



AUDIT AND RISK COMMITTEE MEETING

MINUTES

18 JANUARY 2023

These minutes were confirmed by Audit and Risk Committee as a true and correct record of proceedings by the Audit and Risk Committee Meeting held on 9/13/23

Presiding Member:  Date: 9/13/23

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1.01.23 DECLARATION OF OPENING / ATTENDANCE

The Chief Executive Officer declared the Meeting open at 5.02pm.

The Chief Executive Officer advised that the Audit & Risk Committee has overlooked the formal election of a Presiding and Deputy Presiding Member. This oversight will now be corrected with the conduct of elections for these positions.

2.01.23 ELECTION OF PRESIDING MEMBER AND DEPUTY PRESIDING MEMBER

2.01.23.01 ELECTION OF PRESIDING MEMBER

File No:	GOV022C
Date of Meeting:	5 th July 2022
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Gary Sherry – Chief Executive Officer
Authorising Officer:	Gary Sherry – Chief Executive Officer
Declaration of Interest:	The author and authorising officer do not have an interest in this item
Voting Requirements:	N/A

Summary of Item:

The Audit & Risk Committee is to elect a Presiding Member.

Description of Proposal:

In accordance with Schedule 2.3 of the Local Government Act 1995, written nominations for the office of Presiding Member for the next two years are to be addressed to the Chief Executive Officer.

Nomination forms are enclosed with Committee Members Agenda Package for the purpose. If a Committee Member is nominated by another Committee Member, the nominee must advise the Chief Executive Officer orally or in writing that he/she is willing to be nominated for the office.

Should there be two or more nominees, a secret ballot will be conducted to determine the holder of the office.

Background: Nil

Consultation: Nil

Statutory Environment:

Local Government Act 1995

5.12. Presiding members and deputies, election of

- (1) The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1 as if the references in that Schedule —
 - (a) to “office” were references to “office of presiding member”; and
 - (b) to “council” were references to “committee”; and
 - (c) to “councillors” were references to “committee members”.

- (2) The members of a committee may elect a deputy presiding member from amongst themselves but any such election is to be in accordance with Schedule 2.3, Division 2 as if the references in that Schedule —
 - (a) to “office” were references to “office of deputy presiding member”; and
 - (b) to “council” were references to “committee”; and
 - (c) to “councillors” were references to “committee members”; and
 - (d) to “mayor or president” were references to “presiding member”.

Schedule 2.3 — When and how mayors, presidents, deputy mayors and deputy presidents are elected by the council

Division 1 — Mayors and presidents

1. Terms used in this Division

In this Division —

“extraordinary vacancy” means a vacancy that occurs under section 2.34(1);

“the office” means the office of councillor mayor or president.

2. When the council elects the mayor or president

(1) The office is to be filled as the first matter dealt with —

- (a) at the first meeting of the council after an inaugural election or a section 4.13 or 4.14 election or after an ordinary elections day; and
- (b) at the first meeting of the council after an extraordinary vacancy occurs in the office.

(2) If the first ordinary meeting of the council is more than 3 weeks after an extraordinary vacancy occurs in the office, a special meeting of the council is to be held within that period for the purpose of filling the office.

3. CEO to preside

The CEO is to preside at the meeting until the office is filled.

4. How the mayor or president is elected

(1) The council is to elect a councillor to fill the office.

(2) The election is to be conducted by the CEO in accordance with the procedure prescribed.

(3) Nominations for the office are to be given to the CEO in writing before the meeting or during the meeting before the close of nominations.

(3a) Nominations close at the meeting at a time announced by the CEO, which is to be a sufficient time after the announcement by the CEO that nominations are about to close to allow for any nominations made to be dealt with.

(4) If a councillor is nominated by another councillor the CEO is not to accept the nomination unless the nominee has advised the CEO, orally or in writing, that he or she is willing to be nominated for the office.

(5) The councillors are to vote on the matter by secret ballot as if they were electors voting at an election.

(6) Subject to clause 5(1), the votes cast under subclause (5) are to be counted, and the successful candidate determined, in accordance with Schedule 4.1 (which deals with determining the result of an election) as if those votes were votes cast at an election.

(7) As soon as is practicable after the result of the election is known, the CEO is to declare and give notice of the result in accordance with regulations, if any.

5. Votes may be cast a second time

(1) If when the votes cast under clause 4(5) are counted there is an equality of votes between 2 or more candidates who are the only candidates in, or remaining in, the count, the count is to be discontinued and the meeting is to be adjourned for not more than 7 days.

- (2) Any nomination for the office may be withdrawn, and further nominations may be made, before or when the meeting resumes.
- (3) When the meeting resumes the councillors are to vote again on the matter by secret ballot as if they were electors voting at an election.
- (4) The votes cast under subclause (3) are to be counted, and the successful candidate determined, in accordance with Schedule 4.1 as if those votes were votes cast at an election.

Relevant Plans and Policy: Nil

Financial Implications: Nil

Risk Assessment:

There is no risk to Council or the Committee associated with the appointment of a Presiding Member.

Community & Strategic Objectives: Nil

Comment: Nil

OFFICER'S RECOMMENDATION

That Chief Executive Officer will conduct an election for the position of Presiding Member if required.

The Chief Executive Officer advised that one written nomination had been received for the position of Audit & Risk Committee Presiding Member for Cr Crute.

The Chief Executive Officer asked for any further nominations from the Meeting. No further nominations were received.

With no further nominations, the Chief Executive Officer declared that Cr Crute elected to the position of Audit & Risk Committee Presiding Member Presiding Member.

2.01.23.02 ELECTION OF DEPUTY PRESIDING MEMBER

File No:	GOV022C
Date of Meeting:	5 th July 2022
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Gary Sherry – Chief Executive Officer
Authorising Officer:	Gary Sherry – Chief Executive Officer
Declaration of Interest:	The author and authorising officer do not have an interest in this item
Voting Requirements:	N/A

Summary of Item:

The Employment Committee may choose to elect a Deputy Presiding Member.

Description of Proposal:

Council may elect a Deputy Presiding Member of the Audit & Risk Committee. There is no requirement to do so.

In accordance with Schedule 2.3 of the Local Government Act 1995, written nominations for

the office of Deputy Presiding Member for the next two years are to be addressed to the Chief Executive Officer. Nomination forms are enclosed with Committee Member Agenda Package for the purpose. If a Committee Member is nominated by another Committee Member, the nominee must advise the Chief Executive Officer orally or in writing that he/she is willing to be nominated for the office.

Should there be two or more nominees, a secret ballot will be conducted to determine the holder of the office.

Background: Nil

Consultation: Nil

Statutory Environment:

Local Government Act 1995

5.12. Presiding members and deputies, election of

- (1) The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1 as if the references in that Schedule —
 - (a) to “office” were references to “office of presiding member”; and
 - (b) to “council” were references to “committee”; and
 - (c) to “councillors” were references to “committee members”.
- (2) The members of a committee may elect a deputy presiding member from amongst themselves but any such election is to be in accordance with Schedule 2.3, Division 2 as if the references in that Schedule —
 - (a) to “office” were references to “office of deputy presiding member”; and
 - (b) to “council” were references to “committee”; and
 - (c) to “councillors” were references to “committee members”; and
 - (d) to “mayor or president” were references to “presiding member”.

Relevant Plans and Policy: Nil

Financial Implications: Nil

Risk Assessment:

There is no risk to Council or the Committee associated with the appointment of a Presiding Member.

Community & Strategic Objectives: Nil

Comment: Nil

OFFICER’S RECOMMENDATION

The Chief Executive Officer will conduct an election for the position of Deputy Presiding Member if required.

The Chief Executive Officer advised that one written nomination had been received for the position of Audit & Risk Committee Deputy Presiding Member for Cr Walker.

The Chief Executive Officer asked for any further nominations from the Meeting. No further nominations were received.

With no further nominations, the Chief Executive Officer declared that Cr Walker elected to the position of Audit & Risk Committee Deputy Presiding Member.

3.01.23 DECLARATION OF OPENING / ATTENDANCE

The elected Presiding Member assumed the Chair.

On behalf of the Committee, I would like to acknowledge that this meeting is being held on the traditional lands of the Nyoongar People, and pay respect to all Elders, past, present, and emerging. I wish to acknowledge and respect local people's continuing culture, and the contribution they make to Country, and its life.

Elected Members (Voting)

Cr KL Crute (Shire President)
Cr NC Walker (Deputy Shire President)
Cr MG Macnab

External Committee Members (Voting)

Mr Eric Pech

Staff (Non-Voting)

Gary Sherry Chief Executive Officer
Deanne Sweeney Manager Corporate and Community

Leave of Absence

Nil.

Visitors/Residents/Electors

Cr HA Bell (from 5.26 pm)
Cr CE Hartl (from 5.24 pm)
Cr TD Lilly (from 5.24 pm)

4.01.23 CONFIRMATION OF PREVIOUS MINUTES

ARC 01.23-01

COMMITTEE RESOLUTION

MOVED Cr Walker SECONDED Cr Macnab

That the minutes of the Audit and Risk Committee meeting held in the Shire of Brookton Council Chambers, on 27 September 2022, be confirmed as a true and correct record of the proceedings

CARRIED BY SIMPLE MAJORITY VOTE 4/0

5.01.23 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil.

6.01.23 PUBLIC QUESTION TIME

Nil.

7.01.23 ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

8.01.23 DECLARATIONS BY MEMBERS AND OFFICERS

Members and Officers to declare Financial, Proximity or Impartiality Interests & submit forms to the Chief Executive Officer at the commencement of the meeting and also prior to the item.

Disclosure of Financial & Proximity Interests

- a. Members must disclose the nature of their interest in matters to be considered at the meeting. (Sections 5.60B and 5.65 of the *Local Government Act 1995*).
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the *Local Government Act 1995*).

Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be considered at the meeting in respect of which the member or employee has given or will give advice.

Financial, Proximity and Impartiality Interests

Item no.	Members/Officers	Type of Interest	Nature of Interest

9.01.23 PRESENTATIONS

Nil.

10.01.23.01 ANNUAL FINANCIAL REPORT AND AUDIT REPORT 2021/2022

File No:	FIN007A
Date of Meeting:	18 January 2023
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Deanne Sweeney – Manager Corporate & Community
Authorising Officer:	Gary Sherry – Chief Executive Officer
Declaration of Interest:	The author and authorising officer do not have an interest in this item
Voting Requirements:	Simple Majority
Previous Report:	N/A

Summary of Item:

The Audit Committee is to consider recommending that Council accept the Shire of Brookton 2021/2022 Annual Report.

Description of Proposal:

The 2021/2022 Annual Report provides a summary of the Shire's performance in relation to finance and governance responsibilities for the 2021/2022 financial year. The draft 2021/2022 Annual Report provided under separate cover as Attachment 8.01.23.01A.

The Officer's Recommendation is that the Audit and Risk Committee make a recommendation for Council to approve the 2021/2022 Annual Report, inclusive of the audited financial statements.

Based on the Auditor's opinion the Shire's annual financial statements complies with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* and:

- a) give a true and fair view of the Shire's financial position at 30 June 2022 and of its financial performance and its cash flows for the year ended on that date; and
- b) complies with the Australian Accounting Standards.

With Council adoption of the 2021/2022 Annual Report, local public notice will advise of the availability of the Annual Report together with the date set for the Annual Electors Meeting as determined by Council.

The Auditor has provided a Management Letter identifying three management issues identified during the audit for the Shire of Brookton to address. Two issues are rated as moderate and one minor. Staff provided the auditor with a written response to each issue. The Management Letter is provided at Attachment 8.01.23.01B.

A summary of the matters raised in the Auditor's Management Letter are included below with comment from the Shire of Brookton management.

Index of Findings	Rating		
	Significant	Moderate	Minor
1 Improper Review of Journals		✓	
2 Supplier Masterfile Change		✓	
3 Asset Useful Lives			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant	Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
Moderate	Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
Minor	Those findings that are not of primary concern but still warrant action being taken.

1. Improper Review of Journals

Finding

We noted instances where manual journals were posted by the Manager Corporate & Community and subsequently reviewed by the Senior Financial Officer, being a more junior member of the finance team. There has been no subsequent review of these journal entries by a more senior member of the finance or management team.

Rating: Moderate

Management Comment

Non-compliance is noted and accepted. Future Journals created by the Manager Corporate & Community and reviewed by the Senior Finance Officer are to be reviewed by another independent Officer to reduce threat to actual or perceived eg Chief Executive Officer.

2. Supplier Masterfile Change

Finding

We note from our completion of controls testing of Supplier Masterfile Changes that there was no signed audit trail report available for 2 changes to the creditor Masterfile in October and November 2021.

Rating: Moderate

Management Comment

The findings relate to the October and November 2021 creditor Masterfile's. Since March 2022 Council has been progressing with a range of improvements and has addressed these issues. New procedures have been implemented including a comprehensive Monthly Balance Checklist this allows the Finance Team to track all transactions conducted during the month. This is crucial for ensuring our accounting data and creditor Masterfile is accurate and complete.

The Monthly Balance Checklists is prepared by the Senior Finance Officer and reviewed by the Manager Corporate & Community.

3. Asset Useful Lives

Finding

We noted that while the Shire has performed a comprehensive fair value assessment of its Land, Building and Infrastructure Assets as at 30 June 2022, the Shire's fixed asset register has not been updated to reflect the results of its review. Asset useful lives in the Shire's asset register do not reflect useful lives/remaining useful lives in the Shire's asset valuation reports.

Rating: Minor

Management Comment

Non-compliance is noted and accepted. Whilst the useful life has not been amended in the asset register the depreciation rate % review is based on the remaining useful life of the asset and updated in line with the Valuation Reports. With no depreciation run for the 2022/23 financial year there is no financial impact for the current and future reporting periods.

The updating of the asset register to reflect the asset useful life is currently being reviewed, together with the introduction of a documented procedure, in relation to the measurement of fair value. This will enhance Councils control and improve operational efficiency and compliance.

Background:

The Office of the Auditor General's audit contractor, Nexia Australia Pty Ltd, conducted the audit of the Shire of Brookton's financial management functions. This was a change from previous years where the Office of the Auditor General completed the audit work.

Legislation requires the first draft of the annual financial statements to be provided to the Shire's auditors (OAG) prior to 30 September of each financial year. This is preceded by a request for all relevant information to be provided prior to the auditors attending onsite.

Nexia attended the Shire of Brookton during 24-28 October 2022 with ongoing communication and follow up through to December 2022. The Auditor signed their Audit Report on 21 December 2022.

Consultation:

Office of the Auditor General
Nexia Australia Pty Ltd

Statutory Environment:

Local Government Act 1995

5.27. Electors' general meetings

- 1) A general meeting of the electors of a district is to be held once every financial year.
- 2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.
- 3) The matters to be discussed at general electors' meetings are to be those prescribed.

5.53 Annual reports

- 1) The local government is to prepare an annual report for each financial year.
- 2) The annual report is to contain —
 - (a) a report from the mayor or president;
 - (b) a report from the CEO;
 - [(c), (d) deleted]
 - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year;
 - (f) the financial report for the financial year;
 - (g) such information as may be prescribed in relation to the payments made to employees;
 - (h) the auditor's report for the financial year;
 - (h(a)) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993;
 - (h(b)) details of entries made under section 5.121 during the financial year in the register of complaints, including —
 - (i) the number of complaints recorded in the register of complaints;
 - (ii) how the recorded complaints were dealt with; and
 - (iii) any other details that the regulations may require; andsuch other information as may be prescribed.

5.54 Acceptance of annual reports

- 1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

- 2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

5.55. Notice of annual reports

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

Relevant Plans and Policy:

There are no plan and policy implications arising from this report.

Financial Implications:

There are no known financial implications upon either the Council's current budget or strategic resource plan.

Risk Assessment:

There is a compliance risk that should the Annual Report not be adopted within the timeframes outlined, Council may be in breach of the *Local Government Act 1995* and applicable subsidiary legislation. Accordingly, the risk associated with this matter is assessed as 'Medium'.

Consequence Likelihood	Insignificant	Minor	Moderate	Major	Extreme
	Almost	Medium	High	High	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Rating	Action
LOW	Monitor for continuous improvement.
MEDIUM	Comply with risk reduction measures to keep risk as low as reasonably practical.
HIGH	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.
SEVERE	Unacceptable. Risk reduction measures must be implemented before proceeding.

Community & Strategic Objectives:

This matter relates to delivery of core business and services detailed in the Shire of Brookton Corporate Compendium – November 2020, duly appended to the Next Generation BROOKTON Corporate Business Plan <2024.

Specifically, the Annual Report relates to Business unit Function:

1. Governance
 - 1.7 Prepare Annual Report

Comment:

The 2021/2022 Annual Report was completed in a relatively timely fashion when compared with 2020/2021. This is a commendable effort from the Shire of Brookton finance staff, particularly when considering that an audit contractor wasn't appointed until June 2022 and audit visits were conducted relatively late in 2022.

OFFICER'S RECOMMENDATION

That the Committee recommends that Council:

1. pursuant to Sections 5.53 and 5.54 of the Local Government Act 1995, accepts the Shire of Brookton 2021/2022 Annual Report included as Attachment 8.09.22.01A; and
2. receives the Management Letter from the Office of the Auditor General for the Year Ended 30th June 2022 included at Attachment 8.09.22.01B.

ARC 01.23-02

COMMITTEE RESOLUTION

MOVED Mr Pech SECONDED Cr Walker

That the Committee recommends that Council:

1. *pursuant to Sections 5.53 and 5.54 of the Local Government Act 1995, accepts the Shire of Brookton 2021/2022 Annual Report included as Attachment 8.09.22.01A; and*
2. *receives the Management Letter from the Office of the Auditor General for the Year Ended 30th June 2022 included at Attachment 8.09.22.01B.*

CARRIED BY SIMPLE MAJORITY VOTE 4/0

The Presiding Member, Cr Crute, recognised and thanked the Manager Corporate Community, Ms Deanne Sweeney, and Shire of Brookton finance team for their efforts in completing the 2021/2022 Annual Report.

Attachments

Attachment 8.01.23.01A – Shire of Brookton 2021/2022 Annual Report – Included under separate cover

Attachment 8.01.23.01B – Management Letter

Included under separate cover



Our Ref: 7887

Ms Katrina Crute
President
Shire of Brookton
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Dear Ms Crute

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

The Office has completed the audit of the annual financial report for your local government. In accordance with section 7.12AD (2) of the *Local Government Act 1995*, we enclose the Auditor General's auditor's report, together with the audited annual financial report.

We have also forwarded the reports to the CEO and the Minister, as required by the Act. The CEO is required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Management Control Issues

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

The date that entities provided their annual financial report to the Office has been recorded for purposes of reporting to Parliament. The date recorded for the receipt of your financial statements was 29 September 2022.

I would like to take this opportunity to thank you, the management and the staff of the Shire for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7608 if you would like to discuss these matters further.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Xuan Shan Ong'.

Xuan Shan Ong
Acting Assistant Director
Financial Audit
21 December 2022

Attach

Shire of Brookton

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDING IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Improper Review of Journals		✓	
2. Supplier Masterfile Change		✓	
3. Asset Useful Lives			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

Shire of Brookton

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDING IDENTIFIED DURING THE FINAL AUDIT

1. Improper Review of Journals

Finding

We noted instances where manual journals were posted by the Manager Corporate & Community and subsequently reviewed by the Senior Financial Officer, being a more junior member of the finance team. There has been no subsequent review of these journal entries by a more senior member of the finance or management team.

Rating: Moderate

Implication

As manual journals can be used to make adjustments to previously approved transactions (override of controls) or disguise unapproved activities, inadequate review or oversight of manual journals increases the risk of erroneous or fraudulent transactions going undetected.

Recommendation

We recommend all journals be reviewed and authorised by a more senior finance team or management team member, independent of preparation.

Whilst acknowledging the size of the finance team at the Shire, in instances where the Senior Financial Officer has performed a detailed review of the journal(s) posted by their senior, a summary of these journals should be provided to the CEO for further oversight and endorsement.

Evidence should be documented and retained by the Shire to demonstrate manual journals have been appropriately reviewed.

Management Comment

Non-compliance is noted and accepted. Future Journals created by the Manager Corporate & Community and reviewed by the Senior Finance Officer are to be reviewed by another independent Officer to reduce threat to actual or perceived eg Chief Executive Officer.

Responsible Person: Manager Corporate & Community
Completion Date: 07 December 2022

Shire of Brookton

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDING IDENTIFIED DURING THE FINAL AUDIT

2. Supplier Masterfile Change

Finding

We note from our completion of controls testing of Supplier Masterfile Changes that there was no signed audit trail report available for 2 changes to the creditor Masterfile in October and November 2021.

Rating: Moderate

Implication

Without an audit trail report signed by the preparer and reviewer it is not possible to confirm that a review of changes to the supplier Masterfile has taken place. There is a risk in the absence of a formal review procedure that fraudulent changes to details on the supplier Masterfile may go unnoticed.

Recommendation

We recommend that Management ensure that there is a review completed of all changes which are made to the creditor Masterfile through the signature of the audit trail report by the preparer and reviewer.

Management Comment

The findings relate to the October and November 2021 creditor Masterfile's. Since March 2022 Council has been progressing with a range of improvements and has addressed these issues. New procedures have been implemented including a comprehensive Monthly Balance Checklist this allows the Finance Team to track all transactions conducted during the month. This is crucial for ensuring our accounting data and creditor Masterfile is accurate and complete.

The Monthly Balance Checklists is prepared by the Senior Finance Officer and reviewed by the Manager Corporate & Community.

Responsible Person: Manager Corporate & Community
Completion Date: 06 December 2022

Shire of Brookton**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022****FINDING IDENTIFIED DURING THE FINAL AUDIT****3. Asset Useful Lives****Finding**

We noted that while the Shire has performed a comprehensive fair value assessment of its Land, Building and Infrastructure Assets as at 30 June 2022, the Shire's fixed asset register has not been updated to reflect the results of its review. Asset useful lives in the Shire's asset register do not reflect useful lives/remaining useful lives in the Shire's asset valuation reports.

Rating: Minor**Implication**

While an assessment has been performed of the fair value of the Shire's Land, Building and Infrastructure Assets as at 30 June 2022, if the Shire's fixed asset register is not updated to reflect the assessments performed, depreciation expense calculations for future periods will not be accurate. In addition, there is a risk that fair value assessments of these assets in future periods may not be in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations) if they are based on incorrect data.

Recommendation

We recommend the Shire update its asset register with updated valuation data to ensure the accurate reporting of depreciation expense in future periods.

Management Comment

Non-compliance is noted and accepted. Whilst the useful life has not been amended in the asset register the depreciation rate % review is based on the remaining useful life of the asset and updated in line with the Valuation Reports. With no depreciation run for the 2022/23 financial year there is no financial impact for the current and future reporting periods.

The updating of the asset register to reflect the asset useful life is currently being reviewed, together with the introduction of a documented procedure, in relation to the measurement of fair value. This will enhance Councils control and improve operational efficiency and compliance.

Responsible Person: Manager Corporate & Community
Completion Date: 06 December 2022

11.01.23 GOVERNANCE**11.01.23.01 VACANCY ON AUDIT & RISK COMMITTEE**

File No:	FIN007A
Date of Meeting:	18 January 2023
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Gary Sherry – Chief Executive Officer
Authorising Officer:	Gary Sherry – Chief Executive Officer
Declaration of Interest:	The author and authorising officer do not have an interest in this item
Voting Requirements:	Simple Majority
Previous Report:	N/A

Summary of Item:

The Audit Committee is to consider the vacant position on the Audit & Risk Committee.

Description of Proposal:

Ms Belinda Mitchell formally resigned from Council's Audit & Risk Committee on Monday 9th January 2023. Ms Mitchell filled the external independent advisor role on the Audit & Risk Committee.

The term of all current members of the Audit & Risk Committee ends in October 2023.

Filling the external independent advisor role on the Audit & Risk Committee is a significant part of the credibility of the independent oversight of the Committee. Council may also have some issue obtaining suitable candidates for the external independent advisor role on the Audit & Risk Committee.

Any replacement appointed by Council to the Audit & Risk Committee will only have a term until October 2023 when all Shire committee positions are reviewed. In this time there is likely to be two Audit & Risk Committee meetings to consider:

1. The Compliance Audit Return prior to the March 2023 Meeting of Council; and
2. any findings/comments arising from the 2022/23 interim Audit visit. This visit has not been scheduled by a meeting is likely in July 2023.

Background:

The Terms of Reference of the Audit Risk Committee has the objectives of the committee being:

- 3.1 The integrity of external financial reporting, including accounting policies.
- 3.2 The scope of work, objectivity, performance and independence of the external auditor.
- 3.3 The establishment, effectiveness and maintenance of controls and systems to safeguard the Shire's financial and physical resources.
- 3.4 The systems or procedures that are designed to ensure the Shire and its subsidiaries comply with relevant statutory and regulatory requirements.
- 3.5 The process for recognising risks arising from the Shire's operations, strategies, and consider the adequacy of measures taken to manage those risks.
- 3.6 The process and systems which protect the Council against fraud and irregularities.

3.7 The promotion of best practice in striving to instill and maintain a culture of continuous improvement.

The Committee must also add to the credibility of Council by promoting ethical standards through its work.

The Terms of Reference have the Audit & Risk Committee composed of:

- three (3) Elected Members appointed by Council.
- at least one (1) external Committee member from within the community; and
- one (1) external independent advisor.

The independent advisor should have a Certified Practising Account (CPA) qualification or similar with recent work experience in dealing with small to medium business, and demonstrated understanding of:

- Accounting Standards (AASB);
- Tax Legislation;
- Local Government Act 1995; or
- Local Government experience and/or Band 1 Council

After October 2021 the Audit & Risk Committee was composed of:

1. Cr Katrina Crute - Councilor
2. Cr Neil Walker - Councilor
3. Cr Gail Macnab - Councilor
4. Mr Eric Pech - external Committee member; and
5. Ms Belinda Mitchell - external independent advisor.

Consultation:

Ms BL Mitchell

Statutory Environment:

Local Government Act 1995

7.1A. Audit committee

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.
- (2) The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

* Absolute majority required.

- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.
- (4) An employee is not to be a member of an audit committee.

Local Government (Audit) Regulations 199

16. 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;

- (c) 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;
 - (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
 - (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;
 - (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
 - (g) to perform any other function conferred on the audit committee by these regulations or another written law.
17. 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 not less than once in every 3 financial years.
 - (3) The CEO is to report to the audit committee the results of that review.

Relevant Plans and Policy:

There are no plan and policy implications arising from this report.

Financial Implications:

There are no known financial implications upon either the Council's current budget or strategic resource plan.

Risk Assessment:

There is a reputational risk if Council does not fill the independent advisor position on Council's Audit & Risk Committee and the community's perception of independent oversight is negatively impacted. Accordingly, the risk associated with this matter is assessed as 'Medium'.

Consequence Likelihood	Insignificant	Minor	Moderate	Major	Extreme
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Rating	Action
LOW	Monitor for continuous improvement.
MEDIUM	Comply with risk reduction measures to keep risk as low as reasonably practical.
HIGH	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.
SEVERE	Unacceptable. Risk reduction measures must be implemented before proceeding.

Community & Strategic Objectives:

This matter relates to delivery of core business and services detailed in the Shire of Brookton Corporate Compendium – November 2020, duly appended to the Next Generation BROOKTON Corporate Business Plan <2024.

Comment:

The Audit & Risk Committee has an oversight adds to Council’s credibility. The inclusion of independent members is a significant part of this.

The Officer’s Recommendation seeks the Committee to make a comment on the urgency of replacement of a specialist, independent member of the Audit & Risk Committee. An alternative decision by the Committee is possible with justification.

OFFICER’S RECOMMENDATION

That the Committee recommends that Council:

1. seeks suitable candidates for the vacant external independent advisor role on the Shire of Brookton Audit & Risk Committee; and
2. if suitable candidates are not available, leave the vacancy unfilled prior to renewing the Committee at about the same time as the October 2023 local government elections.

ARC 01.23-03

COMMITTEE RESOLUTION

MOVED Mr Pech SECONDED Cr Macnab

That the Committee recommends that Council:

- 1. seeks suitable candidates for the vacant external independent advisor role on the Shire of Brookton Audit & Risk Committee; and***
- 2. if suitable candidates are not available, leave the vacancy unfilled prior to renewing the committee at about the same time as the October 2023 local government elections.***

CARRIED BY SIMPLE MAJORITY VOTE 4/0

12.01.23 STATUS TABLE – REGULATION 17

The following table provides an understanding of governance matters identified through annual audits or required by legislation and an update on the progress of addressing relative compliance. The status is presented to satisfy the requirements of Regulation 17 of the Local Government (Audit) Regulations 1996.

Black – No changes from previous reports

Blue – Additions from last Audit & Risk Committee meeting

Cr Hartl and Cr Lilly entered the Meeting at 5.24pm.

Cr Bell entered the Meeting at 5.26pm.

No	Date Initiated	Item Title	OAG Findings or other Statutory Requirements	Risk Factor	Officer Status Update	Assigned to	Estimated Due Date	% Completed
2	20-Jun-19	Asset Management Plan Review	OAG 2018 Audit – ratios affected due to exist plan spanning 9 years only holistic review of the Emergency Management framework that includes response, recovery, animal management and regional alliances. Noted the review of the Asset Management Plan	Moderate	Asset assessment of roads and associated infrastructure completed – Sewerage System CCTV capture completed – Engineering assessment Memorial Hall and Railway Station completed pending costing of options and public consultation – delay caused by 2 Managers leaving Shire employment simultaneously. Asset Management Policy adopted October 2020 and Asset Management Strategy endorsed by Council November 2020 There is desire to complete the Asset Management through a structured and meaningful approach that reflects the condition, required maintenance and retention or replacement of each asset that can then accurately inform the Long-Term Financial Plan. This process is unfortunately taking considerably longer than initially expected but is progressing. Recurrent review, update and reporting of the asset management framework is partially canvased in IPR policy 2.42 adopted by Council at the December 2020 meeting. 12.07.2021 – AMP and suite of IPR plans are to be reviewed with consultant over the next 3-6 months with anticipated date for completion	MIA/MCC	Sept-21	100%

No	Date Initiated	Item Title	OAG Findings or other Statutory Requirements	Risk Factor	Officer Status Update	Assigned to	Estimated Due Date	% Completed
					Sept-Oct 2021. Consultant appointed and commencement with scope of works. 22/12/22 - Included in Strategic Resource Plan. Complete.			
11	9-Jul-20	Review of Workforce Plan	Forms part of the Integrated Planning and Reporting Framework that informs the annual budget - subject to review every two years.	Moderate	Draft Workforce Plan template compiled – progress to be performed in the coming months following full re-alignment of officer duties and transfer of a number of service delivery functions in-house (ie swimming pool management, cleaning, bushfire management). 12.07.2021 – commencement with Moore Australia for the suite of plans IPR.	CEO	May-21 Dec-21	20%
15	9-Jul-20	Review of Local Laws	A review of the Shire of Brookton's Local Laws to be conducted.	Moderate	12.07.2021 – Draft Meeting Procedures Local Law and revocation of Extractive Industry Local Law endorsed by Council in April 2021 – presently awaiting gazettal.	CEO	Ongoing	20%

13.01.23 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING

Nil.

14.01.23 CLOSURE OF MEETING

With no further business, the Presiding Member declared the meeting closed at 5.33 pm.