



murchisonshire

Ancient land under brilliant skies

Agenda for the Meeting of the

Murchison Shire Council Audit Committee

To be held in the Council Chambers, Carnarvon Mullewa Road, Murchison,
on Thursday **22 October 2020**, commencing at 10:30am

- Purpose To consider the following
- ~ Interim Audit Results for the 2019/20 Annual Financial Report
 - ~ Chief Executive Officers Review of the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance.

Ancient land under brilliant skies

TABLE OF CONTENTS

1	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS	3
2	RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE	3
3	CONFIRMATION OF MINUTES	3
4	ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION.....	3
5	CEO REPORTS	4
	5.1 Interim Audit Results 2019-20 Annual Financial Report.....	4
	5.2 Audit Regulation Section 17 Review	6
6	URGENT BUSINESS	8
7	MEETING CLOSURE.....	8

ATTACHMENTS

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

2 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

Councillors

R Foulkes-Taylor – President
A Whitmarsh – Deputy President
Cr Q Fowler

Staff

Bill Boehm – CEO
Tatjana Erak – DCEO

Observers

Cr E Foulkes-Taylor
Cr G Mead
Cr P Squires

3 CONFIRMATION OF MINUTES

Background

Minutes of the Audit Committee Meeting of Council have previously been circulated to all Audit Committee Members

Recommendation

That the minutes of the Audit Committee meeting held on Thursday **26 March 2020** be confirmed as an accurate record of proceedings.

Voting Requirements

Simple Majority

Committee Decision		
Moved: Cr	Seconded: Cr	
Carried/Lost	For	Against

4 ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION

Nil

5 CEO REPORT

5.1 Interim Audit Results 2019-20 Annual Financial Report

File:	2.1
Author:	Bill Boehm – Chief Executive Officer
Interest Declared:	No interest to disclose
Date	16 October 2020
Attachments:	5.1.1 OAG Interim Audit Results 2020 Annual Financial Report

Matter for Consideration

The Audit Committee to consider the letter dated 21 September 2020 received from Office of the Auditor General (OAG) in relation to the Interim Audit Results for the 2019/20 Annual Financial Report.

Background

During May 2020 Mr Dominic Zappa and Ms Volha Romanchik of RSM Australia, acting as a contractor to the OAG, undertook the interim audit for the year ending 30th June 2020. In the normal course of events this would have constituted an onsite visit but due to the COVID-19 pandemic this was conducted by a combination of Council staff uploading various documents to a dedicated portal, answering telephone and email queries and meetings held by Microsoft Teams.

Their findings are contained in the attached letter which details the Interim Audit Results for 2020 Annual Financial Report for the Committee's consideration. Also included is our response to the findings.

Comment

As indicated in the attachments to the OAG's letter each "finding" has been listed. Each finding has been rated with definitions for each also provided but the key to each issue raised relates to the level of risk to which the entity is exposed "*if no action is taken*".

Significant	only occurs if the finding is not addressed promptly
Moderate	only warrants action "as soon as practicable"
Minor	not of primary concern but still warrants action

The DCEO's management comments within the attachments to the OAG letter explain circumstances surrounding each issue and are more related to resource and issues, not any substantive operational failure. Where rectifying action is required this is generally of a minor nature and either has been undertaken or will be within an acceptable time frame such that the "*potential*" risk is eliminated.

Statutory Environment

Only sections relevant to this item are shown

Local Government Act 1995

s7.9 *Audit to be conducted*

- (1) *An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —*
- (a) *the mayor or president; and*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*

Local Government Audit Regulations

s16 *Functions of audit committee*

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;**
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*

Strategic Implications

Nil

Policy Implications

Nil

Financial Implications

Nil

Consultation

CEO and DCEO, RSM Australia, Moore Stephens

Recommendation

That the Audit Committee report to the 22 October 2020 Ordinary Meeting of Council recommending that Council receive and note the OAG's Interim Audit Results 2020 Annual Financial Report letter dated 21 September 2020 in relation to the interim phase of their audit for the year ending 30 June 2020.

Voting Requirements

Simple Majority

Committee Decision

Moved: Cr

Seconded: Cr

Carried/Lost

For

Against

5.2 Audit Regulation Section 17 Review

File:	2.2
Author:	Bill Boehm – Chief Executive Officer
Interest Declared:	No interest to disclose
Date	16 October 2020
Attachments:	5.2.1 Risk Dashboard Report October 2020 5.2.2 Risk Management Governance Framework 5.2.3 Risk Dashboard Report Summary 2014-2020

Background

The Local Government (Audit) Regulations requires the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance. This review must be undertaken by the CEO every three financial years and the results reported to the Audit Committee, who in turn must report their considerations of the review to Council.

The last review was presented to the Audit Committee on the 16 December 2016, who in turn reported on it the same day to Council.

Prior to that on 18 December 2014 Council adopted the Audit Committees and adopted a Risk Management Policy and Procedures (Risk Management Framework), which sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. A copy is attached. This includes detailed explanation and definitions that underpin the evaluation and rating.

Broadly, the Policy states that Risk Management will form part of the Strategic, Operational, Project and Line Management accountabilities and that every employee within the Shire is recognised as having a role in risk management, from the identification of risks to implementing risk treatments. The Risk Management Framework is to be reviewed for appropriateness and effectiveness at least every four years.

Comment

This is the third Audit Regulation 17 Review. It considered that given the financial and resource constraints faced by the Shire, the controls that are in place are adequate and effective, minimising the risks to the Shire. In addition, the review identified areas of improvement and the actions to be taken to achieve that improvement.

The attached Risk Dashboard Report identifies risk profiles for 15 themes across the areas of risk management, internal control and legislative compliance, listing actions to be taken to reduce risk and/or improve control, by either due date.

Under each of the 15 Risk Profiles comments have been provided to illustrate the rationale behind the rating and where applicable providing comment as on previous actions that were identified as part of the 2016 review and where appropriate providing some explanation.

As a broad overview a summary of all three Risk Dashboard Reports for 2014-2020 has been provided as attached. As indicated there has been steady improvement to what in all likelihood will be a stable level moving forward

A few points to note:

- 1 The review needs to be always recognised within the context of the size and nature of the Shire, the availability and skills of our small staff and the many competing priorities that invariably impinge on the available time required to address each area. In this instance the current Senior Management Team has only been in place for a little over 12 months, hence the slight delay in undertaking the review.
- 2 Over the past three years there has been a steady improvement across the board even though in most cases the ratings have remained relatively static. Given the nature of the Risk Matrix and definitions, this is unlikely to appreciably change but nevertheless shows a sound picture.
- 3 In 2016 the then only profile that was identified as being High Risk was Asset Sustainability. Principally this was then because Council, had have become aware of that since Asset Sustainability Ratios had been included in the Annual Financial Report and we needed to review our asset management practices over the next year to ensure that we can maintain/replace what we already have and to ensure that depreciation rates have been set to reflect the true useful remaining life and residual value of our assets.

Essentially this view was then formed using only one criterion, ie Asset Sustainability Ratios. As indicated in the relevant commentary there are a raft of other factors that have far more relevance to our situation and when examined collectively more than justify a revised rating in the 2020 Review as being more accurate. Further actions to improve this have also been outlined.

Statutory Environment

Only sections relevant to this item are shown

Local Government (Audit) Regulations 1996

s16 Audit committee, functions of

An audit committee —

- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
- (i) report to the council the results of that review;*
 - and*
 - (ii) give a copy of the CEO's report to the council.*

s17 CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
- (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 3 financial years.*
- (3) The CEO is to report to the audit committee the results of that review.*

Strategic Implications

Nil

Policy Implications

Refer Risk Management Policy and Procedures adopted December 2014.

Financial Implications

Nil. If this review was to be undertaken in conjunction with a third party consultant a significant would needed to have been included in the budget in the year that the review is due.

Consultation

CEO and DCEO

Recommendation

That the Audit Committee, having reviewed the Chief Executive Officers Audit Regulation Review Report in relation to the Regulation 17 Review of the Councils local government systems, report to the 22 October 2020 Ordinary Meeting of Council recommending that Council receive and note the Chief Executive Officers such Report.

Voting Requirements

Simple Majority

Committee Decision		
Moved: Cr	Seconded: Cr	
Carried/Lost	For	Against

6 URGENT BUSINESS

Nil

7 MEETING CLOSURE

The Shire President closed the meeting at.