



Shire of
YILGARN

“good country for hardy people”

*Audit
Committee
Meeting
Minutes*

*21st February
2019*

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1. DECLARATION OF OPENING

The Chairperson declared the meeting open at 3.00pm

2. ATTENDANCE

Cr O Truran	Member	(Chair)
Cr W Della Bosca	Member	
Cr B Close	Member	
Cr G Guerini	Member	
Cr D Pasini	Member	
Cr S Shaw	Member	Arrived 3.05pm
Mrs. J Della Bosca	Community Member	
Mr. P Clarke	Chief Executive Officer	
Mr. C Watson	Executive Manager Corporate Services	
Mrs. N Mwale	Finance Manager	
Apologies:	Cr P Nolan	Member
Observers:	Mr Nic Warren, Executive Manager Regulatory Services and Ms Jenny Gemund, Manager Community Services	
Leave of Absence:	Nil	

3. PRESENTATIONS

Councils Appointed Auditor, Mr Wen-Shien Chai, joined the Committee meeting at 3.02pm via teleconference to provide Audit Committee members with detail regarding the 2017/2018 financial year Audit process.

Cr Suzy Shaw joined the meeting at 3.05pm.

Mr Chai indicated that a clean audit report had been issued even though there were delays in providing the Audit Report and importantly, no deficiencies were detected in the financial controls of the Shire. Mr Chai indicated that the delay in providing the report was centred on assets and depreciation and this problem should not arise again as the matters had been rectified.

Mr Chai advised that he was required to report on any adverse findings that had been detected throughout the course of the Audit and was pleased to advise no issues were found and all financial procedures were adhered to.

Mr Chai did indicate that some of the financial ratios were trending adversely and these had been reported in past years but appreciated that certain factors controlling the ratios were beyond Council's control.

The Shire President thanked Mr Chai for his report and invited questions from Audit Committee Members.

Mr Wen-Shien Chai left the meeting at 3.10pm.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

4.1 Audit Committee Meeting, Friday 11th May 2018

AC1/2019

Moved Cr Guerini/Seconded Cr Pasini

That the minutes from the Audit Committee Meeting held on the 11th May 2018 be confirmed as a true record of proceedings.

CARRIED (7/0)

5. OFFICERS REPORT-EXECUTIVE MANAGER CORPORATE SERVICES

5.1 2017/18 AUDIT & MANAGEMENT REPORT

File Reference	8.2.3.3
Disclosure of Interest	Nil
Voting Requirements	Simple Majority
Attachments	Attachment 1 – 2017/2018 Annual Report including the Annual Financial Report incorporating the Independent Auditor's Report. Attachment 2 – Management Report for Year Ending 30 June 2018. Attachment 3 – CEO's Report relating to Audit.

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 2017/2018.

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

Prior to the consideration of this report, Councils appointed Auditor will discuss the content of the audit and issues raised within the attached Management Report.

The auditor's completed the audit for the financial year ended 30 June 2018. The attached reports include the Chief Executive Officer's response to both the Management Report for the year ended 30 June 2018 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.

7.12A 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 and Committee Decision

AC2/2019

Moved Cr Close/Seconded Cr Guerini

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 2018.*
- 2. accepts the Chief Executive Officer's Report and recommends a copy of said report be forwarded to the Minister.*
- 3. endorses the presented Shire of Yilgarn Annual Report for the financial period ending 30 June 2018 and recommends its presentation to the February 2019 meeting of Council for formal acceptance.*

CARRIED (7/0)

5.2 2018 Compliance Audit Return

File Reference	1.6.6.4
Disclosure of Interest	Nil
Voting Requirements	Simple Majority
Attachments	Compliance Audit Return

Purpose of Report

To receive a copy of the 2018 Compliance Audit Return

Background

Regulation 14 of the Local Government (Audit) Regulations requires that a Compliance Audit Return (CAR) be completed each year. The CAR is to be reviewed by the Audit Committee and presented to Council following the review.

Comment

A copy of the duly completed Compliance Audit Return is attached. One (1) area of non-compliance was noted.

Finance

No.6 Appointment of Auditors (Section 7.9(1))

The question posed "*Was the auditor's report for the financial year 30 June 2018 received by the local government by 31 December 2018*"

Staff Response

As indicated in the comments section of the CAR, the Auditor's required additional information on donated assets (Fire Fighting Appliances) acquired from previous financial years that had not been taken up on the Asset Register. The Auditors also sought information regarding a review of depreciation of certain infrastructure classes following 12 months depreciation calculations post the infrastructure fair value valuation.

The additional information sought and complexities involved accounting wise led to the 2017/2018 Financial Statements not meeting the required 31 December 2018 deadline.

As per Section 14(3)(a)(b) and (c) of the *Local Government (Audit) Regulations 1996*, after the Audit Committee has review the CAR, it is to be presented to Council for adoption and recorded in the Minutes. It is the intention of staff to present the CAR to the March 2019 Ordinary Meeting of Council to comply with the *Regulations*.

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.

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.

Strategic Implications

Nil

Policy Implications

Nil

Financial Implications

Nil

Officer Recommendation and Committee Decision

AC3/2019

Moved Cr Della Bosca/Seconded Cr Shaw

That the Audit Committee, having reviewed the 2018 Compliance Audit Return as presented, recommend that it be accepted by Council with the acknowledgment that there is one (1) area of non-compliance which relates to Section 7.9(1) of the Local Government Act 1995.

CARRIED (7/0)

6 CLOSURE

With there being no further business to discuss the Presiding Member declared the meeting closed at 3.14pm.