING



SHIRE OF ASHBURTON

AUDIT COMMITTEE MEETING

MINUTES

**Onslow Multi-Purpose Centre,
Cnr McGrath Rd and Hooley Ave, Onslow**

**19 March 2014
Commencing at 10:30am**

SHIRE OF ASHBURTON
AUDIT COMMITTEE MEETING

Dear Councillor

Notice is hereby given that an Audit Committee Meeting of the Shire of Ashburton will be held on Wednesday 19 March 2014 at the Onslow Multi-Purpose Centre, Cnr McGrath Rd and Hooley Ave, Onslow commencing at 10:30am.

The business to be transacted is shown in the Agenda.

Neil Hartley
CHIEF EXECUTIVE OFFICER

DISCLAIMER

The recommendations contained in the Agenda are subject to confirmation by Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.

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1. DECLARATION OF OPENING

The Chief Executive Officer declared the meeting open at 10.35 am.

2. ATTENDANCE

2.1 PRESENT

Cr K White	Shire President, Onslow Ward
Cr L Rumble	Deputy Shire President, Paraburdoo Ward
Cr A Eyre	Ashburton Ward
Cr I Dias	Paraburdoo Ward

Mr Neil Hartley	Chief Executive Officer
Mr F Ludovico	Executive Manager Corporate Services

2.2 APOLOGIES

Leah John	Finance Manager (by telephone)
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2.2 APPROVED LEAVE OF ABSENCE

There were no approved leave of absences for this meeting.

3. ELECTION OF CHAIRPERSON

The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3 of the Local Government Act 1995 (S5.12 Local Government Act 1995).

Two nominations were received for the Committee Chairman, these being Crs Rumble and White. Cr Rumble withdrew his nomination. The Chief Executive Officer declared Cr White elected as the Audit Committee Chairman.

4. ANNOUNCEMENT OF VISITORS

Mr Wen Shien Chai (Chai) – Auditor - UHY Haines Norton was contacted by telephone to address the Committee at 10:37am

5. DECLARATION BY MEMBERS

That Councillors have given due consideration to all matters contained in the Agenda presently before the meeting.

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Committee Decision

MOVED: Cr A Eyre

SECOND: Cr L Rumble

That the Minutes of the Audit Committee held on 13 March 2013 be accepted as true and correct as presented.

CARRIED 4/0

7. TERMS OF REFERENCE

Under the Local Government Act 1995, Local Governments are required to appoint an Audit Committee (section 7.1A of the Local Government Act 1995).

An Audit Committee is to provide guidance and assistance to the Local Government – as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act and as to the development of a process to be used to select and appoint a person to be an auditor and may provide guidance and assistance to the Local Government as to – matters to be audited, the scope of audits, its functions under Part 6 of the Act and the carrying out of its functions relating to other audits and other matters related to financial management. (clause 16 Local Government (Audit) Regulations 1996).

Meeting cycle: At least once a year to recommend adoption of Annual Report.

8. AGENDA ITEMS

8.1 REVIEW OF 2012/13 INDEPENDANT AUDIT REPORT AND MANAGEMENT REPORT

FILE REFERENCE: FI.AU.12.13

AUTHOR'S NAME AND POSITION: Frank Ludovico
Executive Manager Corporate Services

NAME OF APPLICANT/RESPONDENT: Not Applicable

DATE REPORT WRITTEN: 26 February 2014

DISCLOSURE OF FINANCIAL INTEREST: The author has no financial interest in this matter.

PREVIOUS MEETING REFERENCE: Not Applicable

Summary

The Auditors conducted the Annual Financial Audit for 2012/13 during October 2013. This Item discussed the outcomes of that Audit.

Background

Audit procedures have been completed and the Audit Report for the year ended 30 June 2013 has been prepared by Council Auditors UHY Haines Norton.

Attached are Council's Annual Report, Audit Report and Management Letter.

Please note a copy of the Annual Report and Audit Report has been provided as an attachment to the 19 March 2014 Ordinary Meeting of Council Agenda Item 13.10 and is not provided in this agenda.

ATTACHMENT 8.1

The issues brought to the attention of Council in the Audit Report are:

Audit Report	Staff Response
Power to Borrow Whilst the unbudgeted loan for the development of Onslow Aerodrome Temporary Camp was approved with absolute majority by the Council, one month's local public notice of this proposal to borrow was not given as required by Section 6.20(2)(a) of the Local Government Act.	This item is noted, and future unbudgeted loans will be advertised as per Section 6.20(2)(a) of the Local Government Act.
Budget Review	

<p>A copy of the budget review was not submitted to the Department within 30 days of its adoption as required by Local Government (Financial Management) Regulation 33A(4).</p>	<p>This report was submitted to the Department of Local Government on 25 June 2013.</p> <p>To ensure this error does not happen again, the Shire of Ashburton has implemented a Compliance Calendar.</p>
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The Management Letter raises the following issues:

Management Letter	Staff Response
<p>Actual carried forward surplus compared to 2013/2014 budgeted brought forward surplus</p>	<p>The Annual Budget Review has incorporated the revised opening balance.</p> <p>Discussions have occurred in respect to funding for the Onslow Aerodrome Redevelopment Project and this has resolved a number of issues. These have been incorporated into the Annual Budget Review.</p> <p>Some uncertainty still surrounds future funding for Onslow Aerodrome Redevelopment Project and discussions are continuing.</p>
<p>Comment on ratios</p>	<p>Current Ratio: owing to the extraordinary expenditure associated with Onslow Aerodrome Redevelopment Project in the final few months of the Financial Year, at 30 June 2013 our Current Ratio was well below the recommended value of 1.</p> <p>Expenditures of this nature and volume are not anticipated in the future.</p> <p>In addition, a more vigorous approach is being developed for project management and risk which will enable better manage these issues into the future.</p> <p>Asset Renewal Funding Ratio: owing to the extraordinary situations occurring in 2012/2013 completion of Asset Management Plan and Long Term Financial Plan have not been completed.</p> <p>The Long Term Financial Plan will be developed from the revised Budget figures resulting from the Annual Budget Review.</p> <p>The Asset Management Plan is also being developed.</p>
<p>Investment Policy</p>	<p>The Investment Policy will be reviewed by 30 June</p>

	2013.
Probity Audit	<p>Since the Annual Audit additional work has occurred on the Probity Audit recommendations.</p> <p>In a letter dated 19 February 2014 (record 1425217) the Department of Local Government advise <i>“With the exception of the matters which were subject to further investigation by D Carbone and Associates (Carbone Report) and those matters detailed in the attachment (That the contracts of employment for the CEO and all senior employees comply with the Local Government Act 1995 and the Tender Register complies with regulation 17 of the Local Government (Functions and General) Regulations 1996), the Department is satisfied that processes and procedures implemented by the Shire have met the intent of the recommendations of the Report.”</i></p> <p>Both these matters are being attended to. The Contract issue has been implemented and Onslow/Tom Price Camps issues are being addressed.</p>

It is pleasing to note that whilst 2012/13 year was a year of significant turmoil, Council's financial systems were able to provide *“a true and fair view of the Shire's financial position as at 30 June 2013 and of its performance for the year ended on that date; and complied with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).”*

This is a result of the ongoing hard-work of all staff members within the Corporate Services.

Mr Wen-Shien Chai gave an overview of the Audit. Points emerging from the discussion were:

- Council's equity had increased by \$32.68 m.
- This was represented by the increase in Council's asset base by \$42 m mainly due to the Onslow Aerodrome project.
- Council's financial position and performance were consistent with the Auditor's understanding of the Council's operation for 2012/2013. There were no unusual movements or fluctuations in material balances from 2011/2012.
- Two issues of non-compliance occurred. These have been responded to in the agenda report.
- Issues raised in the Management Letter, have been responded to in the agenda report.
- Six new ratios. These ratios are designed to assess sustainability. The implication of the calculated ratios for 2012/2013 is yet to be fully understood. It was noted the every region is unique and the reasonable level of ratios may be different to benchmarks set by the Department. It was important to monitor trends of the ratios with regards to the Council's individual circumstances at different point in time.

Council staff offered to leave the room so Councillors could discuss any issues with the Auditor. Staff were not asked to leave the room and no issues were raised by the Councillors.

Committee Decision**MOVED: Cr A Eyre****SECOND: Cr L Rumble**

That the Audit Committee recommend to Council the acceptance the 2012/2013 Shire of Ashburton Independent Audit Report, Management Report and Annual Report.

CARRIED 4/0

8.2 NEW DEPARTMENT OF LOCAL GOVERNMENT and COMMUNITIES OPERATIONAL GUIDELINE FOR AUDIT COMMITTEES

FILE REFERENCE: FI.AU.00.00

AUTHOR'S NAME AND POSITION: Frank Ludovico
A/Chief Executive Officer

NAME OF APPLICANT/RESPONDENT: Not Applicable

DATE REPORT WRITTEN: 7 March 2013

DISCLOSURE OF FINANCIAL INTEREST: The author has no financial interest in this matter

PREVIOUS MEETING REFERENCE: Not Applicable

Summary

New regulations were gazetted for the Local Government (Audit) Regulations 1996 in February 2013. As a result of those amendments Local Government Operational Guideline – 9 – Audit in Local Governments has been revised.

The purpose of this item is to advise the Committee of the changing regulations and the updated Local Government Operational Guideline.

Background

New regulations were gazetted for the Local Government (Audit) Regulations 1996 in February 2013. As a result of those amendments Local Government Operational Guidelines – 9 – Audit in Local Governments has been revised.

The new Regulation 17 prescribes a number of matters that are to be reviewed by the audit committee. These functions now include reviewing the Chief Executive Officer's report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance; and reporting the results of the Committee's consideration of that review, to the Council.

This report and review process is to occur at least once every two calendar years, with the first review of each of the three areas to be completed by the CEO, reviewed by the Audit Committee and reported to the Council, by 31 December 2014.

The Local Government Circular (39-2012) and the new Local Government Operational Guideline (9) is attached for Committee information.

ATTACHMENT 8.2

Comment

The new regulations are designed to further enhance the good governance of Local Government in Western Australia.

Consultation

Chief Executive Officer
Executive Management Team

Statutory Environment

New Regulation 17 Local Government (Audit) Regulations 1996 prescribed new functions for the Audit Committee.

“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.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]”

Financial Implications

The new reviews prescribed will require additional governance activity and will incur a cost. The Administration will need to review the situation and apply funding in future budgets to account for these new requirements.

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2012-2022

Goal 05 – Inspiring Governance

Objective 04 – Exemplary Team and Work Environment

Policy Implications

Not Applicable

Voting Requirement

Simple Majority Required

Committee Decision

MOVED: Cr A Eyre

SECOND: Cr D Dias

That the Audit Committee notes the new requirements contained in Local Government (Audit) Regulations 1996.

CARRIED 4/0

9. NEXT MEETING

The next Audit Committee Meeting will be held at a time to be determined.

10.CLOSURE OF MEETING

The Chairperson closed the meeting at 11.10 am.



18 November 2014

Mr N Hartley
Chief Executive Officer
Shire of Ashburton
PO Box 567
TOM PRICE WA 6751

Dear Neil

AGREED UPON PROCEDURE – LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996 REGULATION 17 REVIEW

Pursuant to our Proposal dated 31 July 2014, we have performed the procedures agreed with you to report factual findings for the purpose of assisting you in complying with the Local Government (Audit) Regulations 1996 Regulation 17 Review.

The Shire of Ashburton is responsible for the adequacy or otherwise of procedures agreed to be performed by us. The Shire of Ashburton is responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the review.

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with the Standard on related services ASRS 4400 Agreed Upon Procedure Engagements to Report Factual Findings. We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements.

Information acquired by us in the course of our engagement is subject to strict ethical and confidentiality requirements and will not be disclosed by us to other parties except as required or allowed for by law or professional standards, or with your express consent.

1.0 SCOPE OF REVIEW

In accordance with our Proposal, we performed the following procedures and hereby report to you the factual findings resulting from our review, incorporating the following:

1.1 Terms of Reference – Risk Management

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

- Assessed whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered.
- Assessed whether the Local Government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessed 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; and
 - 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;



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- Assessed whether the Audit Committee obtained 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;
- Assessed 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;
- Assessed the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessed 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;
- Assessed 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;
- Assessed 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
- Ascertained 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.

1.2 Terms of Reference – Internal Controls

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

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

1.3 Terms of Reference – Legislative Compliance

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

- Assessed internal monitoring of compliance with legislation and regulations;
- Assessed the local government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- Assessed 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;
- Reviewed the local government's procedures in respect to receiving, retaining and handling compliances, including confidential and anonymous employee complaints;
- Reviewed key management's internal review processes in respect to the identification of adverse trends and management plans to address these;
- Reviewed management disclosures in financial reports of the effect of significant compliances issues (if any);

- Ensured 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;
- 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.

Our assessment and review of the areas above were undertaken on a sample basis. As the above procedures do not constitute either an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, we do not express any assurance opinion on the areas outlined above. Had we performed additional procedures or had we performed an audit in accordance with Australian Auditing Standards or a review in accordance with Australian Auditing Standards applicable to review engagements, other matters might have come to our attention that would have been reported to you.

2.0 FINDINGS AND RECOMMENDATIONS ARISING FROM REVIEW

Our findings on each of the three areas are detailed in the attached appendices as follows:

- Appendix A – Risk Management;
- Appendix B – Internal Controls; and
- Appendix C – Legislative Compliance.

Findings reported by us are on an exceptions basis, and do not take into account various areas where we confirmed compliance, and various appropriate internal controls tested during our review which were determined to operate effectively.

2.1 Other Reports assessed as part of our Review

As part of our review, we assessed the following independent reports previously received by Council:

- 2013 External Auditors audit report;
- 2013 External Auditors management report;
- 2014 External Auditors interim management report;
- 2013 Financial Management Systems Review report; and
- 2012 Probity Compliance Audit Report, including subsequent independent financial and compliance audit on recommendations 31, 36 and 37 contained within the Probity Report.

We acknowledge Executive Management's efforts in taking appropriate action to correct areas of non-compliance and introduce recommendations contained within the reports noted. We note some items are outstanding and an action plan has been introduced to complete.

3.0 OTHER MATTERS

Ray and I would like to express our appreciation to Lisa and the team at the Shire of Ashburton for the assistance provided to us in completing our review.

Should there be any matters outlined within the appendix of our report requiring clarification we would be pleased to discuss further. I would be pleased to hold a phone conference with the Audit Committee should I be requested to.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or distributed to any other party.

This report relates only to procedures and items specified above and do not extend to any financial report of Shire of Ashburton, taken as a whole.

Yours sincerely

AMD Chartered Accountants

A handwritten signature in black ink, appearing to read 'M Cavallo', with a stylized flourish at the end.

MARIA CAVALLO CA
Partner

APPENDIX A
SHIRE OF ASHBURTON
RISK MANAGEMENT

- Reviewed whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered.
- Reviewed whether the Local Government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessed 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; and
 - 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;
- Ensured the Audit Committee obtained 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;
- Assessed 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;
- Reviewed the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessed 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;
- Assessed 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;
- Assessed 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
- Ascertained 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.

APPENDIX A
SHIRE OF ASHBURTON
RISK MANAGEMENT

FINDINGS:

Finding	Implication	Recommendation	Management Comment
<p>1 Although Shire of Ashburton has some individual risk management policies and procedures in place, we noted an overall encompassing Risk Management Framework has not been developed (encompassing all policies, procedures, a risk register etc).</p> <p><i>Note: At the time of our site visit a risk management framework (incorporating a risk management plan) had been developed and drafted, however it was not yet presented to council for review and adoption.</i></p> <p>In addition, we noted Shire of Ashburton's risk policies and procedures do not include:</p> <ul style="list-style-type: none"> (a) litigation/claims policy; and (b) environmental risk policy. 	<p>Lack of overall encompassing Risk Management Framework including documentation evidencing litigation /claims and environmental risk procedures.</p> <p>Possibility of risks identified not being dealt with in accordance with council's applicable risk management framework and risk appetite.</p>	<p>We recommend and overall Shire of Ashburton Risk Management Framework be developed encompassing all current risk policies and procedures linked to a risk register.</p> <p>We suggest the Risk Management Framework includes a litigation/claims policy and environmental risk policy.</p> <p>The Risk Management Framework should be adopted by Council and monitored on an ongoing basis.</p>	<p>Accept the comment.</p> <p>The Risk Management Framework has been drafted and will be put to December Council meeting.</p> <p>A Risk Register will be developed in 2015.</p> <p>I have asked Governance & Policy Officer to investigate a litigation/claims policy and asked our Environmental Health Manager to consider developing an environmental risk policy to her appropriate staff.</p>

APPENDIX A
SHIRE OF ASHBURTON
RISK MANAGEMENT

FINDINGS:

Finding	Implication	Recommendation	Management Comment
<p>2 From discussions with the executive management team we understand no assessment of material key risks had been undertaken.</p> <p>As a result of risk identification procedures not being undertaken, Shire of Ashburton have not developed an organisational risk register which identifies risks, assesses the impact of the risk and identifies controls to mitigate risk.</p>	<p>Risks may not be identified in a timely manner to be appropriately managed and or prevented.</p> <p>Lack of documentation in place to evidence risks have been identified.</p>	<p>We recommend Council and the executive management team undertake a comprehensive risk identification assessment of all areas to which the Shire may be susceptible to risk. Key risk categories should at a minimum include business operations, business continuity (succession planning / amalgamations), financial, Governance, regulatory compliance, HR and technology.</p> <p>Furthermore, a risk register should be developed.</p> <p>The risk register should identify the risk, analyse the risk by determining the likelihood, consequence and current controls in respect to each identified risk; evaluate the risk by deciding whether the risk is to be treated/controlled, reassessed or accepted and determine the action to be taken to treat or control each risk.</p> <p>The risk register should also be monitored and reviewed on a regular basis to ensure up to date and integrates with existing Shire of Ashburton Risk Management Framework policies and procedures.</p>	<p>Accept the comment.</p> <p>A Risk Register is yet to be developed and it is unlikely to happen before 2015.</p> <p>Risk Register's ARE developed for individual projects ie. I have a Risk Register for the Onslow Office, Hall & Library complex, but I am not sure that the process is used by all.</p>

APPENDIX A
SHIRE OF ASHBURTON
RISK MANAGEMENT

FINDINGS:

Finding	Implication	Recommendation	Management Comment
<p>3 Our inquiries indicated risk reports are not provided to the Audit Committee / Council on a regular basis to 30 June 2014.</p> <p><i>However we understand steps have been taken to address this matter from September 2014.</i></p>	<p>Lack of communication with those charged with governance.</p>	<p>As best practice, we recommend regular risk reports be provided to the Audit Committee / Council which identify key risks, the status and effectiveness of the risk management systems in place at the Shire of Ashburton, risk monitoring, new risks identified and how risks have been mitigated / treated.</p> <p>The development of a risk register, which is tabled at Audit Committee and subsequent Council meetings on a periodic basis may be considered adequate to address this issue.</p> <p>We recommend a standing agenda item be added to the Audit Committee meeting agenda for risk reports to be tabled.</p>	<p>SoA deals with this in two ways – we include Risk as a topic/heading in each Agenda item and therefore provide advice on identification, monitoring, treatment of risks, particular to that agenda item, on every agenda item.</p> <p>The existing Audit Committee will become the Risk & Audit committee in December 2014.</p> <p>The existing Audit committee meets annually.</p> <p>I will arrange to have the Audit Committee agenda edited to add a standing item for Risk Reports.</p>

APPENDIX A
SHIRE OF ASHBURTON
RISK MANAGEMENT

FINDINGS:

Finding	Implication	Recommendation	Management Comment
<p>4 The following policies and procedures were not subject to review within stated review periods and/or are outdated and may require review:</p> <p>(a) Risk Management Policy (CORP5) was due for review in March 2014, however was only subject to review in September 2014;</p> <p>(b) Misconduct Prevention Policy (CORP2) states last amended March 2014 with next review date March 2016. Policy makes reference to Australian Standard 8001:2003 which was superseded in 2008 by Standard Australian Standard 8001:2008;</p> <p>(c) Purchasing and Tender Policy (FIN12) was due for review July 2014, however we understand the policy has not yet been reviewed;</p> <p>(d) Buy Local – Regional Price Preference Policy (FIN04) - last review date was June 2010;</p> <p>(e) Tender Assessment Criteria (FIN14) does not specify next review date;</p> <p>(f) Equipment and Keys Policy and Procedure (EMP14) does not specify next review date; and</p> <p>(g) Signature specimen is out of date as it includes terminated employees.</p>	<p>Risk of policy being out of date and non-compliance with stated policy.</p>	<p>We recommend policies and procedures are reviewed in accordance with stated dates, including updating references to applicable legislation and standards as changes arise.</p> <p>All policies and procedures should document the last review date and the next review date.</p> <p>We recommend the specimen signature listing be updated to include the signatures of those current staff members with delegated authority to approve and authorise documents.</p>	<p>Comment noted.</p> <p>The Shire has made significant progress in review of policies and procedures in the past 18 months, but there was a major backlog and years of inactivity. This issue is being addressed.</p> <p>Finance staff are addressing the issue of specimen signatures within the Synergy Finance suite of software.</p>

APPENDIX A
SHIRE OF ASHBURTON
RISK MANAGEMENT

FINDINGS:

Finding	Implication	Recommendation	Management Comment
5 Our inquiries indicated there is no Risk Management Committee in place.	Risk policies and procedures relating to risk are not implemented, communicated and monitored effectively post development.	We suggest Shire of Ashburton consider forming a Risk Management sub-committee which is in charge of managing the Risk Management Framework and all it encompasses. We suggest this committee would include key executive management and provide regular risk reports to the Audit Committee (as per 3 above).	Accept this comment. CEO has agreed to include in regular Executive Manager "Think Tank" meetings. Include as a responsibility of Executive Team as part of its normal meeting cycle.
6 At the time of our site visit a business continuity plan had been developed and drafted, however it was not yet presented to council for review and adoption.	Risk of significant delays and business interruption in the event of unforeseen events.	We recommend the business continuity plan be presented to council for review and adoption.	Accept this comment. The Business Continuity Plan is in draft form at this time. Expected to be presented to Council first half 2015.
7 The draft business continuity plan does not include the following considerations: (a) impact analysis relating to different events which may lead to business interruption; (b) identification of an alternative site from which temporary operations may be conducted in the event of a disaster occurring; In addition, the business continuity plan has not been tested to ensure risks are mitigated should an event occur.	Risk of inappropriate preparation for those business interruption events identified.	We recommend the draft business continuity plan be reviewed prior to Council adoption taking into considerations factors such as impact analysis and temporary alternative sites. In addition, we recommend the business continuity plan be tested (annually) and results obtained from the test be documented along with corrective action taken to eliminate weaknesses.	Accept this comment. Testing is important. It need be no more than a desktop.

APPENDIX A
SHIRE OF ASHBURTON
RISK MANAGEMENT

FINDINGS:

	Finding	Implication	Recommendation	Management Comment
8	From discussions with the executive management team we understand no procedures are in place to ensure the business continuity plan remains updated to include any changes made to the IT infrastructure.	Risk of significant delays and business interruption in the event of unforeseen events.	We recommend procedures be developed to identify when changes are required to the business continuity plan as a result of IT infrastructure upgrades or changes.	Accept this comment. This will be discussed with IT - on how to manage the process.

APPENDIX B
SHIRE OF ASHBURTON
INTERNAL CONTROLS

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

APPENDIX B
SHIRE OF ASHBURTON
INTERNAL CONTROLS

FINDINGS:

Finding	Implication	Recommendation	Management Comment
1 The register of interests indicated all necessary documentation had been completed to an appropriate standard; however we were unable to locate a summary page including all conflicts of interests recorded within the file.	Risk of register of financial interests being incomplete.	We suggest a summary page be developed and included within the register of interests to ensure all conflicts are noted and to provide for easy future reference.	Accept the comment. Will refer to Governance & Policy Officer for remedial action.
2 Details regarding tenders as documented within the tender register are incomplete. For example current status of tenders, incomplete dates and missing signatures as evidence of those tenders which had been completed.	Risk of tenders being managed incorrectly in accordance with stated policy.	We recommend the tenders register be updated to ensure all relevant details are completed.	Accept the comment. Minor issues only – will be resolved when a Procurement Manager is appointed.
3 Confirmation letters sent to tenderers do not include total value of consideration of the winning offer as required by Purchasing and Tender Policy (FIN12).	Non-compliance with council's stated Purchasing and Tender Policy (FIN12) paragraph 6.1.13 - Notification of Outcome.	We recommend compliance with stated Council policy.	Accept this comment. This issue will be resolved when a Procurement Manager is appointed.
4 We noted Shire of Ashburton does not have a formal tender risk assessment procedure prior to the commencement of the tender / service period.	Lack of documentation evidencing that potential risks have been identified, level of risk assessed and actions to mitigate risk implemented.	We recommend a risk assessment procedure for tender and contracts be developed for projects over a specified dollar value or projects of a specified nature and a risk assessment completed prior to commencement of tender/service period, as project progresses and once tender / service period has concluded.	Accept this comment. This issue will be resolved when a Procurement Manager is appointed. While maybe not part of that role, that role could certainly develop guidelines for staff to undertake the task.

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SHIRE OF ASHBURTON
INTERNAL CONTROLS

FINDINGS:

Finding	Implication	Recommendation	Management Comment
5 We noted Shire of Ashburton does not have a formal post tender / service contract performance evaluation process.	Lack of documentation evidencing tender performance assessment.	<p>WALGA best practice guidelines recommend formal performance management assessments be completed at the end of the tender period once goods or services have been tendered.</p> <p>This assessment may include key performance indicators to assist in comparing tender performance. The process for monitoring performance and the key performance indicators used should be included in the tender document provided to suppliers.</p>	<p>Accept this comment.</p> <p>Hopefully, this issue will be resolved when a Procurement Manager is appointed. While maybe not part of that role, that role could certainly develop guidelines for staff to undertake the task.</p>

APPENDIX B
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INTERNAL CONTROLS

FINDINGS:

Finding	Implication	Recommendation	Management Comment
<p>6 Our discussions with the executive management team indicated no contract manager is currently employed. As a result projects are managed by project officers. We understand the process with which each project officer manages projects is different and we noted contract documentation could not be provided for all projects in place.</p> <p>Furthermore, our inquiries indicated no contract compliance checklists are utilised in managing project contracts.</p>	<p>Risk of non-compliance with stated Purchasing and Tender Policy (FIN12) and non-compliance with project contracts.</p>	<p>We recommend a policy and procedure be documented to ensure project contracts are uniformly managed appropriately and in accordance with stated policy.</p> <p>In addition, we recommend compliance checklists be utilised to ensure compliance is met on all project contracts.</p>	<p>Accept this comment.</p> <p>Hopefully, this issue will be resolved when a Procurement Manager is appointed. While maybe not part of that role, that role could certainly develop guidelines for staff to undertake the task.</p>
<p>7 From discussions with the executive management team we noted there is currently no succession plan in place for staff members performing key duties and responsibilities.</p>	<p>Risk of significant delays and business interruption.</p>	<p>We recommend a succession plan be developed with specific focus on staff members performing key duties and responsibilities in areas where high staff turnover is experienced.</p>	<p>Accept this comment.</p> <p>Organisational Development are considering this matter as part of an overall project to improve staff retention and operational efficiency.</p>
<p>8 We noted the listing of grant funding has not been updated since June 2014.</p> <p>We also noted the current list does not include key funding milestone and reporting dates.</p>	<p>Risk of non-compliance with conditions of executed funding agreements and reporting timelines.</p>	<p>We recommend the listing of grant funding be updated to include current funding contracts and important key milestones.</p>	<p>Accept this comment.</p> <p>We are currently without a Budgeting & Grants Officer.</p>

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SHIRE OF ASHBURTON
INTERNAL CONTROLS

FINDINGS:

	Finding	Implication	Recommendation	Management Comment
9	Our inquiries of the executive management team indicated there is no ongoing security awareness program in respect to IT.	Risk of security breaches due to changing security environment.	<p>We recommend an ongoing security awareness program be developed to ensure security needs of the Shire is updated as required (for example due to IT infrastructure or application changes) and to prevent any security breaches from occurring.</p> <p>This could be incorporated as part of Shire of Ashburton's overall Risk Management Framework.</p>	Accept this comment.
10	We noted not all individual computer user passwords are currently set up to force users to change passwords regularly.	Risk of unauthorised access to computer user profiles.	<p>We recommend computer user profiles be set up to prompt users to change passwords regularly (eg quarterly) and to prevent users from using the same passwords as previously used.</p>	<p>Accept this comment.</p> <p>Most users are prompted to change their passwords on a quarterly basis. It is particular to each individual computer & IT will review and standardise to ensure all computers comply.</p> <p>Users of banking software are prompted more often.</p>
11	We noted not all individual user terminals log users out after a period of inactivity.	Risk of unauthorised personnel gaining access to Shire of Ashburton information.	<p>We recommend all computer terminals are set up to log out after a period of inactivity, for example three minutes.</p>	<p>Accept this comment.</p> <p>Most terminals do log out after a period of inactivity – about 10-15 minutes. Al Lind advises it is particular to each terminal & that IT will review and standardise to ensure all terminals comply.</p>

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SHIRE OF ASHBURTON
INTERNAL CONTROLS

FINDINGS:

	Finding	Implication	Recommendation	Management Comment
12	We noted a disaster recovery plan is in place, however our inquiries of the executive management team identified the disaster recovery plan has never been tested.	Risk of significant delays and business interruption in the event of a disaster occurring.	We recommend the disaster recovery plan be tested (annually) and results obtained from the test be documented along with corrective action taken to eliminate weaknesses.	Accept this comment. A desktop review should suffice.
13	A review of the Department of Local Government IT Framework (best practice guidelines) indicates the Shire of Ashburton does not have documented policies or procedures in respect to personally owned devices. For example, use of mobile phones and iPads which have email and VPN access (either on Council devices or staff personal devices) and passwords are not mandated. Hence should the device be lost or stolen, unauthorised access to confidential Council property could occur.	Risk that existing procedures and practices in respect to personally owned devices are not formally documented.	We recommend documented policies and procedures in respect to use of personally owned devices be documented, approved, implemented and monitored on an ongoing basis.	Accept this comment. OD & IT record the issue of mobile devices such as mobile phones, iPads, tablets, laptops and aircards. IT have comprehensive policies on the usage of this equipment, however access to Council information via personally owned devices and Council devices will be protected by passwords moving forward.

APPENDIX B
SHIRE OF ASHBURTON
INTERNAL CONTROLS

FINDINGS:

	Finding	Implication	Recommendation	Management Comment
14	The credit card summary listing does not contain sufficient details such as card expiry dates and purchases authorised to be made.	Risk of unauthorised purchases being made and risk of expired cards utilised for purchases.	We recommend the credit card summary listing be updated to include details such as card expiry dates and authorised purchases for each individual as required by Local Government Operational Guideline 11.	Accept this comment with reservation. Certainly card expiry dates need to be noted. The limited number of cards and existing credit card policy mean the risk of unauthorised purchases is very minor. The CC Policy is comprehensive in relation to authorised purchases.
15	There is currently no documented petty cash policy in place.	Risk of unauthorised petty cash purchases being made.	We recommend a petty cash policy be documented and communicated to staff members to ensure purchases made from petty cash are in accordance with best practice and stated council policy. We suggest this policy should incorporate procedures for petty cash held at different Council locations, the types of purchases which can be made utilising petty cash, the limit of any one petty cash purchase and the procedures for recording, sign off and providing receipt for petty cash purchases.	Accept this comment with reservation. A Management Directive for Petty Cash would be sufficient.

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INTERNAL CONTROLS

FINDINGS:

	Finding	Implication	Recommendation	Management Comment
16	We noted fuel stock is currently reconciled at the end of June each financial year.	Risk of fuel stock being misstated throughout the year.	We recommend fuel stock be reconciled on a monthly (or quarterly) basis as part of the end of month procedures to ensure movements appear reasonable.	Accept this comment with reservations. Quarterly would be appropriate and an improvement on the annual situation. We lack staff numbers to carry out this task monthly.
17	Our inquiries indicated the FBT return was lodged 17 June 2014.	Untimely lodgement of FBT return and lack of compliance with statutory reporting deadlines.	We recommend the FBT return be lodged and paid by 21 May in accordance with statutory reporting deadlines.	Refer to Fleet Manager. Accept this comment. Resources to undertake this task are limited. Finance staff to address.

APPENDIX C

SHIRE OF ASHBURTON

LEGISLATIVE COMPLIANCE

- Assessed internal monitoring of compliance with legislation and regulations;
- Assessed the local government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- Assessed 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;
- Reviewed the local government's procedures in respect to receiving, retaining and handling compliances, including confidential and anonymous employee complaints;
- Reviewed key management's internal review processes in respect to the identification of adverse trends and management plans to address these;
- Reviewed management disclosures in financial reports of the effect of significant compliances issues (if any);
- Ensured 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;
- 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.

APPENDIX C
SHIRE OF ASHBURTON
LEGISLATIVE COMPLIANCE

FINDINGS:

Finding	Implication	Recommendation	Management Comment
1 One Audit Committee meeting was held during the year.	Risk of governance and oversight responsibilities not being met.	Local Government Operational Guideline Number 09 – Audit in Local Government concludes it is best practice for the Audit Committee to meet on at least a quarterly basis. We understand due to travelling distances meetings may prove to be problematic; however we recommend the Audit Committee meet at least quarterly to ensure governance and oversight responsibilities are met.	Accept this comment. Will need to look at ways for the Audit & Risk Committee to meet on a more regular basis.
2 We noted Shire of Ashburton does not currently have an internal audit function in place.	Risk of non-compliance with Local Government Guidelines.	Department of Local Government guidelines recommend an internal audit function be established incorporating an internal audit program which is re-assessed annually.	Accept this comment. Not sure if this can be developed within the current staff constraints. CEO will consider outsourcing to an expert contractor.
3 We noted the current Audit Committee terms of reference has not been updated to comply with Local Government Operational Guideline 9.	Risk of governance and oversight responsibilities not being met.	We recommend the Audit Committee in association with council develop and document a Charter which outlines the governance and oversight responsibilities of the Audit Committee. This Charter should be compiled considering the requirements of Local Government Operational Guideline Number 09 – Audit in Local Government	Accept this comment. The TOR will need to be updated to include LGOG #9

APPENDIX C
SHIRE OF ASHBURTON
LEGISLATIVE COMPLIANCE

FINDINGS:

	Finding	Implication	Recommendation	Management Comment
4	We note the Audit Committee agenda does not include a standing item assessing the effectiveness of compliance.	Risk the Local Government Act and Regulations are not being regularly assessed.	We recommend a standing agenda item be added to the Audit Committee meeting agenda to assess the effectiveness of compliance.	Accept this comment. BUT, until we can measure our effectiveness of compliance, with internal audits, there is not much we can do. This will be developed as we mature in the risk management area.