



SHIRE OF
MERREDIN
INNOVATING THE WHEATBELT

AGENDA

Audit Committee Meeting

To be held in Council Chambers
Corner King & Barrack Street's, Merredin
Wednesday, 15 November 2023
Commencing 4:00pm



Notice of Meeting



Dear President and Councillors,

The next meeting of the Audit Committee of the Shire of Merredin will be held on Wednesday, 15 November 2023 in the Council Chambers, Corner King & Barrack Streets, Merredin. The format will be:

4:00 pm Audit Committee

Lisa Clack
CHIEF EXECUTIVE OFFICER
14 November 2023

DISCLAIMER

PLEASE READ THE FOLLOWING IMPORTANT DISCLAIMER BEFORE PROCEEDING:

Statements or decisions made at this meeting should not be relied or acted on by an applicant or any other person until they have received written notification from the Shire. Notice of all approvals, including planning and building approvals, will be given to applicants in writing. The Shire of Merredin expressly disclaims liability for any loss or damages suffered by a person who relies or acts on statements or decisions made at a Council or Committee meeting before receiving written notification from the Shire.

The advice and information contained herein is given by and to Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Common Acronyms Used in this Document	
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
4:00pm Wednesday, 15 November 2023



1. Official Opening

2. Record of Attendance / Apologies and Leave of Absence

Councillors:

Cr M McKenzie	President
Cr R Manning	Deputy President
Cr B Anderson	
Cr D Crook	
Cr M Simmonds	

Staff:

L Clack	CEO
L Boehme	EMCS
M Wyatt	EO

Other Attendees:

M Van Der Merwe – Dry Kirkness
A Ang – Office of the Auditor General

Apologies:

Approved Leave of Absence:

3. Public Question Time

Members of the public are invited to present questions about matters affecting the Shire of Merredin and its residents.

4. Disclosure of Interest

5. Confirmation of Minutes of the Previous Meeting

5.1 Audit Committee Meeting held on 17 October 2023
Attachment 5.1A

Voting Requirements


Simple Majority Absolute Majority

Officers Recommendation

That the minutes of the Audit Committee Meeting held on 17 October 2023 be confirmed as a true and accurate record of proceedings.

6. Officer's Reports

6.1 Annual Financial Statements 2022/23 - Audit

<h1>Corporate Services</h1> 	
Responsible Officer:	Leah Boehme, EMCS
Author:	As above
Legislation:	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>
File Reference:	Nil
Disclosure of Interest:	Nil
Attachments:	Attachment 6.1A - Draft Audit Opinion Package (consisting of Draft Opinion, Draft 22/23 Annual Financial Report, and Shire of Merredin – Annual Audit Completion Report 2023) Attachment 6.1B - Draft Management Response – SOM Final Management Letter 2023. Attachment 6.1C - Audit exit meeting with OAG Agenda

Purpose of Report

- Executive Decision
 Legislative Requirement

To review and accept the Shire of Merredin (the Shire) Draft Audited Financials and associated documents, as provided by the Office of the Auditor General (OAG).

Background

According to section 7.12 (3) of the *Local Government Act 1995* (the Act), 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 2023 have been completed, as has the annual audit of the financial statements by the Shire's auditors, Dry Kirkness and by

the OAG. The Draft Financial Statements and associated draft audit documents are attached.

Comment

Pursuant to its Instrument of Appointment, it is relevant that the Audit Committee considers the 2022/23 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 2023 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.

For the 2022/23 financial year, the Shire of Merredin has no financial findings and no significant findings listed on the Draft Management Letter. The Draft Management Letter can be viewed at Attachment 6.1B.

Four moderate findings have been identified relating to the Information Technology (IT) systems of the Shire. These have been categorised under the following headings:

- IT Governance, Policies and Procedures
- Disaster Recovery Plan Testing
- Network Access Management
- Lack of Cyber Security Training

It should be noted that the OAG has focussed on IT during their 2022/23 audits, however this testing has not been completed in previous years. The final audit saw a thorough review of the Shire's IT systems and processes, as per the direction of the OAG. General Computer Controls was highlighted in the OAGs 'Better Practice Guideline,' released 30 June 2023, as

one of fifteen 'entity financial audit file requirements.' This review highlighted the need for the Shire to develop a range of plans and policies to formally manage and monitor IT across the organisation.

Attachment 6.1B highlights what improvement actions the Shire has already commenced in this space, as well as the plans for improvement to be completed moving forward.

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 in person to provide feedback on the audit and complete the exit meeting.

An agenda has been provided by the Dry Kirkness as shown in Attachment 6.1C.

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

∅ Corporate Business Plan

Theme:	Nil
Objective:	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

Voting Requirements

Simple Majority

Absolute Majority

Officers Recommendation

That the Audit Committee:

- 1. RECEIVE the Draft Audit Opinion Package, attached as Attachment 6.1A, including Draft Audited Financial Report for the year ending 30 June 2023, Draft Audit Opinion, Draft Transmittal Letter to CEO, and Management Response – Shire of Merredin from the Office of the Auditor General for the 2022/23 financial year;**
- 2. NOTES the Shire of Merredin draft response to the Office of the Auditor General in the document ‘Management Response – Shire of Merredin,’ attached as Attachment 6.1B, and NOTES the Audit Committee will receive regular updates on the agreed actions; and**
- 3. RECOMMEND Council ENDORSE the Auditor’s Opinion Package, including Audited Financial Report for the year ending 30 June 2023, Audit Opinion, Transmittal Letter to CEO, and Management Response – Shire of Merredin from the Office of the Auditor General for the 2022/23 financial year, once received, subject to there being no significant changes made from the draft documents presented to the Audit Committee.**

6.2 Correction to Prior Publication

Corporate Services



Responsible Officer:	Leah Boehme, EMCS
Author:	As above
Legislation:	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996</i>
File Reference:	Nil
Disclosure of Interest:	Nil
Attachments:	Attachment 6.2A – 2017/18 Shire of Merredin Annual Report Attachment 6.2B – 2017/18 Shire of Merredin – Annual Financial Statement 17.18 (Audited)

Purpose of Report

Executive Decision

Legislative Requirement

As a matter of transparency, and correction of the public record, to notify Council of an error in a section of the Annual Report 2017/18 document publicised by the Shire of Merredin.

Background

In completing the 2022/23 Annual Financials for the Shire of Merredin, an error was discovered with the information published in the Shire of Merredin Annual Report 2017/18 (Attachment 6.2A).

The 2017/18 figures submitted to, and assessed by the Auditor and Office of the Auditor General were correct, so there are no financial implications or prior period errors required to be made. The error has been an administrative one, with the incorrect copy of the financials (containing an incorrect asset valuation) being appended to the published financial report, rather than the correct, audited documents.

Explanation of error:

A late change to the square metre unit value of the roads sub-grade was made in the 2017/18 audit process, as part of the

2017/18 infrastructure asset revaluations. The per unit value was then applied across the subgrade component of the Shire's roads to calculate the total subgrade value. This figure was then used in the calculation of the written down total road values.

It appears the accurate document (Attachment 6.2B), with the correct subgrade unit figure, was signed off by the auditors, however the unaudited financials with an incorrect subgrade figure, were attached to the Annual Report and presented to the Audit Committee and to Council. This is likely a result of an earlier version of the document being used.

The discrepancy between the two documents was an overall difference in depreciated total roads value of \$252,796,614.26.

The correct figure for depreciated total roads was \$133,158,035.00, where the incorrect figure in the publicised document was \$385,954,649.26.

The difference is shown in excerpts from the two documents below:

2017/18 Annual Report:

2017/18 Audited Financials:

	Infrastructure - Roads		Infrastructure - Roads
	\$		\$
Balance at 1 July 2016	272,987,329	Balance at 1 July 2016	272,987,329
Additions	2,281,898	Additions	2,281,898
Depreciation (expense)	(1,894,359)	Depreciation (expense)	(1,894,359)
Transfers		Transfers	
Carrying amount at 30 June 2017	273,374,868	Carrying amount at 30 June 2017	273,374,868
Additions	2,332,353	Additions	2,332,353
Revaluation increments/ (decrements) transferred to revaluation surplus	112,205,450	Revaluation increments/ (decrements) transferred to revaluation surplus	(140,591,164)
Depreciation (expense)	(1,958,022)	Depreciation (expense)	(1,958,022)
Carrying amount at 30 June 2018	385,954,649	Carrying amount at 30 June 2018	133,158,035

As you can see , the 'Revaluation increments/ (decrements) transferred to revaluation surplus' figures were different, which subsequently altered the 'Carrying amount at 30 June 2018.' This did not however, impact on the carry forward or other cash balance of the Shire budget at the time.

Comment

After this matter was identified while conducting the 2022/23 asset revaluations, discussions were held with the Shire auditors on the most appropriate treatment of the publication error.

As the correct figures were assessed by the Auditor and Office of the Auditor General, there are no financial implications or prior period errors that are required to be disclosed, however, it was determined that an item would be brought to the Audit Committee to correct the public record, and transparently explain the difference in the documents.

The difference would be publicly visible if comparing the roads infrastructure carrying value from the 2017/18 and 2018/19 annual reports.

While the published annual report will not be corrected, a note will be made on the annual report landing page on the Shire website to point to this correction.

Policy Implications

Nil

Statutory Implications

As per the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996*.

Strategic Implications

Ø Strategic Community Plan

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.
Priorities and Strategies for Change: Nil

Ø Corporate Business Plan

Theme: Nil
Objective: Nil
Timeline: Nil

Sustainability Implications

Ø Strategic Resource Plan

Nil

Risk Implications

There is no financial implication as a result of the prior publication error, however, to minimise the chance of reputational risk, and on the advice of the Auditors, the Administration have corrected the public record via this report.

Financial Implications

Nil

Voting Requirements

Simple Majority

Absolute Majority

Officers Recommendation

That the Audit Committee:

1. NOTE that the Financial Report 2017/18 included in the publicised Shire of Merredin Annual Report 2017/18 was not the audited version of the annual financials;
2. NOTES this resulted in a reporting difference in depreciated total roads value of \$252,796,614.26 in the 2017/18 Annual Report. The correct figures were published in the 2018/19 Annual Report, and have been used since; and,
3. RECOMMEND that Council note point one and two above.

7. Closure

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