



## SPECIAL MEETING OF COUNCIL

### Minutes

**18 JANUARY 2023**

These minutes were confirmed by Council as a true and correct record of proceedings by the Ordinary Council Meeting held on 16/2/23

Presiding Member: [Signature] Date: 16/2/23

#### Disclaimer

The purpose of this Council Meeting is to discuss and, where possible, make resolutions about items appearing on the agenda.

Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

Persons should be aware that the provisions of the Local Government Act 1995 (Section 5.25(e)) establish procedures for revocation or revision of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person.

The Shire of Brookton expressly disclaims liability for any loss or damage suffered by any person as a result or relying on or acting on the basis of any resolution of Council, or any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Council Meeting.

<b>TABLE OF CONTENTS</b>
--------------------------

<b>1.01.23</b>	<b>DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS .....</b>	<b>3</b>
<b>2.01.23</b>	<b>RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE.....</b>	<b>3</b>
<b>3.01.23</b>	<b>USE OF COMMON SEAL.....</b>	<b>3</b>
<b>4.01.23</b>	<b>DELEGATED AUTHORITY – ACTIONS PERFORMED .....</b>	<b>3</b>
<b>5.01.23</b>	<b>RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE.....</b>	<b>3</b>
<b>6.01.23</b>	<b>PUBLIC QUESTION TIME .....</b>	<b>3</b>
<b>7.01.23</b>	<b>APPLICATIONS FOR LEAVE OF ABSENCE.....</b>	<b>3</b>
<b>8.01.23</b>	<b>PETITIONS/DEPUTATIONS/PRESENTATIONS.....</b>	<b>4</b>
<b>9.01.23</b>	<b>CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS.....</b>	<b>4</b>
<b>10.01.23</b>	<b>ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION .....</b>	<b>4</b>
<b>11.01.23</b>	<b>DISCLOSURE OF INTERESTS .....</b>	<b>4</b>
<b>12.01.23</b>	<b>TECHNICAL &amp; DEVELOPMENT SERVICES REPORTS.....</b>	<b>4</b>
<b>13.01.23</b>	<b>COMMUNITY SERVICES REPORTS .....</b>	<b>4</b>
<b>14.01.23</b>	<b>CORPORATE SERVICES REPORTS.....</b>	<b>5</b>
<b>14.01.23.01</b>	<b>ANNUAL FINANCIAL REPORT AND AUDIT REPORT 2021/2022 .....</b>	<b>5</b>
<b>15.01.23</b>	<b>GOVERNANCE REPORTS .....</b>	<b>18</b>
<b>15.01.23.01</b>	<b>VACANCY ON AUDIT &amp; RISK COMMITTEE.....</b>	<b>18</b>
<b>16.01.23</b>	<b>ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN .....</b>	<b>22</b>
<b>17.01.23</b>	<b>NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING .....</b>	<b>22</b>
<b>18.01.23</b>	<b>CONFIDENTIAL REPORTS .....</b>	<b>22</b>
<b>19.01.23</b>	<b>NEXT MEETING &amp; CLOSURE .....</b>	<b>22</b>

**1.01.23 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

The Shire President, Cr Crute, declared the Special Meeting of Council open at 5.37pm.

On behalf of 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.

**2.01.23 RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE**

Elected Members (Voting)

Cr KL Crute	Shire President
Cr NC Walker	Deputy Shire President
Cr HA Bell	
Cr CE Hartl	
Cr TD Lilly	
Cr MG Macnab	

Staff (Non-Voting)

Gary Sherry	Chief Executive Officer
Deanne Sweeney	Manager Corporate and Community

Apologies

Nil

Leave of Absence

Nil

Members of the Public

Mr E Pech

**3.01.23 USE OF COMMON SEAL**

This information will be provided at the next Ordinary Meeting of Council.

**4.01.23 DELEGATED AUTHORITY – ACTIONS PERFORMED**

This information will be provided at the next Ordinary Meeting of Council.

**5.01.23 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE**

Nil.

**6.01.23 PUBLIC QUESTION TIME**

Nil.

**7.01.23 APPLICATIONS FOR LEAVE OF ABSENCE**

Nil

**8.01.23 PETITIONS/DEPUTATIONS/PRESENTATIONS**

Nil

**9.01.23 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

Minutes of previous Ordinary Meetings of Council will be confirmed at the next Ordinary Meeting of Council.

**10.01.23 ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION**

Nil.

**11.01.23 DISCLOSURE OF INTERESTS**

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

**12.01.23 TECHNICAL & DEVELOPMENT SERVICES REPORTS**

Nil

**13.01.23 COMMUNITY SERVICES REPORTS**

Nil

**14.01.23 CORPORATE SERVICES REPORTS****14.01.23.01 ANNUAL FINANCIAL REPORT AND AUDIT REPORT 2021/2022**

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

**Summary of Item:**

Council is to consider accepting the Shire of Brookton 2021/2022 Annual Report and set the date to present that 2021/2022 Annual Report to a General Electors Meeting.

**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 08.01.23.01A.

A meeting of the Shire of Brookton's Audit and Risk Committee will be held on 18 January 2023. This meeting is expected to make a recommendation to Council to approve the 2021/2022 Annual Report, inclusive of the audited financial statements.

Acceptance of the 2021/2022 Annual Report allows Council to set a date for the annual meeting of electors as required by the *Local Government Act 1995*.

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, staff will undertake local public notice of the availability of the Annual Report and the General Electors Meeting as determined by Council.

The Officer has recommended holding the General Electors Meeting at 7.30pm on Thursday 16<sup>th</sup> February 2023 in Council Chambers at the Shire Administration Office, 14 White Street Brookton.

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 08.01.23.01B.

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

### **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	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.

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.

### AUDIT AND RISK COMMITTEE RECOMMENDATION

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 30<sup>th</sup> June 2022 included at Attachment 8.09.22.01B.

**SCM 01.23-01**

**COUNCIL RESOLUTION**

**MOVED Cr Macnab                      SECONDED Cr Walker**

**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 30<sup>th</sup> June 2022 included at Attachment 8.09.22.01B.***

**CARRIED BY ABSOLUTE MAJORITY VOTE 6/0**

**OFFICER'S RECOMMENDATION**

That Council:

1.    authorises the Chief Executive Officer to give public notice of the availability of the 2021/2022 Annual Report in accordance with Section 5.55 of the Local Government Act 1995; and
2.    holds a General Meeting of Electors on Thursday 16<sup>th</sup> February 2023 commencing at 7.30pm in Council Chambers at the Shire Administration Office, 14 White Street Brookton.

**SCM 01.23-02**

**COUNCIL RESOLUTION**

**MOVED Cr Lilly                              SECONDED Cr Bell**

**That Council:**

- 1.    *authorises the Chief Executive Officer to give public notice of the availability of the 2021/2022 Annual Report in accordance with Section 5.55 of the Local Government Act 1995; and***
- 2.    *holds a General Meeting of Electors on Thursday 16<sup>th</sup> February 2023 commencing at 7.30pm in Council Chambers at the Shire Administration Office, 14 White Street Brookton.***

**CARRIED BY SIMPLE MAJORITY VOTE 6/0**

**Attachments**

**Attachment 8.01.23.01A – 2021/2022 Annual Report**

**Attachment 8.01.23.01B – Management Letter**

**Provided Under Separate Cover**



Our Ref: 7887

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469 Wellington Street, Perth

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President  
Shire of Brookton  
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BROOKTON WA 6306

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PERTH WA 6849

Tel: 08 6557 7500  
Email: [info@audit.wa.gov.au](mailto:info@audit.wa.gov.au)

Email: [sp@brookton.wa.gov.au](mailto:sp@brookton.wa.gov.au)

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

## 15.01.23 GOVERNANCE REPORTS

### 15.01.23.01 VACANCY ON AUDIT & RISK COMMITTEE

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

#### Summary of Item:

Council 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 9<sup>th</sup> 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.

A meeting of the Shire of Brookton's Audit and Risk Committee will be held on 18 January 2023. This meeting is expected to make a recommendation to Council regarding the replacement for the vacancy created by the resignation of Ms Mitchell.

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 role that adds to Council’s credibility in the community. The inclusion of independent members is a significant part of this.

An alternative decision by Council is possible with justification.

### AUDIT & RISK COMMITTEE RECOMMENDATION

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.

### **SCM 01.23-03**

#### **COUNCIL RESOLUTION**

**MOVED Cr Lilly**

**SECONDED Cr Hartl**

**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 6/0**

**16.01.23 ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil.

**17.01.23 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING**

Nil.

**18.01.23 CONFIDENTIAL REPORTS**

Nil.

**19.01.23 NEXT MEETING & CLOSURE**

The next Ordinary Meeting of Council will be held on Thursday 16<sup>th</sup> February 2023 commencing at 6.00 pm.

With no further business, the Shire President, Cr Crute, declared the Special Meeting of Council closed at 5.41pm.