

SHIRE OF MT MARSHALL

Audit Committee



AGENDA

The next meeting of the Audit Committee will be held in
Council Chambers, 80 Monger St, Bencubbin
on Monday, 8 May 2023 commencing at 9:00am.

Ben McKay
Chief Executive Officer

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Ben McKay
Chief Executive Officer

Agenda for the Audit Committee Meeting on Monday 8 May 2023

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Agenda for the Audit Committee Meeting on Monday 8 May 2023

1.0 Declaration of Opening / Announcement of Visitors

2.0 Record of Attendance

3.0 Standing Orders

OFFICER RECOMMENDATION:

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.

Voting Requirement: Simple Majority Required

4.0 Confirmation of Minutes of Previous Meetings

4.1 Minutes of the Audit Committee Meeting held on Tuesday 7 March 2023

OFFICER RECOMMENDATION:

That the Minutes of the Audit Committee Meeting held on Tuesday 7 March 2023 be confirmed as a true and correct record of proceedings.

Voting Requirement: Simple Majority Required

5.0 Reports

5.1 2021/22 Annual Financial Report and Audit Report

File Ref:	4.0520
Applicant/Proponent:	N/A
Author:	Tanika McLennan – Finance and Administration Manager
Declaration of Interest:	Nil
Attachments:	5.1.1a – Audited Financial Report to 30 June 2022 5.1.1b – Independent Auditors Report and Management Letter for Year Ending 30 June 2022

Report Purpose:

This report seeks the Audit Committee's consideration of the audited financial report to 30 June 2022, the independent audit report and management letter for year ending 30 June 2022. Once considered, it is requested the Committee recommend Council adopt the above mentioned documents.

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Background:

The Office of the Auditor General and its contractor, Dry Kirkness, have conducted the annual financial audit of the Shire of Mt Marshall for the period 1 July 2021 to 30 June 2022. A copy of the audited financial statement is attached, along with the independent audit report and management letter, for consideration by the Audit Committee.

Consultation:

Bob Waddell – Contract Accountant

Statutory Environment:

Local Government Act 1995

5.54. Acceptance of annual reports

(1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

(2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

7.1A. Audit committee

(1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

(2) The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

** Absolute majority required.*

(3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.

(4) An employee is not to be a member of an audit committee.

[Section 7.1A inserted by No. 49 of 2004 s. 5.]

Division 3 — Conduct of audit

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 —

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- (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.

[Section 7.9 amended by No. 49 of 2004 s. 7.]

Relevant Plans and Policy:
Nil

Financial Implications:

There are no financial implications associated with accepting the annual financial report.

Risk Assessment:

The failure of Council to accept the annual report before 31 December represents a breach of legislation, however this was beyond the Shire's control with all information being supplied by November 2022.

Community & Strategic Objectives:

Governance and Leadership

Implement systems and processes that meet our legal and audit obligations and the needs of the community.

Comment:

The attached management letter provides a summary of the Office of the Auditor General's findings and management's responses.

Voting Requirements:

Simple Majority

OFFICER'S RECOMMENDATION:

That the Audit Committee recommend to Council that it adopt the:

- 1. Audited Financial Report for the year ended 30 June 2022;***
- 2. Independent Audit Report for the year ended 30 June 2022 and;***
- 3. Management Letter for the year ended 30 June 2022.***

5.2 Chief Executive Officers Review of Systems and Procedures – Regulation 17 Internal Audit

File Ref:	4.0258
Applicant/Proponent:	N/A
Author:	Ben McKay - Chief Executive Officer
Declaration of Interest:	Nil
Attachments:	5.2 - Regulation 17 Review Report

Report Purpose:

Under regulation 17 of the Local Government (Audit) Regulations 1996 the Chief Executive Officer (CEO) is to review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance and provide a report to the Audit Committee with the results of that review.

Hammond Woodhouse Advisory was engaged to undertake this review on behalf of the CEO. There are currently 25 opportunities for improvement identified as a result of the CEO's review of systems and processes relating to legislative compliance, internal controls, and risk management.

Background:

Under regulation 17 of the *Local Government (Audit) Regulations 1996* the CEO is to review the appropriateness and effectiveness of the local government's systems and procedures.

Regulation 17 states:

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.

Hammond Woodhouse Advisory was engaged to perform this review on behalf of the CEO. Under regulation 16(c), the Audit Committee now presents to Council the results of that review.

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Consultation:

There has been no consultation conducted for this matter.

Statutory Environment:

Local Government Act 1995

Local Government (Audit) Regulations 1996

Risk Management Standard ISO AS/NZS 31000: 2009

Relevant Plans and Policy:

There are no relevant plans or policies for this matter.

Financial Implications:

Sufficient funds exist within the annual budget to address this recommendation; however, 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 17 by not undertaking the required review.

Community & Strategic Objectives:

Governance and Leadership

Implement systems and processes that meet our legal and audit obligations and the needs of the community.

Comment:

The last Regulation 17 Review took place in 2020, with the Audit Committee being presented the report at its July meeting. As it has now been three years since the last review, this recent review was required to have been completed by June 30th, 2023.

There are no mandatory or minimum requirements for conducting the Regulation 17 CEO review. However, the Department of Local Government, Sport, and Cultural Industries Operational Guidelines No.9 (Revised September 2013) provides a useful overview of the issues that should be taken into account when undertaking the Regulation 17 review.

The approach taken by Hammond Woodhouse Advisory included a review of relevant documents, interviews with key stakeholders, a sample of internal controls for testing, a rating of effectiveness of risk management, internal controls and legislative compliance, as well as a review of the Shire's risk management practices. From the information gathered, the report was then developed outlining the observations, fourteen key findings, and 25 associated recommendations. Those recommendations made by Hammond Woodhouse Advisory in relation to the above findings are provided in the attachment to this report.

Voting Requirements

Simple Majority

OFFICER'S RECOMMENDATION:

That the Audit Committee:

- 1. Receives the Chief Executive Officer's review of Risk Management, Internal Control and Legislative Compliance, consisting of the Shire of Mt Marshall's Regulation 17 Review and requires the Chief Executive Officer to provide a status report to each future Audit Committee Meeting, outlining the progress made on managing the issues arising from the Regulation 17 Report; and***
- 2. Recommends that Council adopt the Chief Executive Officer's review of Risk Management, Internal Control and Legislative Compliance, consisting of the Shire's Regulation 17 Review.***

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6.0 Next Meeting – to be advised

7.0 Closure of Meeting