



Audit Committee Meeting

16 February
2023

TERMS OF REFERENCE

SHIRE OF YILGARN AUDIT COMMITTEE

Objectives of Audit Committees

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

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

The committee is to facilitate –

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

Powers of the Audit Committee

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

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

Membership

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

External persons appointed to the committee will have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.

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

A sitting fee equal to that applicable to elected members will be paid to each external person who is a member of the committee.

The CEO and employees are not members of the committee.

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

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

TERMS OF REFERENCE

SHIRE OF YILGARN AUDIT COMMITTEE

Meetings

The committee shall meet at least annually.

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

Reporting

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

Duties and Responsibilities

The duties and responsibilities of the committee will be –

- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
- b) Review and suggest improvements to the external auditor's proposed audit scope and approach for financial performance audits;
- c) Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure the Shire implements relevant recommendations;
- d) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- e) Liaise with the CEO to ensure that the local government does everything in its power to –
 - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
 - ensure that audits are conducted successfully and expeditiously;
- f) Examine the reports of the auditor after receiving a report from the CEO on the matters to –
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
- g) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- h) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;
- i) Review the annual Compliance Audit Return and report to the council the results of that review, and
- j) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

Shire of Yilgarn

NOTICE OF MEETING



Councillors:
Please be advised that an

Audit Committee Meeting

To be held in the Council Chambers on
Thursday, 16 February 2023
commencing at 2:30pm


Nic Warren
Chief Executive Officer

10/02/2023

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Agenda for the Audit Committee Meeting to be held in the Council Chambers, 23 Antares Street, Southern Cross on Thursday 16th February, 2023 commencing 2:30pm

1. DECLARATION OF OPENING

2. ATTENDANCE

Cr W Della Bosca	Member	(Chair)
Cr B Close	Member	
Cr P Nolan	Member	
Mr. N Warren	Chief Executive Officer	
Mr. C Watson	Executive Manager Corporate Services	

Apologies: Mrs. J Della Bosca, Community Member
Cr J Cobden, Member

Observers:

Leave of Absence:

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Minutes of the Audit Committee Meeting, 21 July 2022 (Minutes Attached)

Recommendation

That the minutes of the Audit Committee Meeting held on 21 July, 2022 be confirmed as a true and correct record of proceedings.

6. DECLARATIONS BY MEMBERS AND OFFICERS

Members and Officers are to declare Financial, Proximity or Impartiality Interests & submit forms to the Chief Executive Officer at the commencement of the meeting and also prior to the item.

Disclosure of Financial & Proximity Interests

- a. Members must disclose the nature of their interest in matters to be considered at the meeting. (*Sections 5.60B and 5.65 of the Local Government Act 1995*).

- b. Employees must disclose the nature of their interest in reports or advise when giving the report or advice to the meeting. *(Sections 5.70 and 5.71 of the Local Government Act 1995).*

Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be considered at the meeting in respect of which the member or employee has given or will give advice.

7. STATUS OF ACTIONS PREVIOUSLY TABLED

All actions resulting from items previously tabled are complete.

8. RISK DEVELOPMENTS

No change

9. PRESENTATIONS

Ms Tanya Browning of Moore Australia, Councils Auditor for the Regulation 17 Review & Financial Management Review, will be in attendance via teleconference to discuss the audit processes and outcomes.

10.1 Officers Report – Chief Executive Officer

10.1.1 Audit Regulation 17 Review & Financial Management Review

File Reference	1.6.6.4
Disclosure of Interest	None
Voting Requirements	Absolute Majority
Author	Nic Warren – Chief Executive Officer
Attachments	FMR Reg 17 Report February 2023 - Yilgarn Final

Purpose of Report

To present to the Audit Committee the recently completed Audit Regulation 17 Review and Financial Management Review 2023.

Background

In accordance with the Local Government (Financial Management) Regulations 1996 and the Local Government (Audit) Regulations 1996, the above Reviews were conducted during July 2022.

Management had hoped to hold one Audit Committee Meeting to consider the Audit Regulation 17 Review & Financial Management Review and the 2021/2022 annual compliance audit, however delays in the annual audit sign off delayed presentation.

Management have now listed the FMR and Reg 17, as arrangements for presentation had been made with Moore Australia.

Comment

Audit Regulation 17 Review and Financial Management Review. Appointing an external auditor to conduct the Reviews is of benefit as it provides an impartial review to inform the CEO and Council with recommendations that work towards continuously improving the organisation in the financial and risk management areas of responsibility.

In respect to the Audit Regulation 17 Review, the *Local Government (Audit) Regulations 1996* state that the CEO is to report on the results of the Review to Council's Audit Committee.

It is important to note that the Reviews are performed on the same basis without differentiating between a small or large local government and their respective capacities and capabilities.

As noted in the Management Comments, the Shire management have committed to addressing the recommendation made. Due to a large number of suggested improvements, addressing the recommendations is likely to continue into the 2023/2024 financial year.

Any recommendations requiring external assistance or material items will either be incorporated into current budget allocations, or alternatively, will be included in the 2023/2024 annual budget for Council's consideration.

Statutory Environment

Local Government (Financial Management) Regulations 1996 and the

5.CEO's duties as to financial management

- (1) Efficient systems and procedures are to be established by the CEO of a local government —*
 - (a) for the proper collection of all money owing to the local government; and*
 - (b) for the safe custody and security of all money collected or held by the local government; and*
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
 - (d) to ensure proper accounting for municipal or trust —*
 - (i) revenue received or receivable; and*
 - (ii) expenses paid or payable; and*
 - (iii) assets and liabilities;*
 - and*
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
 - (f) for the maintenance of payroll, stock control and costing records; and*
 - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) The CEO is to —*
 - (a) ensure that the resources of the local government are effectively and efficiently managed; and*
 - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
 - (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.*

Local Government (Audit) Regulations 1996

17.CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*

(3) *The CEO is to report to the audit committee the results of that review.*

Strategic Implications

Shire of Yilgarn Strategic Community Plan 2020-2030 - Dynamic and visionary leadership guiding our community into the future - Outcome 4.1 A trustworthy and cohesive Council that functions efficiently and effectively - 4.1.2 - Maintain a high level of corporate governance, responsibility and accountability.

Policy Implications

Nil.

Financial Implications

Future Budget allocations to comply with the more complex recommendations.

Risk Implications

Risk Category	Description	Rating (Consequence x Likelihood)	Mitigation Action
Health/People	Nil	Nil	Nil
Financial Impact	Risk management and financial management practices not at best practice	Moderate (6)	External review of risk and financial management practices provides recommendations for best practice.
Service Interruption	Nil	Nil	Nil
Compliance	Local Government (Financial Management) Regulations 1996 and the Local Government (Audit) Regulations 1996	Moderate (6)	Reg 17 and FMR Audit completed.
Reputational	Not meeting statutory obligations could give rise to adverse response from DLGSC	High (15)	FMR and Reg 17 audit completed.
Property	Nil	Nil	Nil
Environment	Nil	Nil	Nil

Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Officer Recommendation

That the Audit Committee accepts the recommendations and management comments relating to the Audit Regulation 17 Review and Financial Management Review 2023 completed by Moore Australia in accordance with the Local Government (Financial Management) Regulations 1996 and the Local Government (Audit) Regulations 1996. In accepting the Review Reports, the Audit Committee recommends to Council that it also accepts the recommendations and management comments in relation to the actions to be undertaken to meet required financial and risk management obligations.

10.1.2 2022 Compliance Audit Report

File Reference	1.6.6.4
Disclosure of Interest	None
Voting Requirements	Absolute Majority
Author	Nic Warren – Chief Executive Officer
Attachments	2022 Annual Compliance Audit Return

Purpose of Report

To present to the Audit Committee the 2022 Annual Compliance Audit Return (CAR) for consideration before presentation to Council for adoption and submission to the Department of Local Government, Sport and Cultural Industries.

Background

Council is required by section 14 of the *Local Government (Audit) Regulations 1996* to complete a CAR each year covering the period 1 January to 31 December. The CAR is to be:-

1. Presented to Council at a meeting of the Council;
2. Adopted by the Council;
3. The adoption recorded in the minutes of the meeting at which it is adopted;
4. Signed by the Shire President and Chief Executive Officer and returned to the Department with a copy of the Council minutes of the meeting at which it was received; and
5. Submitted to the Department of Local Government by 31 March each year.

The CAR must also be reviewed by the Shire of Yilgarn Audit Committee prior to its adoption by Council.

Comment

The 2022 CAR contains 94 questions of which:-

- 50 were complied with;
- 36 were not applicable to the Shire of Yilgarn during the year under review;
- 2 were not complied with; and
- 6 are pending.

The 2 questions not complied with are as follows, with comments provided in the report also provided:

- Q. Were all delegations to the CEO resolved by an absolute majority?
- Comment: Minutes lists voting requirements as “Simple Majority”, however resolution was carried 7/0. Officer oversight, noted for future delegation decisions.

Q. Was the auditor's report for the financial year ended 30 June 2022 received by the local government by 31 December 2022?

Comment: Auditor General has yet to complete the audit process.

The 6 questions that are pending are as follows, with comments provided in the report also provided:

Q. Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the Local Government Act 1995 required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?

Comment: Auditor General has yet to complete the audit process.

Q. Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?

Comment: Auditor General has yet to complete the audit process.

Q. Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website?

Comment: Auditor General has yet to complete the audit process.

Q. Was the auditor's report for the financial year ending 30 June 2022 received by the local government within 30 days of completion of the audit?

Comment: Auditor General has yet to complete the audit process.

Q. Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 regulations 5(2)(c) within the three years prior to 31 December 2022?

If yes, please provide the date of council's resolution to accept the report.

Comment: Review undertaken by Moore Australia in July 2022. Endorsement by Audit Committee to be combined with annual audit, though delays with Auditors and OAG have pushed back meeting to Feb 2023 at the earliest.

Q. Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2022?

If yes, please provide date of council's resolution to accept the report.

Comment: Review undertaken by Moore Australia in July 2022. Endorsement by Audit Committee to be combined with annual audit, though delays with Auditors and OAG have pushed back meeting to Feb 2023 at the earliest.

Statutory Environment

Local Government (Audit) Regulations 1996

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

Strategic Implications

Nil.

Policy Implications

Nil.

Financial Implications

Nil.

Risk Implications

Risk Category	Description	Rating (Consequence x Likelihood)	Mitigation Action
Health/People	Internal review by senior management to Audit Committee and Council on an annual basis	Moderate (6)	Internal CAR review ensures Council and staff are meeting statutory requirements

Financial Impact	Nil	Nil	Nil
Service Interruption	Nil	Nil	Nil
Compliance	Section 14 of the <i>Local Government (Audit) Regulations 1996</i>	Moderate (6)	Annual Compliance Audit Return
Reputational	Not meeting statutory obligations could give rise to adverse response from DLGSC	High (15)	Annual review and Reporting process to DLGSC
Property	Nil	Nil	Nil
Environment	Nil	Nil	Nil

Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
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Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Officer Recommendation

That the Audit Committee recommends to Council that it adopts the Local Government Compliance Audit Return (CAR) for the Shire of Yilgarn for the period 1 January 2022 to 31 December 2022, noting non-compliance in 2 areas assessed.

11. CLOSURE OF MEETING