



Shire of
YILGARN

“good country for hardy people”

*Audit
Committee
Meeting
Agenda*

*19th September
2019*

SHIRE OF YILGARN NOTICE OF MEETING



Councillors:

Please be advised that a

AUDIT COMMITTEE MEETING

will be held in the Council Chambers
on Thursday, 19 September 2019
commencing at 2pm

Peter Clarke
Chief Executive Officer

13/09/2019

DISCLAIMER

Please note this agenda contains recommendations which have not yet been adopted by Council.
Any Plans or documents in agendas or minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material, as per the Copyright Act 1968.

Any statement, comment or decision made at a Council meeting regarding any application for an approval, consent or licence, including the resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity who has an application before the Shire of Yilgarn must obtain, and should rely on, written notice of the Shire of Yilgarn's decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done in a Council meeting.

Any advice provided by an employee of the Shire of Yilgarn on the operation of a written law, or the performance of a function by the hire of Yilgarn, is provided in the capacity of an employee, and to the best of the persons knowledge and ability. It does not constitute, and should not be relied upon, as legal advice or representation by the Shire of Yilgarn. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire of Yilgarn should be sought in writing and should make clear the purpose of the request. Any plans or documents in Agendas and Minutes may be subject to copyright.

Table of Content

1 Declaration of Opening.....	2
2 Record of Attendance.....	2
3 Response to Previous Public Questions Taken on Notice.....	2
4 Public Question Time.....	2
5 Confirmation of Minutes of Previous Meeting.....	2
6 Declaration by Members and Officers.....	2
7 Status of Actions Previously Tabled.....	3
8 Risk Developments.....	3
9 Presentations.....	3
10 Officers Reports.....	4
10.1 2019 Audit Regulation 17 Review & Financial Management	
System Review.....	4
10.2 2018/19 Fraud and Error Assessment.....	7
11 Closure of meeting.....	10

Agenda for the Audit Committee Meeting to be held in the Council Chambers, 23 Antares Street, Southern Cross on Thursday 19th September, 2019 commencing 2:00pm

1. DECLARATION OF OPENING

2. ATTENDANCE

Cr O Truran	Member	(Chair)
Cr W Della Bosca	Member	
Cr B Close	Member	
Cr G Guerini	Member	
Cr P Nolan	Member	
Cr S Shaw	Member	
Mrs. J Della Bosca	Community Member	
Mr. P Clarke	Chief Executive Officer	
Mr. C Watson	Executive Manager Corporate Services	
Mrs. N Mwale	Manager of Finance	

Apologies: Cr David Pasini-Member

Observers:

Leave of Absence:

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

4. PUBLIC QUESTION TIME

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Minutes of the Audit Committee Meeting, 2nd May 2019 (Minutes Attached)

Recommendation

That the minutes of the Audit Committee Meeting held on 2 May, 2019 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

10. Officers Report-Chief Executive Officer

10.1 2019 Audit Regulation 17 Review & Financial Management Review

File Reference	1.1.12.3 & 8.2.3.5
Disclosure of Interest	None
Voting Requirements	Absolute Majority
Attachments	Attachment 1 - 2019 FMSR Report - Shire of Yilgarn Attachment 2 - 2019 Reg 17 Report - Shire of Yilgarn

Purpose of Report

To present to the Audit Committee the recently completed Audit Regulation 17 Review and Financial Management Review 2019.

Background

In accordance with the *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations 1996*, the above Reviews were conducted during August 2019.

Comment

AMD Chartered Accountants, a specialist Local Government Auditing firm, were appointed to conduct the 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. With limited human resources to undertake a number of the recommendations, it means that Council will be required to engage external consultants to complete complex policy frameworks.

Audit Committee members will note that within the Reports, management was required to make comments on the recommendations provided by AMD and whilst the majority indicate there will be appropriate action taken to meet the recommendations, there are those that will require a financial commitment from Council to engage external assistance. Therefore, the timeframe for completing these recommendations has been extended to the 2020/2021 financial year for budget purposes.

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 2018-2028 – Civic Leadership – A trustworthy and cohesive Council that functions efficiently and effectively to meet the needs of our community.

Policy Implications

Nil

Financial Implications

Future Budget allocations to comply with the more complex recommendations.

Officer Recommendation

That the Audit Committee accepts the recommendations and management comments relating to the Audit Regulation 17 Review and Financial Management Review 2019 completed by AMD Chartered Accountants 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. Officers Report – Executive Manager Corporate Services

10.2 2018/19 Fraud and Error Assessment

File Reference	8.2.3.1
Disclosure of Interest	Nil
Voting Requirements	Simple Majority
Attachments	Attachment 1 – Fraud & Error Assessment by the Audit Committee.

Purpose of Report

The Audit Committee is requested to endorse the 2018/2019 Fraud and Error Assessment.

Background

Australian Audit Standards, *ASA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (as amended to 30 May 2017)*, requires Councils appointed auditor to make enquiries of both management and those charged with governance of the Shire as to their assessment of the risk that the financial report may be materially misstated due to fraud and or error.

Comment

The Local Government Act 1995, *s7.10 – Power of Auditor*, *s7.11 – Power to Demand Production of Books Etc.* and *s7.12A Duties of a Local Government with Respect to Audits* requires Council and management to supply or make available all information requested by Councils auditor. The requirement to provide an assessment of possible fraud or error as required by ASA 240 would fall within the requirements of these sections of the Act.

Statutory Environment

Local Government Act 1995

7.10. Powers of auditor

- (1) An auditor —
 - (a) has a right of access at all reasonable times to such books, accounts, documents and assets of the local government as are, in the opinion of the auditor, necessary to allow the audit to be conducted; and
 - (b) may require from a member or an employee of the local government —
 - (i) any book, account, document or asset of the local government; or
 - (ii) any information, assistance or explanation, necessary for the performance of the duty of the auditor in relation to the audit; and

- (c) may, at the expense of the local government obtain and act upon a legal opinion on a question arising in the course of an audit.
- (2) In this section and in section 7.11 *employee* includes a person who has a contract for services with the local government.

7.11. Power to demand production of books etc.

For the purpose of an audit, inspection or inquiry, an auditor has authority at all reasonable times and without notice to demand from the local government and its employees, the production of books, accounts, vouchers, papers, documents, records, assets and cash in hand, belonging to the local government or being in the custody or control of it or any of its employees.

7.12A. Duties 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.

[Section 7.12A inserted by No. 49 of 2004 s. 8.]

Auditing Standard ASA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

Management and Others within the Entity

18. The auditor shall make enquiries of management regarding:
- (a) Management's assessment of the risk that the financial report may be materially misstated due to fraud, including the nature, extent and frequency of such assessments; (Ref: Para. A13-A14)
 - (b) Management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist; (Ref: Para. A15)
 - (c) Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity; and
 - (d) Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.
19. The auditor shall make enquiries of management, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. (Ref: Para. A16-A18)

Those Charged with Governance

21. Unless all of those charged with governance are involved in managing the entity, the auditor shall obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. (Ref: Para. A20-A22)
22. Unless all of those charged with governance are involved in managing the entity, the auditor shall make enquiries of those charged with governance to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. These enquiries are made in part to corroborate the responses to the enquiries of management.

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.

Officers Recommendation

That the Audit Committee:

- 1. believe that the current policies and procedures adopted by Council are adequate to minimise the risk of fraud.*
- 2. is not aware of any occasions where these policies and procedures have not been adhered to resulting in fraud.*
- 3. is not aware of any occasion when fraud has occurred during the past year.*
- 4. does not have at this time any issues that it would like the auditors to consider over and above the current audit process.*