

SHIRE OF
MERREDIN
INNOVATING THE WHEATBELT


MINUTES

Audit Committee Meeting

Held in Council Chambers
Corner King & Barrack Street's, Merredin
Tuesday 28 June 2022
Commencing 1.00pm



| 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 |

| | | | | | | | | | | | | | | | | | | |
|--|--|--|---------------|-----------|-------------|------------------|------------|--|--------------|--|--------------|--|---------|-----|----------|--------|---------|-------|
| <div>Shire of Merredin</div> <div>Audit Committee Meeting</div> <div>1.00pm Tuesday 28 June 2022</div> | |  <div>SHIRE OF MERREDIN</div> <div>INNOVATING THE WHEATBELT</div> | | | | | | | | | | | | | | | | |
| 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 1:04pm. | | | | | | | | | | | | | | | | | |
| 2. | Record of Attendance / Apologies and Leave of Absence | | | | | | | | | | | | | | | | | |
| | <div>Councillors:</div> <table><tr><td>Cr M McKenzie</td><td>President</td></tr><tr><td>Cr L Boehme</td><td>Deputy President</td></tr><tr><td>Cr D Crook</td><td></td></tr><tr><td>Cr R Manning</td><td></td></tr><tr><td>Cr P Patroni</td><td></td></tr></table> <div>Staff:</div> <table><tr><td>L Clack</td><td>CEO</td></tr><tr><td>L Mellor</td><td>A/EMCS</td></tr><tr><td>M Wyatt</td><td>ES/EA</td></tr></table> <div>Members of the Public:</div> <div>Apologies:</div> <div>Approved Leave of Absence:</div> | | Cr M McKenzie | President | Cr L Boehme | Deputy President | Cr D Crook | | Cr R Manning | | Cr P Patroni | | L Clack | CEO | L Mellor | A/EMCS | M Wyatt | ES/EA |
| Cr M McKenzie | President | | | | | | | | | | | | | | | | | |
| Cr L Boehme | Deputy President | | | | | | | | | | | | | | | | | |
| Cr D Crook | | | | | | | | | | | | | | | | | | |
| Cr R Manning | | | | | | | | | | | | | | | | | | |
| Cr P Patroni | | | | | | | | | | | | | | | | | | |
| L Clack | CEO | | | | | | | | | | | | | | | | | |
| L Mellor | A/EMCS | | | | | | | | | | | | | | | | | |
| M Wyatt | ES/EA | | | | | | | | | | | | | | | | | |
| 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 22 March 2022 Attachment 5.1A

Voting Requirements



Simple Majority



Absolute Majority

Resolution

Moved:

Cr Patroni

Seconded:

Cr Boehme


00000

That the minutes of the Audit Committee Meeting held on 22 March 2022 be confirmed as a true and accurate record of proceedings.

CARRIED 5/0

6. Officer's Reports – Corporate Services

6.1 Annual Financial Statements 2020-21 - Audit

| Corporate Services | |  |
|--------------------------------|---|---|
| Responsible Officer: | Lindon Mellor, EMCS | |
| Author: | Lisa Clack, CEO | |
| Legislation: | <i>Local Government Act 1995; Local Government (Audit) Regulations 1996</i> | |
| File Reference: | Nil | |
| Disclosure of Interest: | Nil | |
| Attachments: | Attachment 6.1A – Excerpt of Management Letter with Management Comment Attachment 6.1B – Shire of Merredin Financial Report 2020-21 (<i>OAG approved distribution to Audit Committee with status that there may be further changes after the review of the Auditor's Report Signing Officer</i>). Attachment 6.1C (Confidential) – Annual Financial audit Exit Brief Year Ending 30 June 2021 | |

Purpose of Report



Executive Decision



Legislative Requirement

Background

The annual financial statements for the year ended 30 June 2020 have been completed, as has the annual audit of the financial statements by Council's auditors, Audit Partners, on behalf of the Office of the Auditor General.

The statements are attached.

Comment

Local governments are required to adopt the annual report prior to 31 December each year and conduct an annual electors meeting (AEM) not more than 56 days after adopting the report.

The Shire of Merredin has not met this timeline for the 2020/21 financial year due to delays in the annual audit. The Audit Committee has previously received correspondence

from the Office of the Auditor General explaining the Shire is one of several where the audit has been delayed for the 20/21 year.

It is proposed the 2020-21 Annual Report be adopted at Council's July 2022 meeting, however it is proposed to receive the Audit Report prior to the end of this financial year.

There are two issues noted in both the Management Letter and the Draft Audit Report, for Council to prepare a report addressing the action it has taken or intends to take and provide a copy to the Minister:

- Approval of credit card transactions. Credit card transactions were only signed off by card holders and not reviewed independently by a second senior staff member. Management note: This has now been implemented.
- Accounting journal entries were posted by one employee, with no evidence of review by second employee. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved. This issue has been continually identified since 2019 (with some issues dating back to 2016). Council was advised in June 2021 this was resolved, however was not an embedded change. This process has now been started again in 2022.

Other moderate/minor findings related to the following:

- Risk of changes to employee master file
- Some purchase orders dated after invoice dates
- Review of bank reconciliations
- Employment pay rate letters.

The findings and management letter with Management Comment is attached as attachment 6.1A.

Pursuant to its Instrument of Appointment, it is relevant that the Audit Committee considers the 2020-21 Annual Financial Statement, Auditors Report and Management Letter and where appropriate, makes recommendations in respect of these reports.

In accordance with Section 7.9 of the Local Government Act 1995 (the 'Act'), 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 following the financial year to which the accounts and report relate, to prepare a report thereon and forward a copy of that report to: the Mayor or President; the Chief Executive Officer; and the Minister for Local Government.

Additionally, under Regulation 10(4) of the Local Government (Audit) Regulations 1996, 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 relevant to the day-to-day operations of Council.

Operationally, the audited financial statements and a series of audited financial grant acquittals are required to be submitted to a number of Federal Government bodies in order for the Shire to retain allocated grant funding, including one which is the reimbursement for works completed.

As this gives a short turn around prior to the end of financial year, it is recommended the audit committee receives and recommends the acceptance of the 2020/21 audited financials to Council, and then holds a subsequent meeting to discuss the management actions and findings from the report on Tuesday 5th July, with further recommendation to Council if required.

The Administration has met with the auditors appointed to the Shire for the 2021/22 financial year (Butler Settineri) and the audit entrance meeting is also proposed to be held on 5th July to set the 2021/22 timeline and discuss outstanding actions. The auditor will attend in person.

The remaining implications for the audit findings will be covered at the meeting of 5 July 2022.

Discussion with the Auditor

Representatives of Audit Partners, and the Office of the Auditor General attended a meeting with the administration by video conference on Monday 27 June 2022, as the exit meeting for the 2020/21 audit.

Discussions with the OAG have indicated that due to the lateness of the audit and management actions, Council should be aware there are likely to be similar findings for at least part of 2021/22 when the audit is completed.

The representative from the Office of the Auditor General has asked that Council's attention be drawn to item 27 – 30 of the statements (Attachment 6.1B), correction of errors / restatement in prior financial years, as these have had a material impact, including on some of the reported financial ratios. It should also be noted for Attachment 6.1B the OAG has approved distribution to Audit Committee with status that there may be further changes after the review of the Auditor's Report Signing Officer, which will occur once the Audit Committee have received this report and financials.

Policy Implications

Nil

Statutory Implications

Section 5.27 of the Local Government Act 1995 states that a general meeting of electors is to be held once every financial year on a day selected by the local government but not more than 56 days after the adoption of the annual report.

Section 5.29 of the Local Government Act 1995 states that the CEO is to convene an electors' meeting by giving 14 days local public notice.

Strategic Implications

➤ [Strategic Community Plan](#)

| | |
|---------------|---|
| Theme | Zone 4 – Communication and Leadership |
| Service Area: | 4.1. Community Engagement |
| Objectives: | 4.1.1. The Shire regularly engages with its community and, in return, communicates the information gathered in a clear and transparent manner |

➤ [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

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

Resolution

Moved: Cr Boehme Seconded: Cr Patroni

That the Audit Committee;

- 00000
1. RECEIVES the Auditor's Report and Management Report for the 2020-21 financial year;
 2. RECOMMENDS the receipt of the Auditor's Report and Management Report for the 2020-21 financial year to Council; and
 3. NOTES the subsequent Audit Committee meeting scheduled for Tuesday 5th July 2022 will consider the findings and subsequent actions.

CARRIED 5/0

20. Closure

There being no further business, the President thanked those in attendance and declared the meeting closed at 1:50pm

This page has intentionally
been left blank