



Shire of Irwin Audit Committee Meeting

to be held in the Council Chambers

Tuesday, 5 April 2022

at 4.00pm

Agenda

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS
2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

Members

Cr I Scott (<i>Chairperson</i>)	Shire of Irwin Councillor
Cr M Leonard (<i>Deputy Chairperson</i>)	Shire of Irwin Councillor
Cr G Eva	Shire of Irwin Councillor

Staff

Mr S D Ivers	Chief Executive Officer
Mrs D K Chandler	A/Manager Corporate & Community
Ms S J Clarkson	A/Senior Finance Officer
Ms N A M'Leane	Development & Executive Officer

Apologies

Guests

3. CONFIRMATION OF MINUTES

3.1. Minutes of the Audit Committee Meeting held Tuesday, 17 March 2022

A copy of the minutes of the Audit Committee Meeting held 17 March 2022 have been provided to all Committee Members under separate cover.

COMMITTEE MOTION:

MOVED: Cr _____

SECONDED: Cr _____

That the Minutes of the Audit Committee Meeting, held 17 March 2022, be confirmed as a true and accurate recording of that meeting.

4. NEW BUSINESS ITEMS

4.1. 2020/21 Annual Financial Statements and Independent Audit Report

Pitcher Partners, on behalf of the Office of the Auditor General, has completed the audit of the 2020/21 Annual Financial Statements. In the auditor's opinion, the financial report of the Shire of Irwin is based on proper accounts and records and fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

In accordance with the *Local Government (Audit) Regulations 1996* the auditor considers the following material matters indicate a significant adverse trend in the financial position of the Shire:

- The Operating Surplus Ratio as reported in Note 32 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' (DLGSCI's) standard of 0.01 for the last three financial years; and
- The Asset Sustainability Ratio as reported in Note 32 of the annual financial report is below the DLGSCI's standard of 0.90 for the last three financial years.

The Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

Attachments

- 4.1.1 Audited Financial Statements
- 4.1.2 Independent Audit Opinion
- 4.1.3 Interim Management Letter
- 4.1.4 Final Management Letter

Internal controls were also audited for 2020/21. There were no significant matters identified, only the following four findings with a moderate rating:

1. Bank Signatories

The Shire President was initially set up as a backup signatory. This has now been updated and Management Policy MP27 is being developed to ensure periodical review of bank signatories along with a procedure.

2. Supplier Masterfile audit trail report

Currently no formal process to periodically review the supplier masterfile audit trail report. Management Policy MP27 is being developed to ensure ongoing periodical review.

3. Review of developer contributions

Developer contributions liability balance of \$140,508 at 30 June remained unchanged from the previous year. High proportion relates to contributions dated between 1997 and 2009. In the absence of periodical review, there is a risk of incorrect revenue and liability recognition which can result in non-compliance with accounting standards. The balance of the developer contributions liability is now \$109,177 with further review as part of 2022/23 budget preparation. In addition, Management Policy MP27 is being developed to ensure ongoing periodical review of developer contributions.

4. Long outstanding trade and rates debtors

Currently holding a high proportion of long-outstanding trade and rates debtor balances at 30 June. In the absence of review, there is an increased risk to cashflow and may require in financial loss long-term. Management Policy MP27 is being developed to ensure periodical review of all outstanding debts and ensure recovery as per per Council Policy CP14 Debt Recovery.

Management Policy MP27 – Internal Audits is currently in draft format with the aim to implement by 30 June 2022.

COMMITTEE MOTION:

MOVED: Cr _____

SECONDED: Cr _____

That the Shire of Irwin Audit Committee receives the information provided in the 2020/21 Annual Financial Statement and Independent Audit Report, provided as Attachments 4.1.1 and 4.1.2 respectively.

4.2. Office of the Auditor General (OAG) Independent Audit 2020/21 – Significant Matters Report

The Shire of Irwin's audit for the year ended 30 June 2021 was completed by Pitcher Partners on behalf of the Office of the Auditor General (OAG) and identified the following significant matters:

- The Operating Surplus Ratio as reported in Note 32 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' (DLGSCI's) standard of 0.01 for the last three financial years; and
- The Asset Sustainability Ratio as reported in Note 32 of the annual financial report is below the DLGSCI's standard of 0.90 for the last three financial years.

The Shire is required to prepare a report for the Audit Committee and seek Council's endorsement before forwarding a copy to the Department. This report has been prepared for the Audit Committee's consideration – please refer to Attachment 4.2.

The purpose of the report (Attachment 4.2.1) is to comply with Section 7.12A(4) (5) of the *Local Government Act 1995* which states that 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.

(5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

COMMITTEE RECOMMENDATION TO COUNCIL:

MOVED: Cr _____

SECONDED: Cr _____

That Council:

- (a) endorses the Office of the Auditor General (OAG) Independent Audit 2020/21 – Significant Matters Report, provided as Attachment 4.2.1.**
- (b) approves the Chief Executive Officer to provide a copy of the report to the Minister before 28 June 2022; and**
- (c) approves the Chief Executive Officer to publish the report on the Shire of Irwin website.**

5. GENERAL BUSINESS

Nil.

6. URGENT BUSINESS APPROVED BY CHAIR OR BY COMMITTEE DECISION

Nil.

7. SETTING OF FUTURE MEETING DATES

8. CLOSURE