



AUDIT AND RISK COMMITTEE MEETING

MINUTES

27 September 2022

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 *18./.../23*

Presiding 
Member:.....Date: *18 January 2023*

Shire of Brookton
Audit and Risk Committee held 27 September 2022
Commenced at 4.00pm

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1.09.22 DECLARATION OF OPENING / ATTENDANCE

Attendance

The Shire President, Cr Crute, declared the meeting open at 4.00pm.

On behalf of the Council, 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)

Ms Belinda Mitchell
Mr Eric Pech

Visitors (Non-Voting)

Nil.

Staff (Non-Voting)

Gary Sherry	Chief Executive Officer
Deanne Sweeney	Manager Corporate and Community

Leave of absence

Nil.

Members of the Public

Nil.

2.09.22 CONFIRMATION OF PREVIOUS MINUTES

ARC 09.22-01

COUNCIL 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 5th April 2022, be confirmed as a true and correct record of the proceedings.

CARRIED BY SIMPLE MAJORITY VOTE 5/0

3.09.22	RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE
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Nil.

4.09.22	PUBLIC QUESTION TIME
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Nil.

5.09.22	ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION
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Nil.

6.09.22	DECLARATIONS BY MEMBERS AND OFFICERS
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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
Nil.			

7.09.22 PRESENTATIONS

Nil.

8.09.22 FINANCE**8.09.22.01 OFFICE OF THE AUDITOR GENERAL INTERIM MANAGEMENT LETTER JUNE 2022**

File No:	FIN 007C
Date of Meeting:	27 September 2022
Location/Address:	Shire of Brookton
Name of Applicant:	Office of the Auditor General
Name of Owner:	N/A
Author/s:	Deanne Sweeney – Manager Corporate and 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 Report:

The purpose of this report is for the Audit and Risk Committee to receive the Audit Management Letter from the 2022 interim audit.

Description of Proposal:

That the Audit and Risk Committee note the matters raised in the Interim Audit Management Letter and the recommendations to reduce the risk.

Background:

Nexia Australia Accountants on behalf of the Office of the Auditor General visited the Shire of Brookton from 11th to 15th July 2022 to conduct the Interim Audit for the Year Ending 30th June 2022.

Interim Audit results are presented to the Audit Committee in the attached management letter. The focus of the interim audit was to evaluate Council’s overall control environment and to obtain an understanding of the key business processes, risks and internal controls relevant to the audit of the annual financial report.

Below are listed the matters raised in the Interim Management Letter Report and the Shire of Brookton Management Comments.

Index of Findings	Rating		
	Significant	Moderate	Minor
1. New Employee Documentation		✓	
2. Terminated employee documentation			✓
3. Daily bank reconciliations			✓

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. New Employee Documentation

Finding

We noted that Medical and Police Clearance Certificates were not available for all new employees tested. This is in contradiction to the hiring process of the Shire which requires that Medical and Police Clearance Certificates must be received for all new employees.

Rating: Moderate

Implication

There is a risk that new employees may not be medically fit for work or may have undisclosed convictions which make them inappropriate candidates for positions they are recruited for.

Recommendation

We recommend that the Shire of Brookton follow the processes they have in place regarding the hiring of new employees going forward.

Management Comment

An Employee Engagement Checklist has been implemented for the onboarding of new staff members. It is a non-exhaustive list of areas/tasks that are required to be complete prior to the new employee commencing including the requirement for a pre-employment medical and police clearance. It creates accountability for Responsible Officers to ensuring all task on the checklist are completed.

The Finance Officer – Creditors & Payroll has now updated the Payroll Procedures to reflect the implementation of the Employee Engagement Checklist.

Responsible Officer: Manager Corporate & Community
Completion Date: 5 September 2022

2. Terminated employee documentation

Finding

We noted there was no Receipt of Resignation Letters issued by the Shire of Brookton in respect of the receipt of the Letters of Resignations from 2 employees during the year.

Rating: Minor

Implication

There is a risk that terminated employees may be paid beyond their termination date without a formal process in place.

Recommendation

We recommended that management adhere to the policies they have implemented regarding terminations going forward. It may be worthwhile to develop and implement a terminated employee checklist.

Management Comment

An Employee Termination Checklist has been implemented for the termination of staff members. It is a non-exhaustive checklist of areas/tasks that are required to be complete prior to the final pay run for the terminated employee. It provides an outline of what needs to be completed and at what stage when the employee is leaving our employment, including the receipt of Resignation Letters. It creates accountability for Responsible Officers and allows for a smooth transition for the organisation and the employee.

The Finance Officer – Creditors & Payroll has now updated the Payroll Procedures to reflect the implementation of the Employee Termination Checklist.

Responsible Person: Manager Corporate & Community

Completion Date: 5 September 2022

3. Daily bank reconciliations

Finding

Since March 2021, the Shire of Brookton's procedures require bank reconciliation of the Municipal Bank Account to be performed daily by the Senior Finance Officer. However, it was noted that there were a number of instances where bank reconciliations had not been performed daily, although we also acknowledge that there was at least one bank reconciliation performed each month.

Rating: Minor

Implication

Without regular bank reconciliations, there is an enhanced risk of funds being misappropriated from the bank account or used inappropriately.

Recommendation

We recommend that bank reconciliations of the Municipal Bank Account are performed according to Shire procedures. If this is not feasible, management should review their procedures to ensure an appropriate review period is determined for the reconciliation.

Management Comment

Banking Procedures have been reviewed and updated to - It is our intention to complete Municipal Bank Reconciliations daily, however at least weekly. This allows for appropriate internal control depending on Responsible Officers daily workload. All reconciling items are fully supported by relevant evidence and reviewed and signed off by Manager Corporate & Community.

Responsible Person: Manager Corporate & Community

Completion Date: 5 September 2022

Consultation:

Chief Executive Officer, Office of the Auditor General and Nexia Australia.

Statutory Environment:

Local Government Act 1995 and associated regulations

Relevant Plans and Policy:

1.13 Council Committees – Terms of Reference and 2.8 Risk Management.

Financial Implications:

There are no known financial implications upon either the Council’s current budget or Strategic Resource Plan.

Risk Assessment:

Failure to monitor the Shire’s ongoing internal controls and risks would impact the organisations obligations to achieve legislative compliance.

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 proposal relates to delivery of core business and services detailed in the Shire of Brookton Corporate Compendium – October 2020, duly appended to the Next Generation BROOKTON Corporate Business Plan <2021.

Specifically, the proposed amendments to the Delegation Register aligns to the following Business Unit and Function:

- 18. Financial Control
 - 18.2 Conduct external/internal audits and reporting
 - 18.6 Co-ordinate annual audits processes
 - 18.7 Conduct Audit Committee Meetings

Comment

There was two minor and one moderate finding contained within the Interim Audit Management Letter in the current audit.

The findings have been reviewed, controls implemented, and can be marked off as complete.

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee recommends to Council:

1. to receive the Interim Management Letter from the Interim Audit for the Year ended 30 June 2022, as presented; and
2. notes there are no further actions required by the Chief Executive Officer to address matters raised in the attached Interim Management Letter Report.

ARC 09.22-02

COUNCIL RESOLUTION

MOVED Ms Mitchell SECONDED Cr Macnab

That the Audit and Risk Committee recommends that Council:

- 1. receive the Interim Management Letter from the Interim Audit for the Year ended 30 June 2022, as presented; and***
- 2. notes there are no further actions required by the Chief Executive Officer to address matters raised in the attached Interim Management Letter Report.***

CARRIED BY SIMPLE MAJORITY VOTE 5/0

Attachments

Attachment 8.09.22.01A– Interim Management Letter



Our Ref: 7887

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mr Gary Sherry
Chief Executive Officer
Shire of Brookton
PO BOX 42
BROOKTON WA 6306

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Dear Sir

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2022**

We have completed the interim audit for the year ending 30 June 2022. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to primarily evaluate your financial control environment, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

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

Yours faithfully

Xuan Shan Ong
Acting Assistant Director
Financial Audit
8 September 2022

Attach

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. New employee documentation		✓	
2. Terminated employee documentation			✓
3. Daily bank reconciliations			✓

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).

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- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
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SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. New employee documentation

Finding

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Rating: Moderate

Implication

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Recommendation

We recommend that the Shire of Brookton follow the processes they have in place regarding the hiring of new employees going forward.

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The Finance Officer – Creditors & Payroll has now updated the Payroll Procedures to reflect the implementation of the Employee Engagement Checklist.

Responsible Person: Manager Corporate & Community

Completion Date: 5 September 2022

SHIRE OF BROOKTON

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Terminated employee documentation

Finding

We noted there was no Receipt of Resignation Letters issued by the Shire of Brookton in respect of the receipt of the Letters of Resignations from 2 employees during the year.

Rating: Minor

Implication

There is a risk that terminated employees may be paid beyond their termination date without a formal process in place.

Recommendation

We recommended that management adhere to the policies they have implemented regarding terminations going forward. It may be worthwhile to develop and implement a terminated employee checklist.

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Responsible Person: Manager Corporate & Community

Completion Date: 5 September 2022

10.09.22 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

Item #	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 canvassed 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 Sept-Oct 2021. Consultant appointed and commencement with scope of works.	MIA/MCC	Sept-21	65% 70%
5	20-Jun-19	Management of Issued infringements	OAG 2018 Audit – No process and no register of infringements issued by the Shire. No process to follow up on infringements in place. OAG 2019 Audit – issue not yet resolved OAG – 2020 Audit – OAG noted that issue not yet resolved.	Moderate	Register developed – admin procedures to be updated for front desk. Delay due to change over of MCC position. The Shire does not issue many infringement notices. Notwithstanding an Infringement Register and follow-up procedure will be implemented in the coming months. 04.02.2021 – It has been identified the areas of dogs, cats and bushfire infringements are the areas that are not captured within the system. The shire does not have the infringements program or FERS (Fines Enforcement Registry). The cost is high for the little number of infringements issued. 12.07.2021 – Infringement Register is now in place. Further review and processes to apply when infringements are issued. 19/09/2022 – Infringements now followed up through debtor process and currently investigating registering with fines enforcement. Complete	MCC	April-21 Aug 21	100%
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%
16	10-Dec-20	Independent Review of Reconciliations	The Shire did not have an independent officer reviewing the reconciliations for Rates and Creditor balances for June 2020. These	Moderate	To perform independent reviews of reconciliations with a procedure to be written to guide this process.	MCC/SFO	Apr-21 July-21	100%

Item #	Date Initiated	Item Title	OAG Findings or other Statutory Requirements	Risk Factor	Officer Status Update	Assigned to	Estimated Due Date	% Completed
			reconciliations were prepared by the Rates Officer with no subsequent review.		<p>04.02.2021 – The MCC has completed a Unimproved and Gross Rental Valuations Balancing effective from 1st July 2020 to January 2021. All valuations are now accounted for and reconciled to the GRV/UV Valuation Rolls and the Rates Modelling adopted by Council 2020/21 financial year. A new interim rates checklist has been created and now in use for MCC to authorise any changes by officers. Valuations are now balanced and recorded in the end of month process and verified by MCC. Officers awaiting an interim roll to be issued by VGO to finalise action with interim rates procedures.</p> <p>12.07.2021 – OAG to finalise the process through the interim audit review in July 2021.</p> <p>19/09/2022 - complete</p>			
18	10-Dec-20	Purchasing Policies and Procedures	The Shire has not yet developed documented procedures over the authorisation and payment of accounts. From sample purchases selected for testing, seven instances were noted where evidence that appropriate quotes were obtained could not be provided and verified by audit. In addition, one sample was noted where the PO was not authorised before the purchase was made.	Significant	<p>A review will be undertaken on the procurement practices with the view to amending the process and authority to pay in consideration of Regulation 11.</p> <p>27.01.2021 – Further time is required to implement and assess internal processes, procedures, internal controls, staff's level of understanding, how effective synergy and purchase orders are understood by officers and variances over 10%. Authorisation limits and training are also required to be commenced to enable the organisation to abide by the legislation and Council Policy. Further time is required to finalise this item.</p> <p>25.02.2021 – In review with staff and against current legislation.</p> <p>12.07.2021 – Review of Purchasing Policy being performed as part of the Policy Manual Review included in the Council's July 2021 CBF.</p> <p>19/09/2022 – Continual training with staff. complete</p>	MCC	Mar-21 Dec-21	100%

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

Nil.

12.09.22 CLOSURE OF MEETING

The Presiding Member declared the meeting closed at 4.40pm.