

SHIRE OF MT MARSHALL



Mt Marshall Audit Committee

**Minutes of the
Mt Marshall Audit Committee Meeting
held on Thursday 16 July 2020
in Council Chambers,
80 Monger St, Bencubbin
commencing at 3:00pm.**

Chairperson

**This page has
been left blank
intentionally**

DISCLAIMER

MEMBERS OF THE PUBLIC ARE REQUESTED TO READ THROUGH AND FAMILIARISE THEMSELVES WITH THE DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Mt Marshall for any act, omission or statement or intimation occurring during Council or Committee meetings. The Shire of Mt Marshall disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings. Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a license, any statement or intimation of approval made by a member or officer of the Shire of Mt Marshall during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Mt Marshall. The Shire of Mt Marshall warns that anyone who has an application lodged with the Shire of Mt Marshall must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attaching to the decision made by the Shire of Mt Marshall in respect of the application.

TABLE OF CONTENTS

- 1.0 Declaration of Opening / Announcement of Visitors**
- 2.0 Record of Attendance / Apologies**
- 3.0 Standing Orders**
- 4.0 Confirmation of Minutes of Previous Meetings**
 - 4.1 Minutes of Audit Committee Meeting held Wednesday 4 March 2020**
- 5.0 Reports of Officers**
 - 5.1 Chief Executive Officer**
 - 5.1.1 Regulation 17 Report**
 - 5.1.2 Interim Audit Report for Year Ending 30 June 2020**
- 6.0 Next Meeting – to be advised**
- 7.0 Closure of Meeting**

1.0 Declaration of Opening / Announcement of Visitors

The Chairperson declared the meeting open at 3:00pm.

2.0 Record of Attendance / Apologies

Attendance

| | |
|--------------------|------------------------------------|
| Cr ARC Sachse | Councillor / Chairperson |
| Cr SR Putt | Councillor / Committee Member |
| Cr NR Gillett | Councillor / Committee Member |
| Mr John Nuttall | Chief Executive Officer |
| Ms Nadine Richmond | Executive Assistant |
| Ms Tanika McLennan | Finance and Administration Manager |

Apologies

Nil

3.0 Standing Orders

Audit2020/005 COMMITTEE DECISION:

That Standing Order number 9.2 - Limitation of Number of Speeches be suspended for the duration of the meeting to allow for greater debate on items in the agenda.

Moved Cr NR Gillett

Seconded Cr SR Putt

Carried 3/0

4.0 Confirmation of Minutes of Previous Meetings

4.1 Minutes of Mt Marshall Audit Committee Meeting held Wednesday 4 March 2020

Audit2020/006 COMMITTEE DECISION:

That the Minutes of the Audit Committee Meeting held on Wednesday 4 March 2020 be confirmed as a true and correct record of proceedings.

Moved Cr SR Putt

Seconded Cr NR Gillett

Carried 3/0

5.0 Reports of Officers

5.1 Chief Executive Officer

5.1.1 Regulation 17 Report

| | |
|---------------------------------|--|
| File No: | 4.0258 |
| Location/Address: | N/A |
| Name of Applicant: | Nil |
| Name of Owner: | N/A |
| Author: | John Nuttall – Chief Executive Officer |
| Attachments: | 5.1.1a - Review Results 5.1.1b - Project Aware Systems and Procedures Profile |
| Declaration of Interest: | Nil |
| Voting Requirements: | Simple Majority |
| Previously Considered: | Nil |

Background:

The Chief Executive Officer is required by legislation to undertake a review of the Local Government 'systems and procedures' relating to risk management, internal controls and legislative compliance once every three (3) financial years. The result of that review is to be reported to the audit committee.

This report, which should be read with the accompanying documents regarding reviews of certain systems and procedures, is designed to comply with that legislation. Also attached is a 'Systems and Procedures Spreadsheet'. This document was used at an early stage in the process to provide a snapshot of many of the areas of systems and procedures across the organisation. Providing this document allows the Audit Committee to have a better understanding of the size of the task involved in undertaking the Regulation 17 Review and how the selection was made regarding which systems to use for the review. The Audit Committee is able to use this document to highlight any areas it would wish to direct for future reviews.

The review ought to have been presented to the Audit Committee by the end of June 2020 to comply with the legislative timeframe. Unfortunately, due to the COVID-19 pandemic this process was pushed back by a little time and is therefore presented outside that three-year timeframe.

Once the Audit Committee have received this report the next review will be required to have been completed by June 30th, 2023.

The Chief Executive Officer has been working with Civic Legal through the Project Aware scheme to meet this compliance requirement. The whole process of the Regulation 17 review has been done internally (rather than, as previously, engaging external consultants) with a process of searching out and identifying issues, asking

Minutes of the Audit Committee Meeting on Thursday 16 July 2020

appropriate questions, liaising with Civic Legal and preparing necessary documentation. On the basis of the amount of time and effort involved to undertake each individual review in an in depth way the Audit Committee are presented with 8 reviews – given the size and staffing level of the Shire, along with the time and effort required for each review, this is felt to be an appropriate outcome.

Consultation:

There has been regular contact and discussion with Civic Legal through the Project Aware scheme.

Statutory Environment:

Local Government (Audit) Regulations 1996

Chief Executive Officer Requirements

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 sub-regulation (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.

Audit Committee Requirements

16. Functions of audit committee

An audit committee has the following functions —

(a) to guide and assist the local government in carrying out —

- (i) its functions under Part 6 of the Act; and
- (ii) its functions relating to other audits and other matters related to financial management;

(b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;

(c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —

- (i) report to the council the results of that review; and
- (ii) give a copy of the CEO's report to the council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under (i) regulation 17(1); and

Minutes of the Audit Committee Meeting on Thursday 16 July 2020

(ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;

(f) to oversee the implementation of any action that the local government —

(i) is required to take by section 7.12A(3); and

(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

(iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and

(iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(g) to perform any other function conferred on the audit committee by these regulations or another written law.

Relevant Plans and Policy:

Nil

Financial Implications:

There are no financial implications from this report itself, but the Audit Committee (and subsequently Council) should be aware that any systems and procedures which are deemed to be requiring improvement may well require additional funds to address the outlined issues.

Risk Assessment:

There is a risk that the Chief Executive Officer and subsequently the Shire will be in breach of regulation by not undertaking the required review.

Community & Strategic Objectives:

Outcome 4.3 A local government that is highly respected, professional, trustworthy and accountable

4.3.2 Provide sufficient resources to facilitate effective governance

4.3.3 Ensure compliance with all relevant legislation

Comment:

Unfortunately, although the requirement to undertake the review of systems and procedures is a regulation under the act there has been little guidance provided regarding the way in which such a review should be undertaken.

In order to assist the following are the dictionary definitions:

Appropriateness: the quality of being suitable or proper in the circumstances

Effectiveness: the degree to which something is successful in producing a desired result; success

Minutes of the Audit Committee Meeting on Thursday 16 July 2020

The Chief Executive Officer has, over the past months, reviewed the appropriateness and effectiveness of several systems and procedures of the Shire and this report and attached results relating to those reviews are presented as required by Regulation 17 of the Local Government (Audit) Regulations 1996 (WA).

The scope of the review which has been undertaken is in line with legislation. That is that 'certain' systems and procedures (expressly not all systems and procedures) have been reviewed.

The ways in which the systems and procedures which have been the subject of the review were chosen were as follows:

- Frequently used and/or essential for day-to-day operations
- Represent all three categories of risk management, internal control and legislative compliance
- Presented as areas where known issues existed which required addressing

Over the next three-year cycle similar criteria will be used in order to determine which systems and procedures would be appropriate ones to review. Additionally, any matters raised by the Auditor General (either directly in relation to Mt Marshall or generally for the whole sector) would also be considered as areas to consider.

Audit2020/007 OFFICER'S RECOMMENDATION / COMMITTEE DECISION:

That the Audit Committee:

- 1. pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996 receive the Regulation 17 Report and attachments summarising the Chief Executive Officers review of the appropriateness and effectiveness of the systems and procedures of the Shire as reviewed by him;*
- 2. pursuant to Regulation 16 of the Local Government (Audit) Regulations 1996, the Audit Committee:*
 - a. receives the Chief Executive Officer's Regulation 17 Report and considers its contents; and*
 - b. resolves to deliver the Regulation 17 Report to Council together with its recommendations;*
 - c. informs Council that it proposes to monitor and advise the CEO on such action as it sees fit on matters arising from the Regulation 17 Report by:*
 - i) requiring the Chief Executive Officer to provide a report to the next Audit Committee Meeting, outlining his plans for managing the issues arising from the Regulation 17 Report;*
 - ii) requiring the Chief Executive Officer to advise the Audit Committee if there are any resource impacts that the Audit*

Minutes of the Audit Committee Meeting on Thursday 16 July 2020

Committee ought to consider, to enable the Chief Executive Officer to satisfactorily manage those issues;

iii) requiring the Chief Executive Officer to provide a status report to each future Audit Committee Meeting, on the progress made on managing those issues on agreed intervals (until satisfactorily completed);

iv) recommending to Council any budget or policy modifications deemed required as a result of considerations in (b).

Moved Cr SR Putt

Seconded Cr NR Gillett

Carried 3/0

5.1.2 Receipt of Interim Audit Report 2019/2020

| | |
|---------------------------------|---|
| File No: | 4.0187 |
| Location/Address: | N/A |
| Name of Applicant: | Nil |
| Name of Owner: | N/A |
| Author: | John Nuttall – Chief Executive Officer |
| Attachments: | 5.1.2 - Interim Audit Results for Year Ending 30 June 2020 |
| Declaration of Interest: | Nil |
| Voting Requirements: | Simple Majority |
| Previously Considered: | Nil |

Background:

The interim audit was completed by the Shire auditors Moore Stephens, overseen by the Office of the Auditor General for the first time, at the end of the last financial year. Although the information which was sent by the auditors is for information only, the Audit Committee are asked at this stage to receive the information in order that they have all current information. A copy of the management letter (which contains Shire Officer comments regarding the matters raised) is attached.

Consultation:

Ongoing consultation between Shire staff and the auditors allows the administration to be aware of any legislative changes or requirements set by the Auditor General.

Statutory Environment:

Local Government Act 1995, Section 7

Division 2 — Appointment of auditors

7.2. Audit

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

Relevant Plans and Policy:

Nil

Financial Implications:

Nil from this report, which is for information only.

Risk Assessment:

There is a risk of lack of confidence in Local Government should there be a failure to comply with audit requirements or adverse findings.

Community & Strategic Objectives:

Outcome 4.3 A local government that is highly respected, professional, trustworthy and accountable

4.3.3 Ensure compliance with all relevant legislation

Minutes of the Audit Committee Meeting on Thursday 16 July 2020

4.3.5 Use resources efficiently and effectively

4.3.6 Operate in a financially sustainable manner

Comment:

Attached to this item is the letter prepared by Moore Stephens (and approved by the Auditor General) following their attendance for the interim audit. As specified in the letter it is for information only. The Audit Committee will note the management comments attached to the document. These comments were prepared internally and provided to the audit team prior to finalising this document.

Audit2020/008 OFFICER'S RECOMMENDATION / COMMITTEE DECISION:

That the audit committee receive the Interim Audit Management Report.

Moved Cr NR Gillett

Seconded Cr SR Putt

Carried 3/0

6.0 Next Meeting – to be advised

7.0 Closure of Meeting

The Chairman declared the meeting closed at 3.34pm.

These Minutes were confirmed by the Mt Marshall Audit Committee at its meeting held

Date

Chairman