



# MINUTES

## Audit Committee Meeting

Held in Council Chambers  
Corner King & Barrack Street's, Merredin  
Monday 19 December 2022  
Commencing 6:00pm



<b>Common Acronyms Used in this Document</b>	
WEROC	Wheatbelt East Regional Organisation of Councils
GECZ	Great Eastern Country Zone
WALGA	Western Australian Local Government Association
CEACA	Central East Aged Care Alliance
CEO	Chief Executive Officer
DCEO	Deputy CEO
EMDS	Executive Manager of Development Services
EMES	Executive Manager of Engineering Services
EMCS	Executive Manager of Corporate Services
EA	Executive Assistant to CEO
LPS	Local Planning Scheme
LGIS	Local Government Insurance Services
SRP	Strategic Resource Plan
CBP	Corporate Business Plan
CSP	Community Strategic Plan
MRCLC	Merredin Regional Community and Leisure Centre
CWVC	Central Wheatbelt Visitors Centre
MoU	Memorandum of Understanding

Shire of Merredin  
Audit Committee Meeting  
6.00pm Monday 19 December 2022



**1. Official Opening**

The President acknowledged the Traditional Owners of the land on which we meet today, the Njaki Njaki people of the Nyoongar Nation and paid his respects to Elders past, present and emerging. The President then welcomed those in attendance and declared the meeting open at 6:01pm.

**2. Record of Attendance / Apologies and Leave of Absence**

**Councillors:**

Cr M McKenzie	President
Cr D Crook	
Cr J Flockart	
Cr R Manning	Via Zoom
Cr P Patroni	
Cr M Simmonds	
Cr R Billing	

**Staff:**

L Clack	CEO
L Mellor	EMES
L Boehme	EMCS
M Wyatt	ES/EA

**Members of the Public:**

Marius Van Der Merwe – Dry Kirkness  
Ann Ang – Office of the Auditor General

**Apologies:**

**Approved Leave of Absence:**

### Voting Requirements

Simple Majority

Absolute Majority

### Councillor's Recommendation

**Moved:** Cr McKenzie **Seconded:** Cr Patroni

**83056**

**That the Audit Committee:**

1. APPROVES Councillor Manning's attendance at the December 2022 Audit Committee Meeting via video conference in accordance with Regulation 14A(1) of the *Local Government (Administration) Regulations 1996*; and
2. APPROVES 53 Maiolo Way, Merredin WA 6415 as a suitable place for Councillor Manning's attendance in accordance with Regulation 14A(4) of the *Local Government (Administration) Regulations 1996*.

**CARRIED 4/0**

### 3. Public Question Time

Nil.

### 4. Disclosure of Interest

Nil.

### 5. Confirmation of Minutes of the Previous Meeting

5.1 Audit Committee Meeting held on 25 August 2022 Attachment 5.1A

### Voting Requirements

Simple Majority

Absolute Majority

### Resolution

**Moved:** Cr Crook **Seconded:** Cr Patroni

**83057**

**That the minutes of the Audit Committee Meeting held on 25 August 2022 be confirmed as a true and accurate record of proceedings.**

**CARRIED 5/0**

## 6. Officer's Reports – Corporate Services

### 6.1 CEO's Review of Risk Management, Internal Control and Legislative Compliance and Risk Management Framework

#### Corporate Services



<b>Responsible Officer:</b>	Leah Boehme, EMCS
<b>Author:</b>	As above
<b>Legislation:</b>	<i>Local Government (Audit) Regulations 1996</i>
<b>File Reference:</b>	Nil
<b>Disclosure of Interest:</b>	Nil
<b>Attachments:</b>	<p>CONFIDENTIAL Attachment 6.1A - CEO's Review of Risk Management, Internal Control and Legislative Compliance (Regulation 17 Review)</p> <p>CONFIDENTIAL Attachment 6.1B - Shire of Merredin Risk Profile Summary December 2022 (Risk Dashboard)</p> <p>Attachment 6.1C – Shire of Merredin Risk Management Framework</p>

#### Purpose of Report

Executive Decision

Legislative Requirement

The purpose of this report is to provide the Audit Committee with an update on the Shire's risk management, internal controls and legislative compliance. Completion of this review is a legislative requirement and is monitored by the Compliance Audit Return.

#### Background

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer's (CEO) to review the appropriateness and effectiveness of the local government systems and procedures in relation to risk management, internal control and legislative compliance.

The review may relate to any or all of the matters referred to the sub-regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every three (3) financial years.

The CEO is to report to the Audit Committee the results of that review.

### Comment

The last Regulation 17 Review took place in 2018, with the Audit Committee being presented the report at its December meeting. As it has now been four years since the last review, the Shire is currently non-compliant.

To assist with the review process, the Shire of Merredin has a Risk Management Framework that includes relevant procedures to be followed when assessing and managing risk. There is also a policy (Policy 3.24 – Risk Management), within the Shire of Merredin Policy Manual, which gives further direction. A review of both documents has been concurrently undertaken as part of the Regulation 17 Review and the updated Risk Management Framework is attached for consideration.

The following statements outline the outcome of the Regulation 17 Review:

An internal review of the organisation through the Regulation 17 lens has been invaluable in understanding the current state and needs of the organisation. A concurrent review of the Regulation 17 document, along with the suite of risk related documents has allowed the Executive Management Team to work together to identify key changes that have been implemented since the previous Regulation 17 Review was completed in 2018, and then look for areas requiring development in the future.

The Shire of Merredin has developed an effective risk management system with a number of strategies put in place to assist the Shire in managing risks. Currently, the Shire has a risk management model that includes a Risk Management Framework and Risk Management Policy, however controls have not been reviewed annually, as was intended.

In the previous 12 months, various actions have been completed to monitor and manage risk across the organisation. These have included Audits, completion of the Compliance Audit Return (CAR), submission of required documents to the Department of Local Government, Sport and Cultural Industries, as well as a review of a number of policies and the Delegation Register.

It has been identified that reviews of Shire documents need to occur more regularly, and adding them to the Shire's Compliance Calendar will ensure this occurs.

Early in 2023, a matrix will be developed to capture these areas requiring development and ensure that regular review occurs.

The CEO's Review of Risk Management, Internal Control and Legislative Compliance (Regulation 17 Review) is attached as Attachment 6.1A.

### Policy Implications

Policy 3.24 – Risk Management applies.

### Statutory Implications

Regulation 17 of the *Local Government (Audit) Regulations 1996* applies.

### Strategic Implications

➤ Strategic Community Plan

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Theme: 4. Communications and Leadership  
Service Area Objective: 4.2 - Decision Making  
4.2.2 – The Shire is progressive while exercising responsible stewardship of its built, natural and financial resources  
4.2.3 – The Council is well informed in their decision-making, supported by a skilled administration team who are committed to providing timely, strategic information and advice  
4.4.1 – The Shire is continuously working to maintain efficient communication, providing open, transparent and factual information, through a variety of channels

Priorities and Strategies for Change: Nil

➤ Corporate Business Plan

Key Action: 4.1.1 – Continue to update the Integrated Planning Framework, meet statutory requirements of the Local Government Act and regulations and regulatory obligations required under other regulations

Directorate: Corporate Services

Timeline: Ongoing

**Sustainability Implications**

➤ Strategic Resource Plan

Nil

**Risk Implications**

The Shire of Merredin has a Risk Management Framework that includes relevant procedures to be followed when assessing and managing risk. The framework provides tools that monitor the Shire’s risk profile on a quarterly basis. Due to reduced monitoring and review over the prior period, the reviewed overall risk profile of the Shire is moderate.

**Financial Implications**

Nil

**Voting Requirements**



**Simple Majority**



**Absolute Majority**

**Resolution**

**Moved:**

**Cr McKenzie**

**Seconded: Cr Crook**

**That the Audit Committee:**

**83058**

- 1. RECEIVES the Chief Executive Officer's review of Risk Management, Internal Control and Legislative Compliance, consisting of the Shire of Merredin's Regulation 17 Review, as presented in Attachment 6.1A;**
- 2. RECEIVES the Chief Executive Officer's review of the Shire of Merredin Risk Profile Summary December 2022 (Risk Dashboard), as presented in Attachment 6.1B;**
- 3. RECEIVES the Shire of Merredin Risk Management Framework, as presented in Attachment 6.1C; and**
- 4. RECOMMENDS that Council ADOPT the Chief Executive Officer's Risk Management, Internal Control and Legislative Compliance Review, consisting of the Shire of Merredin's Regulation 17 Review, Shire of Merredin Risk Dashboard and Shire of Merredin Risk Management Framework, as presented in Attachments 6.1A, 6.1B and 6.1C respectively.**

**CARRIED 5/0**



**6.2 Annual Financial Statements 2021/22 - Audit**

**Corporate Services**



<b>Responsible Officer:</b>	Leah Boehme - EMCS
<b>Author:</b>	As above
<b>Legislation:</b>	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>
<b>File Reference:</b>	Nil
<b>Disclosure of Interest:</b>	Nil
<b>Attachments:</b>	Attachment 6.2 A - Auditor's Opinion Package (consisting of Audited Financial Report for the year ending June 30 2022, Audit Opinion, Transmittal Letter to CEO, and Management Response – Shire of Merredin from the Office of the Auditor General for the 2021/22)  Attachment 6.2B - Management Response – Shire of Merredin to the Office of the Auditor General 2021/22.  Attachment 6.2C - Annual Report for the Shire of Merredin 2021/22.

**Purpose of Report**

**Executive Decision**

**Legislative Requirement**

To review and accept the Shire of Merredin Audited Financials and associated documents, as provided by the Office of the Auditor General (OAG), as well as to accept the Annual Report 2021/22 and set the date for the Annual Electors Meeting.

*Note: The final signed off package is expected to be received on 20 December 2022 from the Office of the Auditor General.*

**Background**

According to Section 7.12 (3) of the *Local Government Act 1995*, a local government must

- (aa) examine an audit report received by the local government; and
- (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
- (b) ensure that appropriate action is taken in respect of those matters.

The Annual Financial Statements for the year ended 30 June 2022 have been completed, as has the annual audit of the financial statements by the Shire's auditors, Dry / Kirkness on behalf of the OAG. The Audited Financial Statements and associated audit paperwork is attached.

Comment
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Pursuant to its Instrument of Appointment, it is relevant that the Audit Committee considers the 2021/22 Annual Financial Statement, Auditors Report and Management Letter and where appropriate, makes recommendation/s in respect of these reports to Council.

Pursuant to Section 7.9 of the *Local Government Act 1995*, an Auditor is required to examine the accounts and Annual Financial Report submitted by a local government for audit.

The Auditor is also required, by 31 December 2022 following the financial year to which the accounts and report relate, to prepare a report thereon and forward a copy of that report to:

1. the President;
2. the Chief Executive Officer; and
3. the Minister for Local Government.

Furthermore, in accordance with Regulation 10(4) of the *Local Government (Audit) Regulations 1996*, where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the Act. The Management Report provides an overview of the audit process and outcomes, whilst also identifying any matters that, whilst generally not material in relation to the overall audit of the financial report, are nonetheless considered relevant to the day-to-day operations of Council.

Section 7.12 (4) states; A local government must —

- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
- (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

The Shire of Merredin have two (2) significant findings on the 2021/22 Management Report as per Attachment 6.2B.

Local governments are also required to adopt the Annual Report prior to 31 December each year and conduct an Annual Electors Meeting (AEM) no more than 56 days after adopting that report.

Considering the above legislative timeline, if the 2021/22 Annual Report is adopted at Council's 20 December 2022 meeting, the AEM must be held on or prior to Tuesday, 14 February 2022.

It is therefore proposed to conduct the AEM on the evening of Council's January 2023 meeting (Tuesday, 24 January 2023).

### Discussion with the Auditor

Mr Marius Van Der Merwe of Dry / Kirkness, and Ms Ann Ang of the Auditor General's Office will attend the meeting either in person or by Zoom to provide feedback on the audit and complete the exit meeting.

### Policy Implications

Nil

### Statutory Implications

As per the *Local Government Act 1995*.

### Strategic Implications

#### ➤ Strategic Community Plan

Theme: 4. Communications and Leadership

Service Area Objective: 4.2. Decision Making

Priorities and Strategies for Change: The Shire is progressive while exercising responsible stewardship of its built, natural and financial resources

#### ➤ Corporate Business Plan

Key Action: Nil

Directorate: Nil

Timeline: Nil

### Sustainability Implications

#### ➤ Strategic Resource Plan

Nil

### Risk Implications

Council would be contravening the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* if this item was not considered by the Audit Committee and Council.

### Financial Implications

Nil



### 6.3 Audit Committee – Terms of Reference

## Corporate Services



<b>Responsible Officer:</b>	Leah Boehme - EMCS
<b>Author:</b>	As above
<b>Legislation:</b>	<i>Local Government (Audit) Regulations 1996</i>
<b>File Reference:</b>	Nil
<b>Disclosure of Interest:</b>	Nil
<b>Attachments:</b>	Attachment 6.3A – Draft Terms of Reference

### Purpose of Report

**Executive Decision**

**Legislative Requirement**

The purpose of this report is for the Audit Committee to adopt a 'Terms of Reference' that will guide its decision making and functions in future.

### Background

The Act and Regulations provide that, in relation to the establishment of an audit committee:

- a. Each local government is to establish an audit committee consisting of three or more persons to exercise the powers and discharge the duties conferred on it;
- b. Members of the committee are to be appointed by an absolute majority decision of Council. At least three of the members, and the majority of the members, are to be elected members;
- c. The Chief Executive Officer (CEO) is not to be a member of the committee and may not nominate a person to be a member or have a person to represent him or her as a member of the committee;
- d. An employee is not to be a member of the committee;
- e. The only powers and duties that can be delegated to a committee are any of the powers and duties of the local government under Part 7 of the Act; that is, those relating to audit. The committee cannot on-delegate the powers and duties delegated to it;

- f. An audit committee with a member who is a person that is not an elected member can be delegated powers and duties referred to in (e); and
- g. A decision of the committee is to be made by simple majority.

The role of the Audit Committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

A 'Terms of Reference' ensures that the Audit Committee is functioning within the Act and Regulations and allows for consistency in its decision making.

#### Comment

A draft Terms of Reference is attached as Attachment 6.3A for the consideration of the Audit Committee. If supported by the Committee, it will be referred to Council for adoption.

No previous versions of a Terms of Reference for the Audit Committee were able to be located to provide to the Auditors during the 21/22 Audit process. This has been noted as a 'moderate' finding on the Audit Management Report for the 21/22 financial year.

In bringing the draft Terms of Reference document to this meeting, we are addressing the Management Finding and ensuring it is not a finding in the 22/23 financial year audit.

#### Policy Implications

Nil

#### Statutory Implications

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

#### Strategic Implications

##### ➤ Strategic Community Plan

Theme:	4. Communication and Leadership
Service Area Objective:	4.2. Decision Making 4.2.2. The Shire is progressive while exercising responsible stewardship of its built, natural and financial resources 4.2.3. The Council is well informed in their decision-making, supported by a skilled administration team who are committed to providing timely, strategic information and advice
Priorities and Strategies for Change:	Nil

##### ➤ Corporate Business Plan



## 6.4 Actions – 2020/21 Audit Findings

### Corporate Services



<b>Responsible Officer:</b>	Leah Boehme - EMCS
<b>Author:</b>	As above
<b>Legislation:</b>	<i>Local Government (Audit) Regulations 1996</i>
<b>File Reference:</b>	Nil
<b>Disclosure of Interest:</b>	Nil
<b>Attachments:</b>	Attachment 6.4A – 2020/21 Audit - Actions update – December 2022

#### Purpose of Report

Executive Decision

Legislative Requirement

The purpose of this report is to update the Audit Committee on actions taken to respond to findings from the 2020/21 Audit.

#### Background

At the Audit Committee meeting on Thursday 25 August 2022, the Committee noted the Shire of Merredin response to the Office of the Auditor General in the document 'Management Response – Shire of Merredin'. The Committee also noted that the Audit Committee would receive regular updates on the agreed actions from the response.

#### Comment

An update of the actions taken to date in relation to the 2020/21 Audit findings is presented in Attachment 6.4A.

#### Policy Implications

Nil.

#### Statutory Implications

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

#### Strategic Implications



➤ Strategic Community Plan

Theme: 4. Communication and Leadership

Service Area Objective: 4.2. Decision Making

4.2.2. The Shire is progressive while exercising responsible stewardship of its built, natural and financial resources

4.2.3. The Council is well informed in their decision-making, supported by a skilled administration team who are committed to providing timely, strategic information and advice

Priorities and Strategies for Change: Nil

➤ Corporate Business Plan

Key Action: 4.1.1. Continue to update the Integrated Planning Framework, meet statutory requirements of the Local Government Act and regulations and regulatory obligations required under other regulations

Directorate: Corporate Services

Timeline: Ongoing

**Sustainability Implications**

➤ Strategic Resource Plan

Nil

**Risk Implications**

If the Audit Committee are not provided with updates on the progress of the proposed actions, they will not be able to make informed decisions.

**Financial Implications**

Nil.

**Voting Requirements**



**Simple Majority**



**Absolute Majority**

**Resolution**

**Moved: Cr Patroni**

**Seconded: Cr McKenzie**

**83061**

**That the Audit Committee NOTES the actions taken to address the 2020/21 Audit findings, as presented in Attachment 6.4A.**

**CARRIED 5/0**

## **7. Closure**

There being no further business, the President thanked those in attendance and declared the meeting closed at 8:05pm.

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