



# Minutes of the Audit Committee

## Audit Committee Meeting

To be held in Council Chambers, Wolfram Street Westonia  
Thursday 17<sup>th</sup> March 2022

### CONFIRMATION OF MINUTES

These minutes were confirmed by the Council on 17<sup>th</sup> March 2022 as a true and accurate record of the Audit Committee Meeting held 17<sup>th</sup> March 2022.

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Cr Karin Day  
Shire President

*All attachment items referred to in these minutes are available for public perusal at the Shire Office*

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### 6.1.1 COMPLIANCE AUDIT RETURN 2021

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<b>Responsible Officer:</b>	Bill Price, CEO
<b>Author:</b>	Bill Price, CEO
<b>File Reference:</b>	ES1.6.1
<b>Disclosure of Interest:</b>	Nil
<b>Attachments:</b>	<b>Attachment 6.1.1</b> Compliance Audit Return 2021
<b>Signature:</b>	<b>Officer</b> <span style="float: right;"><b>CEO</b></span>

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#### Purpose of the Report

Executive Decision

Legislative Requirement

#### Background

In accordance with the Local Government (Audit) Regulations 1996, a local government is required to carry out a compliance audit for the period 1st January to 31st December each year against the requirements included in the Compliance Audit Return (CAR).

The completed CAR is required to be presented to Council for consideration and adoption, signed by the Shire President and CEO and subsequently submitted to the Director General of the Department of Local Government before 31st March.

#### Comment

The Compliance Audit Return has been a mandatory requirement since the Local Government (Audit) Regulations 1999, were amended and made applicable from 1 January 2000.

All senior staff have been involved in the completion of the Compliance Audit Return, certifying their actions and that of the Council, relating to the return covering the 2021 calendar year.

Staff involved and included in the process included;

- Chief Executive Officer
- Manager Corporate Services
- Works Supervisor

The Return is to be jointly certified by the Shire President and the Chief Executive and subsequently submitted to the Director General of the Department of Local Government before 31st March.

Additionally, staffing levels in small local governments are such that we do not have the quantum or degree of specialisation available to larger local governments. Hence not every question in the CAR has been “fully” researched as to absolute accuracy. The responses are based on some research and memory and made in good faith.

#### Statutory Environment

Local Government (Audit) Regulations 1996 – Regulations 13, 14 & 15 – Compliance Audit Returns.

#### Policy Implications

Council does not have a policy in relation to this matter.

#### Strategic Implications

The Local Government Act 1995 and Local Government (Audit) Regulations 1996 apply.

**Financial Implications**

Nil.

**Voting Requirements**

Simple Majority

Absolute Majority

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**OFFICER RECOMMENDATIONS**

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That the Audit Committee:

1. receives the Compliance Audit Return 2021; and
2. recommends to Council that the Compliance Audit Return 2021 be endorsed and authorise the Shire President and CEO to sign the CAR for dispatch to the Department of Local Government as per the requirements of the Local Government Act 1995.

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**RESOLUTION**

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**Moved:** Cr Geier

**Seconded:** Cr Corsini

**AC02/03-22 That the Audit Committee:**

1. receives the Compliance Audit Return 2021; and
2. recommends to Council that the Compliance Audit Return 2021 be endorsed and authorise the Shire President and CEO to sign the CAR for dispatch to the Department of Local Government as per the requirements of the Local Government Act 1995.

**ABSOLUTE MAJORITY CARRIED 6/0**

## 6.1.2 BUDGET REVIEW 2021/2022

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<b>Responsible Officer:</b>	Bill Price, CEO
<b>Author:</b>	Bill Price, CEO
<b>File Reference:</b>	F1.3.3
<b>Disclosure of Interest:</b>	Nil
<b>Attachments:</b>	<b>Attachment 6.1.2</b> Budget Review Documents
<b>Signature:</b>	<b>Officer</b> <span style="float: right;"><b>CEO</b></span>

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### **Purpose of the Report**

- Executive Decision  Legislative Requirement

### **Background**

Local Governments are required to conduct a Budget Review in accordance with Regulation 33A of the Local Government (Financial Management) Regulations 1996. These Regulations state:

1. *“Between 1 January and 31 March in each year a local government is to carry out a review of its annual budget for that year.*
  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.”*

A Budget Review for the period ending 28<sup>th</sup> February 2022 has been completed and is presented for Council's consideration.

### **Comment**

In adopting the 2021/2022 Budget, Council, as required, adopted a level of material variances for reporting purposes. The level of material variance reporting set by Council is \$10,000 and 15%. Staff have used this variance in their analysis.

The nature of the review is to predict estimates of material variations likely to occur as at 30 June 2022.

### **Statutory Environment**

Local Government (Financial Management) Regulation 34 1996  
Local Government Act 1995 section 6.4

### **Policy Implications**

Nil

### **Strategic Implications**

Nil

### **Financial Implications**

Nil



**Voting Requirements**



Simple Majority



Absolute Majority

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**OFFICER RECOMMENDATIONS**

That the Audit committee recommend to Council to:

1. Receive the 2021/2022 Budget Review as per the Audit Committee recommendation for the period ending 28<sup>th</sup> February 2022 and adopt the recommended Budget figures as presented.
2. Forward the review to the Department of Local Government as per the requirements of the act.

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**RESOLUTION**

Moved:

Cr Day

Seconded:

Cr Huxtable

AC03/03-22

That the Audit committee recommend to Council to:

1. Receive the 2021/2022 Budget Review as per the Audit Committee recommendation for the period ending 28<sup>th</sup> February 2022 and adopt the recommended Budget figures as presented.
2. Forward the review to the Department of Local Government as per the requirements of the act.

CARRIED 6/0

### 6.1.3 REGULATION 17 REVIEW

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<b>Responsible Officer:</b>	Bill Price, CEO
<b>Author:</b>	Jasmine Geier, MCS
<b>File Reference:</b>	F1.3.3
<b>Disclosure of Interest:</b>	Nil
<b>Attachments:</b>	<b>Attachment 9.1.4</b> Audit Regulation 17
<b>Signature:</b>	<b>Officer</b> <span style="float: right;"><b>CEO</b></span>

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#### **Purpose of the Report**

The purpose of this report is to present to the Audit Committee the results of the CEO's triennial review at the end of 2021 of the appropriateness and effectiveness of the organisation's risk management, internal control and legislative compliance systems and procedures. Various actions arising from the review are also presented.

Executive Decision

Legislative Requirement

#### **Background**

Regulation 17 of the *Local Government (Audit) Regulations 1996* require the CEO to conduct a review of systems and procedures relating to legislative compliance, risk management and internal controls on a triennial basis.

The Regulation 17 Audit incorporates the requirement under Regulation 5 (2) (c) of the *Local Government (Financial Management) Regulations 1996* which provides the Chief Executive Officer to: 'Undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once every 3 financial years) and report to the local government the results of those reviews.'

The most recent review conducted in compliance of Regulation 17 of the Audit Regulations was reported to the Audit Committee on 17 December 2015.

Council subsequently resolved at its 17 December 2015 Ordinary Council Meeting to receive the review (OCM-15-12/15).

#### **Comment**

Regulation 17 of the Local Government (Audit) Regulations 1996 (**Audit Regs**) requires that every three years, the CEO is to present to the Audit Committee the results of a review of the appropriateness and effectiveness of the organisation's risk management, internal control and legislative compliance systems and procedures.

Consistent with this requirement, a review was completed at the end of 2021. This report presents the results, and actions arising from the review, to the Audit Committee.

#### **Statutory Environment**

*Local Government Act 1995*

Section 5.46. Register of, and records relevant to, delegations to CEO and employees

- (4) The CEO is to keep a register of the delegations made under this Division to the CEO and to employees.
- (5) At least once every financial year, delegations made under this Division are to be reviewed by the delegator.
- (6) A person to whom a power or duty is delegated under this Act is to keep records in accordance with regulations in relation to the exercise of the power or the discharge of the duty.

#### **Policy Implications**

Risk Management Policy has been adopted and outlines the Shire's commitment and approach to managing risks that may impact on its day-to-day operations and threaten the achievement of its objectives

#### **Strategic Implications**

A Council's internal control environment includes the following components:



- Structure of the organisation;
- Culture of the organisation;
- Knowledge, skills and experience of employees;
- Processes employed by the organisation to conduct business.

The Chief Executive Officer should play a key role in the establishment and development of an effective internal control environment, as it ultimately sets the operational tone of the Council, and should reflect the ethics, integrity and values espoused by the Council.

An effective and transparent internal control environment would focus on the following key areas:

- Integrity and ethical values;
- Management's philosophy and operating style;
- Organisation structure;
- Performance measures;
- Policies and procedures;
- Human resources policy;
- Internal Audit function;
- The Audit Committee.
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The role of the audit committee is to govern the integrity of the entity's financial information, systems of internal control, and the legal and ethical conduct of management and employees. The responsibility of the audit committee will differ depending upon the Council's size, scale of operations, and any specific requirements. The key role of internal audit is to provide assistance to the Council's audit committee in discharging its governance responsibilities. It does this by:

- Providing an objective assessment of existing risks and the internal control framework;
- Performing reviews of the compliance framework and specific compliance issues;
- Conducting regular analysis of business processes and associated controls;
- Performing ad hoc reviews for specific areas of concern, including unacceptable levels of risk;

Reviewing the operational performance of the Council and providing recommendations for more effective and efficient use of resources.

### **Financial Implications**

There are no known financial implications for this matter.

### **Voting Requirements**



Simple Majority



Absolute Majority

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### **OFFICER RECOMMENDATIONS**

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That the Audit Committee:

1. Receives and reviews the Shire of Westonia Regulation 17 Review Report presented by the Chief Executive Officer under Regulation 17 (3) of the Local Government (Audit) Regulations 1996; and
2. Reports the results of the Review to Council; and
3. Seeks an implementation plan and timeline on actions arising from the Review at the next Audit Committee meeting.



### 6.1.4 MODEL FINANCIAL STATEMENT 2021/2022

<b>Responsible Officer:</b>	Bill Price, CEO
<b>Author:</b>	Jasmine Geier, MCS
<b>File Reference:</b>	F1.3.3
<b>Disclosure of Interest:</b>	Nil
<b>Attachments:</b>	<b>Attachment 6.1.4</b> Model Financial Statements
<b>Signature:</b>	<b>Officer</b> <span style="float: right;"><b>CEO</b></span>



#### Purpose of the Report

- Executive Decision  Legislative Requirement

#### Background

As you would be aware the sectors has an advocacy position for the Department of Local Government, Sport and Cultural Industries (DLGSC) to prepare model financial statements and budget statements for the Local Government Sector

#### Strategic Objective

Produce a model set of general purpose financial statements that: -

1. Comply with Australian Accounting Standards for not-for profit entities, and
2. Pick up the local government equivalent of the State Entities Summary of consolidated account appropriations financial statement, i.e., the Rate Setting Statement which demonstrates compliance with section 6.34 of the *Local Government Act 1995* (the Act), and
3. Pick up unique local government issues of: -
  - a. Cash backed financial reserves as per section 6.11 of the Act, and
  - b. Loan borrowings. Note: Financial accommodations in section 6.20 of the Act includes leases as used by state entities, but local governments autonomous legal status also gives them power to undertake loan borrowings.

#### General Guidance Informing Content

- a) Model assumes various amendments will need to be made to the *Local Government (Financial Management) Regulations 1996*.
- b) Nature and type specified as the financial statement reporting type. Note: Currently mixture of function and activity (program) plus nature and type.
- c) Program reporting (function and activity) is still required for Grants Commission and Australian Bureau of Statistics reporting, so introduction of model financial statements should not require any changes to a local government's chart of accounts or activity-based costing.
- d) Prescribed financial ratios have been removed. Consequently, it should be assumed that financial data required to report useful financial ratios will be prescribed in the model accounts.
- e) Detail that might require additional audit scope to verify has been removed, i.e., major trading undertakings, asset renewal expenditure, related party expenditure by council member, etc.
- f) Asset ratios requiring audit attestation have been removed from audit scope. This will require amendment to regulation 10 (3) (e) and 4A of the *Local Government (Audit) Regulations 1996*.
- g) Information removed from audited financial statements will prima facie be added to the unaudited section of the local government's annual report, with or without modification. This will require amendments to the *Local Government (Administration) Regulations 1996*.
- h) The Statement of Comprehensive Income and Rate Setting Statement as prescribed in the model accounts, are also intended to be prescribed in the annual budget.
- i) The financial statements are not designed to mirror the annual budget content. Therefore, content can be prescribed in the annual budget, but not prescribed for review by the auditor in the annual financial statements.

### Tier 3 and 4 Reduced Reporting Requirements

Approach was to identify specific Australian Accounting Standards or sections of Australian Accounting Standards that would not be required to be reported. Plan is to prescribe in regulations

#### Comment

The DLGSC has recently released its draft Model Financial Statements (MFS) for the financial year ended 30 June 2022 for Local Government sector consultation. The full document is intended to apply to Local Governments in Bands 1 and 2, whilst the Pink highlighted sections in the MFS will be deleted from the Model Financial Statements for Band 3 and 4 Local Governments.

#### Statutory Environment

Local Government (Financial Management) Regulation 34 1996  
Local Government Act 1995 section 6.4

#### Policy Implications

Nil

#### Strategic Implications

Nil

#### Financial Implications

Nil

#### Voting Requirements

Simple Majority  Absolute Majority

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### OFFICER RECOMMENDATIONS

That Council review the recently released its draft Model Financial Statements (MFS) for the financial year ended 30 June 2022 for Local Government.

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### RESOLUTION

Moved: Cr Geier Seconded: Cr Corsini

AC05/03-22 That Council review the recently released its draft Model Financial Statements (MFS) for the financial year ended 30 June 2022 for Local Government.

CARRIED 6/0

### 7. ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

### 8. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY A DECISION OF THE MEETING

Nil

### 9. DATE AND TIME OF NEXT MEETING

Entrance Meeting 21<sup>st</sup> March 2022

### 10. MEETING CLOSURE

There being no further business the President, Cr Day declared the meeting closed at 1.58pm