



*Audit  
Committee  
Meeting  
Agenda*

*17<sup>th</sup> February  
2022*

# SHIRE OF YILGARN NOTICE OF MEETING



Committee Members:  
Please be advised that a

## **AUDIT COMMITTEE MEETING**

To be held in the Council Chambers on  
Thursday, 17 February 2022  
commencing at 2:00pm



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

11/02/2022

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Antares Street, SOUTHERN CROSS WA 6426  
Tel (08) 90491 001; Fax (08) 90491 429  
E-mail: - [yilgarn@yilgarn.wa.gov.au](mailto:yilgarn@yilgarn.wa.gov.au)

## 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.

A sitting fee equal to that applicable to elected members will be paid to each external person who is a member of the committee.

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.

## TERMS OF REFERENCE

### SHIRE OF YILGARN AUDIT COMMITTEE

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#### Meetings

The committee shall meet at least annually.

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

#### 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 biennial 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 Thursday 17<sup>th</sup> February, 2022 commencing 2:00pm

## 1. DECLARATION OF OPENING

## 2. ATTENDANCE

Cr W Della Bosca	Member	(Chair)
Cr B Close	Member	
Cr J Cobden	Member	
Cr P Nolan	Member	

Mr. N Warren	Chief Executive Officer
Mr. C Watson	Executive Manager Corporate Services
Mr. B Forbes	Manager of Finance

Apologies: Mrs. J Della Bosca, Community Member

Observers:

Leave of Absence:

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

Nil

## 4. PUBLIC QUESTION TIME

## 5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Minutes of the Audit Committee Meeting, 16 June 2021 (Minutes Attached)

### Recommendation

*That the minutes of the Audit Committee Meeting held on 16 June, 2021 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**

## 10.1 Officers Report – Chief Executive Officer

### 10.1.1 2021 Compliance Audit Report

<b>File Reference</b>	<b>1.6.6.4</b>
<b>Disclosure of Interest</b>	<b>None</b>
<b>Voting Requirements</b>	<b>Absolute Majority</b>
<b>Attachments</b>	<b>2021 Annual Compliance Audit Return</b>

#### Purpose of Report

To present to the Audit Committee the 2021 Annual Compliance Audit Return (CAR) for consideration before presentation to Council for adoption and submission to the Department of Local Government, Sport and Cultural Industries.

#### Background

Council is required by section 14 of the *Local Government (Audit) Regulations 1996* to complete a CAR each year covering the period 1 January to 31 December. The CAR is to be:-

1. Presented to Council at a meeting of the Council;
2. Adopted by the Council;
3. The adoption recorded in the minutes of the meeting at which it is adopted;
4. Signed by the Shire President and Chief Executive Officer and returned to the Department with a copy of the Council minutes of the meeting at which it was received; and
5. Submitted to the Department of Local Government by 31 March each year.

**The CAR must also be reviewed by the Shire of Yilgarn Audit Committee prior to its adoption by Council.**

#### Comment

The 2021 CAR contains 98 questions of which:-

- 69 were complied with;
- 27 were not applicable to the Shire of Yilgarn during the year under review; and
- 2 were not complied with.

The two questions not complied with are as follows, with comments provided in the report also provided:

Q. Was the auditor's report for the financial year ended 30 June 2021 received by the local government by 31 December 2021?

Comment: Auditors Report was not received in time for December meeting



Q. Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?

Comment: Auditors Report was not received in time for December meeting. Lack of committee & council members due to Christmas period necessitates adoption in Feb 22

## Statutory Environment

*Local Government (Audit) Regulations 1996*

### 14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
  - (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

## Strategic Implications

Nil.

## Policy Implications

Nil.

## Financial Implications

Nil.

## Risk Implications

Risk Category	Description	Rating (Consequence x Likelihood)	Mitigation Action
Health/People	Internal review by senior management to Audit Committee	Moderate (6)	Internal CAR review ensures Council and staff are

	and Council on an annual basis		meeting statutory requirements
<b>Financial Impact</b>	Nil	Nil	Nil
<b>Service Interruption</b>	Nil	Nil	Nil
<b>Compliance</b>	Section 14 of the <i>Local Government (Audit) Regulations 1996</i>	Moderate (6)	Annual Compliance Audit Return
<b>Reputational</b>	Not meeting statutory obligations could give rise to adverse response from DLGSC	High (15)	Annual review and Reporting process to DLGSC
<b>Property</b>	Nil	Nil	Nil
<b>Environment</b>	Nil	Nil	Nil

Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

#### Officer Recommendation

*That the Audit Committee recommends to Council that it adopts the Local Government Compliance Audit Return (CAR) for the Shire of Yilgarn for the period 1 January 2021 to 31 December 2021, noting compliance in all but 2 areas assessed and that Council in accepting the CAR, authorises the Shire President and CEO to sign and submit same to the Department of Local Government, Sport and Cultural Industries as required.*

## 10.2 Officers Report – Executive Manager Corporate Services

### 10.2.1 2020/21 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 – 2020/2021 Annual Report including the Annual Financial Report incorporating the Independent Auditor’s Report. Confidential Attachment 2 – Management Report for Year Ending 30 June 2021. Confidential Attachment 3 – Audit Completion Report. 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 Annual Financial Report for the year ending 2020/2021.

#### 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 2021. The attached reports include the Chief Executive Officer’s response to both the Management Report for the year ended 30 June 2021 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 is to include —
  - (a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government; and
  - (b) any matters indicating non-compliance with Part 6 of the Act, the Local Government (Financial Management) Regulations 1996 or applicable financial controls in any other written law; and
  - (c) details of whether information and explanations were obtained by the auditor; and
  - (d) a report on the conduct of the audit; and
  - (e) the opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions —
    - (i) the asset consumption ratio; and
    - (ii) the asset renewal funding ratio.

- (4A) In subregulation (3)(e) —

**asset consumption ratio** has the meaning given in the Local Government (Financial Management) Regulations 1996 regulation 50(2);

**asset renewal funding ratio** has the meaning given in the Local Government (Financial Management) Regulations 1996 regulation 50(2).

- (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.

### Officer Recommendation

*That the Audit Committee:*

- 1. accepts the Annual Financial Report, inclusive of the Independent Auditors Report to the Electors of the Shire of Yilgarn, for the year ending 30 June 2021;*
- 2. accepts the Chief Executive Officer's Report and recommends a copy of said report be forwarded to the Minister; and*
- 3. endorses the presented Shire of Yilgarn Annual Report for the financial period ending 30 June 2021 and recommends its presentation to the February 2022 meeting of Council for formal acceptance.*

## 10.2 Reporting Officer– Executive Manager Corporate Services

### 10.2.2 2021/2022 Budget Review

<b>File Reference</b>	<b>8.2.5.3</b>
<b>Disclosure of Interest</b>	<b>Nil</b>
<b>Voting Requirements</b>	<b>Absolute Majority</b>
<b>Attachments</b>	<b>2020/2021 Budget Review</b>

#### Purpose of Report

The Audit Committee is requested to endorse the 2021/2022 Budget Review and recommend its presentation to Council.

#### Background

Financial Management Regulation 33A – Review of Budget, requires a Local Government to review its annual budget between the 1<sup>st</sup> of January and the 31<sup>st</sup> of March in any given financial year. The outcome of this review is to be submitted to the Audit Committee for consideration and referral to Council.

#### Comment

The budget review document, including budget amendment recommendations, for the 2021/2022 financial year is attached for Council’s consideration.

The main areas of note is ongoing supply chain issues that have necessitated several capital projects being carried forward to next financial year, however the main area of concern in this year’s budget review is adhering to Council previously approved plant replacement program.

Advice from dealers is that deliveries of light vehicles will be delayed anywhere from 8 to 18 months. With this in mind an amount of \$350,000 has been included in this review to allow for the calling of tenders/quotes and the issuing of purchase orders in this financial year for the acquisition of the light vehicle included in the 2022/23 replacement program. It is not expected that there will be any actual expenditure prior to 30 June so this inclusion is purely to allow management to commit future Council funds that will need to be bought forward into the next financial year where the actual expenditure will be incurred.

It should also be noted that no allowances have been made for items such as profit/loss on sale or other change over amounts as these are expected to be incurred in the 2022/23 financial year.

Currently, it is projected that a surplus of \$91,044 will be achieved as at 30 June 2022, which incorporates the following major inclusions to the budget:

1. \$70,000 to obtain a detailed condition report for the Southern Cross sewerage system to enable a much more targeted approach to future maintenance and upgrades.

2. \$30,000 to obtain a detailed condition report for the Marvel Loch sewerage system to enable a much more targeted approach to future maintenance and upgrades.
3. \$40,000 to allow for upgrades/maintenance to Council's standpipe network (primarily upgrade from 3G to 4G communication's due to imminent decommissioning of 3G network).
4. \$70,000 to engage an Occupational Health & Safety Consultant to ensure compliance with the recently enhanced Act.
5. \$500,000 transfer to the Sewerage Reserve to ensure adequate funding is available once condition report recommendations are received and assessed.
6. \$200,000 to create a new Standpipe Reserve with the purpose of funding future maintenance/upgrades to Council's standpipe network.

## Statutory Environment

### Local Government (Financial Management) Regulations 1996

#### **33A. Review of budget**

- (1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.
- (2A) The review of an annual budget for a financial year must —
  - (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
  - (b) consider the local government's financial position as at the date of the review; and
  - (c) review the outcomes for the end of that financial year that are forecast in the budget.
- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (3) A council is to consider a review submitted to it and is to determine\* whether or not to adopt the review, any parts of the review or any recommendations made in the review.

\*Absolute majority required.
- (4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

## 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

The presented review includes several budget amendments.

## Risk Implications

Risk Category	Description	Rating (Consequence x Likelihood)	Mitigation Action
Health/People	Nil	Nil	Nil
Financial Impact	Review of Councils Annual Budget	Moderate (6)	Ongoing monitoring
Service Interruption	Nil	Nil	Nil
Compliance	Local Government (Financial Management) Regulations 1996	Low (3)	Nil
Reputational	Nil	Nil	Nil
Property	Nil	Nil	Nil
Environment	Nil	Nil	Nil

Risk Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

## Officer Recommendation

*That the Audit Committee:*

- 1. accepts the budget review for the period 1st June 2021 to 31st January 2022 inclusive of the recommended budget amendments as indicated in Note 4 of the report; and*
- 2. recommends its adoption by Council as presented*

**11. CLOSURE OF MEETING**