

SHIRE OF MT MARSHALL



Mt Marshall Audit Committee

**Minutes of the
Mt Marshall Audit Committee Meeting
held on Tuesday 19 November 2019
at the Beacon Country Club,
Shemeld St, Beacon
commencing at 2:30pm.**

Chairperson

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intentionally**

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1.0 Declaration of Opening / Announcement of Visitors

The Chief Executive Officer declared the meeting open at 2:30pm.

2.0 Record of Attendance / Apologies

Attendance

Cr ARC Sachse	Councillor / Committee Member
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
Cr Tanya Gibson	Member of the Public

Apologies

3.0 Election of Chair

The Chief Executive Officer called for nominations for Chair.

Cr SR Putt nominated Cr ARC Sachse.

Cr ARC Sachse accepted the nomination and as there were no other nominations the Chief Executive Officer declared Cr Sachse as Chair of the Audit Committee. Cr Sachse resumed the Chair.

4.0 Standing Orders

Audit2019/008 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 SR Putt

Seconded Cr NR Gillett

Carried 3/0

5.0 Confirmation of Minutes of Previous Meetings

5.1 Minutes of Mt Marshall Audit Committee Meeting held 17 September 2019

Audit2019/009 COMMITTEE DECISION:

That the Minutes of the Audit Committee Meeting held on Tuesday 17 September 2019 be confirmed as a true and correct record of proceedings.

Moved Cr NR Gillett

Seconded Cr SR Putt

Carried 3/0

6.0 Petitions / Deputations / Presentations / Submissions

Nil

7.0 Reports of Officers

7.1 Finance and Administration Manager

7.1.1 2018/2019 Annual Financial Report and Audit Report

File No:	3.0023
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author:	Tanika McLennan – Finance and Administration Manager
Attachments:	7.1.1a – Audited Financial Report to 30 June 2019 7.1.1b – Independent Auditors Report and Management Letter
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority
Previously Considered:	Nil

Background:

The Shire's auditor, Moore Stephens, has conducted the annual financial audit of the Shire of Mt Marshall for the period 1 July 2018 to 30 June 2019. 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 —
 - (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,

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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 could result in a breach of legislation.

Community & Strategic Objectives:

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

4.3.6 Operate in a financially sustainable manner

Comment:

The audit is considered to be a “clean” audit, in that the auditors did not find any uncorrected misstatements, errors or omissions. However, they have raised the issue of operating surplus ratio, which will be dealt with by the next item.

2019/010 OFFICER’S RECOMMENDATION / COMMITTEE DECISION:

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

- 1. Audited Financial Report for the year ended 30 June 2019;***
- 2. Independent Audit Report for the year ended 30 June 2019 and;***
- 3. Management Letter for the year ended 30 June 2019.***

Moved Cr SR Putt

Seconded Cr NR Gillett

Carried 3/0

7.2 Chief Executive Officer

7.2.1 Draft Letter of Explanation to Minister

File No:	4.0049
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author:	John Nuttall – Chief Executive Officer
Attachments:	7.2.1 – DRAFT Letter to Hon David Templeman MLA
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority
Previously Considered:	Nil

Background:

Whenever the auditors raise a 'significant matter' on an audit report there is now a requirement to correspond with the Minister for Local Government to provide an explanation and an indication of what (if anything) the Shire is proposing to do to rectify the issue.

Attached to this report is a draft letter (**attachment 7.2.1**) for Audit Committee approval regarding the ratio issue raised by the recent audit.

Consultation:

There have been discussions with Moore Stephens (who carried out the audit), the Shire President and Tanika McLennan (Finance and Administration Manager).

Statutory Environment:

Local Government Act 1995

S7.13

(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.

Relevant Plans and Policy:

Nil

Financial Implications:

There are no implications from this report, but the audit deals with the finances of the Shire.

Risk Assessment:

There is a risk of breaching legislation if there is a failure to comply with this section of the Local Government Act.

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

4.3.4 Ensure that facilities are being maintained, developed/rationalised in line with the Asset Management Plan and Long Term Financial Plan

4.3.5 Use resources efficiently and effectively

4.3.6 Operate in a financially sustainable manner

Comment:

A draft letter has been prepared which provides the explanation as to why there is the significant finding regarding the operating ratio. The Audit Committee are asked to approve that letter, which once approved by full Council will be sent to the Minister and put on the Shire website (as required).

2019/011 OFFICER'S RECOMMENDATION / COMMITTEE DECISION:

That the Audit Committee approve the draft letter explaining the operating surplus ratio to Minister Templeman.

Moved Cr NR Gillett

Seconded Cr SR Putt

Carried 3/0

8.0 Next Meeting – to be advised

9.0 Closure of Meeting

The Chairman declared the meeting closed at 2.43pm.

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

Date

Chairman