



# MINUTES

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## Audit Advisory Committee

COUNCIL CHAMBERS, 15 ADAM STREET, NANNUP

FRIDAY, 19 MAY 2023, COMMENCING AT 4.00 PM.

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## 1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS/ACKNOWLEDGEMENT OF COUNTRY:

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Shire President declared the meeting open at 4.00pm.

Shire President acknowledged the traditional custodians of the land, the Wardandi and Bibbulmun people; paying respects to Elders past, present and emerging.

## 2. ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE:

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<i>COUNCILLORS:</i>	
Cr Tony Dean (Shire President)	Cr Vicki Hansen (Deputy President)
Cr Cheryle Brown	Cr Chris Buckland
Cr Patricia Fraser	Cr Ian Gibb
Cr Charles Gilbert	Cr Robert Longmore
<i>STAFF:</i>	
Kellie Jenkins – Acting Chief Executive Officer	Sarah Dean – Governance, Risk & Assurance Officer

## 3. PUBLIC QUESTION TIME:

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Nil.

## 4. ANNOUNCEMENTS FROM PRESIDING MEMBER:

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Nil.

## 5. DECLARATIONS OF INTEREST:

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Nil.

**6. REPORTS OF OFFICERS:**

<b>MOVED CR BUCKLAND</b>	<b>SECONDED CR BROWN</b>
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*That Standing Orders be suspended to allow for discussion on all agenda items.*

**CARRIED (8/0)**

<b>MOVED CR BROWN</b>	<b>SECONDED CR BUCKLAND</b>
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*That Standing Orders be resumed to allow for voting on all agenda items.*

**CARRIED (8/0)**

AGENDA NUMBER & SUBJECT:	6.1 – Audited Annual Financial Report for the year ended 30 June 2022
LOCATION/ADDRESS:	Shire of Nannup
NAME OF APPLICANT:	Shire of Nannup
FILE REFERENCE:	ADM 17
AUTHOR:	Kellie Jenkins – Manager Corporate Services/ Deputy Chief Executive Officer
REPORTING OFFICER:	Kellie Jenkins – Manager Corporate Services/ Deputy Chief Executive Officer
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	05 May 2023
ATTACHMENTS:	6.1.1 - Financial Report for the Year Ended 30 June 2022 6.2.2 - Office of the Auditor General's Report on its Audit of the Shire of Nannup Financial Statements

**PURPOSE OF REPORT:**

To present to the Audit Advisory Committee, the audited Annual Financial Report for the year ended 30 June 2022.

**BACKGROUND:**

The Office of the Auditor General (OAG) has completed the audit of the Shire's financial statements for the financial year ended 30 June 2022. Following the audit, the OAG has concluded that the financial report:

- is based on proper accounts and records

- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

The Shire's Financial Report for the Year Ended 30 June 2022 is attached as Attachment 6.1.1 and the Auditor's opinion on the report is attached as Attachment 6.1.2.

#### **COMMENT:**

The Shire has received a qualified audit opinion from the OAG on the following basis.

#### **Basis for qualified opinion**

Infrastructure reported at the carrying value of \$100,707,176 in the financial report as at 30 June 2022 has not been revalued as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 since 2016-17. Consequently, I was unable to determine the extent to which the carrying amount of Infrastructure is misstated, as it was impracticable to do so. Additionally, I am unable to determine whether there may be any consequential impact on Revaluation Surplus and Note 21 (d) Total Assets by Function and Activity.

I conducted my audit in accordance with Australia Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **STATUTORY ENVIRONMENT:**

Section 7.12A(3) of the *Local Government Act 1995* requires a local government to examine the report of the auditor and determine if any matters raised in the report require action to taken.

#### **POLICY IMPLICATIONS:**

Nil

#### **FINANCIAL IMPLICATIONS:**

Nil

**STRATEGIC IMPLICATIONS:**

Nil

**VOTING REQUIREMENTS:**

Simple Majority.

**OFFICER RECOMMENDATION:**

That the Audit Advisory Committee recommends Council;

1. Receives the audited Annual Financial Report for the year ended 30 June 2022, attached as Attachment 6.1.1.
2. Receives the Office of the Auditor's General Report on its Audit of Council's Financial statements, attached as Attachment 6.1.2.

<b><i>MOVED CR HANSEN</i></b>	<b><i>SECONDED CR FRASER</i></b>
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***That the Audit Advisory Committee recommends Council;***

1. ***Receives the audited Annual Financial Report for the year ended 30 June 2022, attached as Attachment 6.1.1.***
2. ***Receives the Office of the Auditor's General Report on its Audit of Council's Financial statements, attached as Attachment 6.1.2.***

***CARRIED (8/0)***

AGENDA NUMBER & SUBJECT:	6.2 – 2022 Compliance Audit Return
LOCATION/ADDRESS:	Not applicable
NAME OF APPLICANT:	N/A
FILE REFERENCE:	ADM 14
AUTHOR:	Sarah Dean – Governance, Risk & Assurance Officer
REPORTING OFFICER:	Kellie Jenkins – Manager Corporate Services / Deputy Chief Executive Officer
DISCLOSURE OF INTEREST:	N/A
DATE OF REPORT:	13 March 2023
ATTACHMENT:	6.2.1 - 2022 Compliance Audit Return

### **PURPOSE OF REPORT:**

To provide the Audit Advisory Committee with the Shire of Nannup's (Shire) 2022 Compliance Audit Return (CAR).

### **BACKGROUND:**

Western Australian local governments are required to complete an annual Compliance Audit Return (CAR) in accordance with the provisions of the *Local Government (Audit) Regulations 1996 (Regulations)*.

The CAR is to be submitted to the Department of Local Government, Sport and Cultural Industries (Department) by 31 March 2023.

The period examined by this audit is 1 January 2022 to 31 December 2022. The completed return is required to be:

- Reviewed by the Audit Advisory Committee
- Considered and adopted by Council
- Certified by the Shire President and Chief Executive Officer following Council adoption, and
- Submitted together with a copy of the Council Minutes to the Department by 31 March 2023.

The CAR assists the Shire to monitor legislative compliance by examining a range of prescribed requirements under Regulation 13 of the Regulations in detail.

The draft 2022 Compliance Audit Return is attached for the Audit Advisory Committee's review and report to Council.

**COMMENT:**

A desktop audit was conducted to complete 2022 CAR. All supporting evidence of compliance was found within, and extracted from, the Shire's information management system (ECM). In instances where evidence could not be located in ECM, relevant officers were requested to provide necessary information.

The 2022 CAR comprised of 94 questions, grouped into 11 categories of which:

- 52 were complied with;
- 40 were not applicable to the Shire of Nannup during the year under review, and;
- 2 matters were deemed to be non-compliant.

The 2 areas of non-compliance detected:

**Finance**

**Question 3** – Was the auditor's report for the financial year ended 30 June 2022 received by the local government by 31 December 2022?

**Comment** – The auditor's report was held up by the Office of the Auditor General and therefore was not adopted by Council by 31 December 2022. This delay was not caused by Shire of Nannup administration officers and has been a common theme since the appointment of the Auditor General.

**Other**

**Question 8** – By 30 September 2022, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2022?

**Comment** – A ministerial extension for submission was granted pre 30 September 2022.

**STATUTORY ENVIRONMENT:**

Section 7.13(1)(i) of the *Local Government Act 1995* requires local governments to carry out an audit of compliance with statutory requirements prescribed in the *Local Government (Audit) Regulations 1996*.

Regulation 13 of the *Local Government (Audit) Regulations 1996* sets out the statutory requirements which may be included in the compliance audit.

Regulation 14 provides that the Compliance Audit is for the period 1 January to 31 December in each year and that after carrying out the audit, the local government is to prepare a Compliance Audit Return in the form approved by the Minister for Local Government.

The local government's Audit Committee is then to review the Compliance Audit Return and is to report the results to that review to Council, for adoption.

Regulation 15 requires that after Council has adopted the Return, it must be certified by the Shire President and the Chief Executive Officer, and submitted to the Director General of the Department of Local Government, Sport and Cultural Industries with a copy of the relevant Council Minutes, by 31 March following the period to which the return relates.

**POLICY IMPLICATIONS:**

Nil.

**FINANCIAL IMPLICATIONS:**

Nil.

**STRATEGIC IMPLICATIONS:**

Nil.

**VOTING REQUIREMENTS:**

Simple Majority.

**OFFICER RECOMMENDATION:**

That with respect to the 2022 Compliance Audit Return, the Audit Committee:

1. Note the two areas of non-compliance;
2. Endorse the 2022 Compliance Audit Return; and
3. Submit a certified copy to the Director General of the Department of Local Government, Sport and Cultural Industries.

***MOVED CR BUCKLAND***

***SECONDED CR LONGMORE***

***That with respect to the 2022 Compliance Audit Return, the Audit Committee:***

- 1. Note the two areas of non-compliance;***
- 2. Endorse the 2022 Compliance Audit Return; and***
- 3. Submit a certified copy to the Director General of the Department of Local Government, Sport and Cultural Industries.***

***CARRIED (8/0)***

AGENDA NUMBER & SUBJECT:	6.3 – Regulation 17 Risk Management Review
LOCATION/ADDRESS:	Shire of Nannup
NAME OF APPLICANT:	Shire of Nannup
FILE REFERENCE:	ADM 17
AUTHOR:	Sarah Dean – Governance, Risk & Assurance Officer
REPORTING OFFICER:	David Taylor – Chief Executive Officer
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	30 March 2023
ATTACHMENTS:	6.3.1 - Report prepared by Paxon titled “Regulation 17 Review”

### BACKGROUND:

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer (CEO) to review the appropriateness and effectiveness of their local government’s systems and procedures in relation to risk management, internal control, and legislative compliance no less than once every three financial years.

Regulation 16(c) of the *Local Government (Audit) Regulations 1996* requires the Audit Advisory Committee to review a report given to it by the CEO under Regulation 17(3) of the *Local Government (Audit) Regulations 1996*.

### COMMENT:

A review of the Shire of Nannup’s (Shire) systems and procedures in relation to risk management, internal control, and legislative compliance was due in 2022. In December 2021 the Shire sought quotes from audit firms to undertake this review and appointed Paxon Group (Paxton) to undertake this work.

Paxon commenced its audit in January 2022 and submitted its final report 30 March 2023. The report was expected to be completed by 30 June 2022, however, was delayed for several reasons including illnesses (Shire staff and Auditors) and staff changes.

The timing of completion of the report meant that it could not be presented to the Audit Advisory Committee and Council in 2022. The report is therefore presented to the first meeting of the Audit Advisory Committee in 2023.

A copy of the review undertaken by Paxon is attached as Attachment 6.3.1.

**STATUTORY ENVIRONMENT:**

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

**POLICY IMPLICATIONS:**

Nil

**FINANCIAL IMPLICATIONS:**

Nil

**STRATEGIC IMPLICATIONS:**

Nil

**VOTING REQUIREMENTS:**

Simple Majority.

**OFFICER RECOMMENDATION:**

That the Audit Advisory Committee resolves to recommend that Council receives the Chief Executive Officer's triennial review of the appropriates and effectiveness of the Shire's systems and procedures in relation to risk management as detailed in Attachment 6.3.1.

**MOVED CR BROWN**

**SECONDED CR GIBB**

***That the Audit Advisory Committee resolves to recommend that Council receives the Chief Executive Officer's triennial review of the appropriates and effectiveness of the Shire's systems and procedures in relation to risk management as detailed in Attachment 6.3.1.***

***CARRIED (8/0)***

AGENDA NUMBER & SUBJECT:	6.4 – Regulation 5 Financial Management Review
LOCATION/ADDRESS:	Shire of Nannup
NAME OF APPLICANT:	Shire of Nannup
FILE REFERENCE:	ADM 17
AUTHOR:	Sarah Dean – Governance, Risk & Assurance Officer
REPORTING OFFICER:	David Taylor – Chief Executive Officer
DISCLOSURE OF INTEREST:	Nil
DATE OF REPORT:	13 May 2023
ATTACHMENTS:	6.4.1 - Report prepared by Paxon titled “Regulation 5 Internal Audit Review”

### **BACKGROUND:**

Regulation 5 of the *Local Government (Financial Management) Regulations 1996* (Regulations) requires the Chief Executive Officer (CEO) to review the appropriateness and effectiveness of the City’s systems and procedures in relation to financial management.

The reviews are required to be undertaken at least once every three years. The Regulations require a report on the results of a review undertaken to be reported to the local government’s Audit Advisory Committee and Council.

### **COMMENT:**

A review of the Shire of Nannup’s (Shire) systems and processes in relation to financial management was due in 2022. In December 2021 the Shire sought quotes from audit firms to undertake this review and appointed Paxon Group (Paxton) to undertake this work.

Paxon commenced its audit in January 2022 and submitted its final report 9 May 2023. The report was expected to be completed by 30 June 2022, however, was delayed for several reasons including illnesses (Shire staff and Auditors), staff changes, and an overlap between this audit and the Officer of the Auditor General’s audit of the Shire’s financial statements.

The timing of completion of the report meant that it could not be presented to the Audit Advisory Committee and Council in 2022. The report is therefore presented to the first meeting of the Audit Advisory Committee in 2023.

A copy of the review undertaken by Paxon is attached as Attachment 6.4.1.

**STATUTORY ENVIRONMENT:**

Regulation 5(2) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer (CEO) to review the appropriateness and effectiveness of the Shire's systems and procedures in relation to financial management at least once every three financial years. The results of that review are to be presented to the Audit Advisory Committee and Council.

**POLICY IMPLICATIONS:**

Nil

**FINANCIAL IMPLICATIONS:**

Nil

**STRATEGIC IMPLICATIONS:**

Nil

**VOTING REQUIREMENTS:**

Simple Majority.

**OFFICER RECOMMENDATION:**

That the Audit Advisory Committee resolves to recommend that Council receives the Chief Executive Officer's triennial review of the appropriateness and effectiveness of the Shire's financial management systems and procedures as detailed in Attachment 6.4.1.

**MOVED CR HANSEN**

**SECONDED CR LONGMORE**

***That the Audit Advisory Committee resolves to recommend that Council receives the Chief Executive Officer's triennial review of the appropriateness and effectiveness of the Shire's financial management systems and procedures as detailed in Attachment 6.4.1.***

***CARRIED (8/0)***

**9. CLOSURE OF MEETING:**

Cr Dean declared the meeting closed at 4.29 pm.