



# Audit Committee Meeting

27 February  
2023

# Shire of Yilgarn

## NOTICE OF MEETING



Councillors:

Please be advised that an

### **Audit Committee Meeting**

To be held in the Council Chambers  
on Monday, 27 February 2023  
commencing at 3:30pm

  
**Nic Warren**  
**Chief Executive Officer**

21/02/2023

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## TERMS OF REFERENCE

### SHIRE OF YILGARN AUDIT COMMITTEE

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#### 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.

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.

#### Meetings

The committee shall meet at least annually.

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

## TERMS OF REFERENCE

### SHIRE OF YILGARN AUDIT COMMITTEE

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#### 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 triennial 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.

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Agenda for the Audit Committee Meeting to be held in the Council Chambers, 23 Antares Street, Southern Cross on Monday 27<sup>th</sup> February, 2023 commencing 3:30pm

## 1. DECLARATION OF OPENING

## 2. ATTENDANCE

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

Apologies:

Observers:

Leave of Absence:

## 3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

## 4. PUBLIC QUESTION TIME

## 5. PRESENTATIONS

Councils Office of the Auditor General (OAG) representative, Mr. Jay Teichert and contract Auditor, Mr Robert Hall will hold the 2021/2022 Audit Exit meeting and present their findings from the audit proceedings. At the request of the Audit representatives, this presentation will be closed to the public.

## 6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Minutes of the Audit Committee Meeting, 16<sup>th</sup> February 2023 (Minutes Attached)

### Recommendation

*That the minutes of the Audit Committee Meeting held on 16 February, 2023 be confirmed as a true and correct record of proceedings.*

## 7. 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.

## **8. STATUS OF ACTIONS PREVIOUSLY TABLED**

Queries raised by Cr Nolan at the Audit Committee Meeting held on the 16 February 2023 are attached with CEO comments.

All other actions resulting from items previously tabled are complete.

## **9. RISK DEVELOPMENTS**

No change

## 10. OFFICER REPORTS

### 10.1 2021/22 Audit & Management Report

<b>File Reference</b>	<b>8.2.3.3</b>
<b>Disclosure of Interest</b>	<b>Nil</b>
<b>Voting Requirements</b>	<b>Absolute Majority</b>
<b>Attachments</b>	<b>Attachment 1 – 2021/2022 Annual Financial Report. Confidential Attachment 2 – Shire of Yilgarn - Draft Final Management Letter 2022. Attachment 3 – Draft 2022/23 Audit Opinion. Confidential Attachment 4 – CEO’s Report relating to Audit.</b>

#### Purpose of Report

The Audit Committee is requested to endorse the Annual Financial Report, Management Report and Chief Executive Officers Report relating to the financial year ending 2021/2022.

#### Background

The purpose and responsibilities of the Audit Committee is outlined in Part 7 of the Local Government Act 1995.

One of the Audit Committee's responsibilities is to examine the reports of the auditor including the management report. The committee would then determine if any matters raised in the reports require action to be taken by the local government and to ensure that appropriate action is implemented.

The Audit Committee is also to receive and authorise a report relating to the audit prepared by the Chief Executive Officer that is subsequently to be sent to the Minister. This report outlines actions intended to be undertaken in relation to matters identified by the auditor.

#### Comment

The auditor’s completed the audit for the financial year ended 30 June 2022. The attached reports include the Chief Executive Officer’s response to both the Management Report for the year ended 30 June 2022 and the Independent Auditor's Report for the same period that is submitted for the Committee’s attention.

#### Statutory Environment

Local Government Act 1995 –

##### 7.9. Audit to be conducted

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —



- (a) the mayor or president; and
  - (b) the CEO of the local government; and
  - (c) the Minister.
- (2) Without limiting the generality of subsection (1), where the auditor considers that—
- (a) there is any error or deficiency in an account or financial report submitted for audit; or
  - (b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or
  - (c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government, details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.
- (3) The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —
- (a) prepare a report thereon; and
  - (b) forward a copy of that report to the Minister, and that direction has effect according to its terms.
- (4) If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government to be dealt with under section 7.12A.

#### **7.12 A Duty of local government with respect to audits**

- (1) A local government is to do everything in its power to —
- (a) assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and
  - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —
- (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
  - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to —
- (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and

- (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

Local Government (Financial Management) Regulations 1996 –

**51 Annual financial report to be signed etc. by CEO and given to Department**

- (1) After the annual financial report has been audited in accordance with the Act the CEO is to sign and append to the report a declaration in the form of Form 1.
- (2) A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

Local Government (Audit) Regulations 1996 –

**10. Report by auditor**

- (1) An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.
- (2) The report is to give the auditor's opinion on —
  - (a) the financial position of the local government; and
  - (b) the results of the operations of the local government.
- (3) The report must include a report on the conduct of the audit.
- (4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.

The recommendation that follows is consistent with the legislative requirements.

**Strategic Implications**

There are no strategic implications as a result of this report.

**Policy Implications**

There are no policy implications as a result of this report.

**Financial Implications**

There are no financial implications as a result of this report.

## **Response to Cr Nolan Queries Raised at Audit Committee Meeting 16/02/2023**

### **1. Report from CEO regarding progress in relation to the fairness and equity of rating.**

Report is progressing, given the large number of variables, the methodology has taken some time to consider and execute.

### **2. Report from CEO regarding progress/effectiveness of recovering levies – in particular related to bulk handling activities, mining, agriculture, other.**

Raised through a query from the Finance Manager during September Councillor Discussion Session, as to any additional notes Council may want to see in the monthly financials.

Previous request for additional Notes in the monthly financials sought a breakdown of significant income streams from third parties (non-rates), and specifically, detail related to haulage levies on roads to be included.

At the December 2022 Discussion Session, Management provided several spreadsheets containing raw data from the Shire's financial records. This data illustrated the composition of major income categories, as per the financial statements, with the exception of rates, reimbursements and interest.

The major income categories were then broken down into specific revenue sources, with generalised details of material revenue sources.

Whilst management understands this provided a breakdown of income related to "User Pays" income, the requesting Cr advised this was not what had been requested.

Based on this question posed at the Audit Committee meeting, a Note detailing value of invoices issued for road access (HVRIC and Road User Agreements) and a current balance on payments may suffice. Providing specific company details would be a confidentiality concern.

### **3. Law and Order report from CEO regarding the effective management of law and order issues – road, environment, public nuisance, crime, safety and damage.**

Generally, complaints regarding law and order are low, with the exception of some high-volume complainants, indicates community expectations are being met.

The Shire generally takes an education first approach, with social media a significant tool. However, where required and practicable, enforcement action will be utilised. For example, infringement notices were issued for non-compliance with fire-break requirements in the 2022/2023 fire period, due to the inherent public safety risks.

Majority of Law and Order issues raised relate to WAPOL authorities, with Shire staff liaising with the Southern Cross station in relation to these matters.

**4. Mining Activities – low level compliance by some miners Barto, Aurenne, Indus, NuFortune and contractors – Red Dog, Others? No plan for water management.**

Mining Activities managed by Department of Mines, Industry Regulation and Safety, where issues raised fall outside of Local Government authority, then these issues are raised with alleged entity and with relevant Department.

Where Shire has authority, these are actioned in line with priorities and public health risks.

**5. Department of Mining, Industry Regulation and Safety Failure to administer Mining Act, Work Health and Safety Act, Environmental Protection Act.**

Shire management advocate on behalf of community, specifically during DMIRS onsite visits, however Local Government hold no authority to manage these matters.

**6. Environmental performance – low. Issues include incremental clearing, overspray of pesticides.**

Generally managed by Department of Water and Environmental Regulation, Department of Health, and/or Department of Primary Industries and Regional Development. Shire has limited authority, however will liaise and assist with relevant Departments where required.

**7. Work Health Safety Issues – Suitability of insurances.**

The Shire of Yilgarn hold all appropriate and available insurances. Confirmed by the Local Government Insurance Scheme, which is the mutual scheme covering the majority of Local Governments in WA.

The Shire has introduced a Safety/Works Administration officer to further improve WHS outcomes.

**8. Frequency of meetings – Not adequate**

The Shire of Yilgarn Audit Committee Terms of Reference state:

*“The committee shall meet at least annually.  
Additional meetings shall be convened at the discretion of the presiding person.”*

Additional meetings can be convened, in compliance with the above.

**9. Moore appears not to have consulted the audit committee.**

Consultation with the Audit Committee is via presentation of the audit report. It is assumed, should areas of significant and immediate risk be identified, that these would be raised with the CEO and the audit committee or audit committee Chair, during the audit process.

It is to be noted, the Regulations require the CEO to undertake the audit, with most opting for an independent third party to provide an unbiased audit opinion. The Regulations require the results

to be reported to the audit committee, it is not a requirement for the audit committee to be involved in the auditing process.

**10. No mention of release of Shire of private data to eftsure.**

Not raised with Moore Australia during presentation at Audit Committee Meeting, CEO unsure if it was looked at during audit, however, seen by Management as an additional protection from fraud. Forms part of approved Council Policy 3.14 Supplier Onboarding.

Regardless, information provided to eftSure required no separate consent from suppliers and was in line with Privacy Act requirements.