



Minutes of Audit & Risk Management Committee Meeting

Held on 28 November 2024 and commenced at 4:30pm
Held at the Council Chambers in Donnybrook
(1 Bentley Street, Donnybrook)

Authorised:

A handwritten signature in black ink, appearing to read "Nick O'Connor", is positioned to the right of the "Authorised:" label.

Mr Nick O'Connor, Chief Executive Officer

Prepared:

4 December 2024

Contents

1.	Declaration of Opening / Announcement of Visitors.....	3
2.	Attendance	3
2.1.	Apologies.....	3
2.2.	Approved Leave of Absence.....	3
2.3.	Application for Leave of Absence.....	3
3.	Announcements from the Chairperson	3
4.	Declarations of Interest	4
5.	Public Question Time	4
5.1.	Responses to previous public questions that were taken on notice.....	4
5.2.	Public Question Time	4
6.	Confirmation of Minutes.....	6
6.1.	Audit and Risk Management Committee Meeting held on 13 November 2024.....	6
7.	Reports of Officers	7
7.1.	Director Finance and Corporate.....	7
7.1.1.	2023/2024 Annual Financial Statements, Audit Report (Opinion) and Management Letter	7
8.	Meetings Closed to the Public	12
8.1.	Matters for which the Meeting may be closed.....	12
8.2.	Public reading of Resolutions that may be made public.....	12
9.	Closure	12

1. Declaration of Opening / Announcement of Visitors

Acknowledgement of Country:

The Chairperson acknowledged the continuing connection of Aboriginal people to Country, culture and community, including traditional custodians of this land, the Wardandi and Kaneang People of the Noongar Nation, paying respects to Elders, past and present.

The Chairperson declared the meeting open at 4:30pm and welcomed the public gallery.

2. Attendance

Members Present:

Cr Vivienne MacCarthy

Cr John Bailey

Cr Alexis Davy

Mr Ian Telfer, External Member

Mr Angelo Loguidice, External Member

Staff Present:

Nick O'Connor, Chief Executive Officer

Loren Clifford, Acting Director Finance &
Corporate

Stephanie Karafilis, Acting Manager Financial
Services

Ross Marshall, Director Operations

Samantha Farquhar, Administration Officer
Corporate Services

Other Members Present:

Public Gallery: 2 member of the public was in attendance

2.1. Apologies

Nil.

2.2. Approved Leave of Absence

Nil.

2.3. Application for Leave of Absence

Nil.

3. Announcements from the Chairperson

Nil.

4. Declarations of Interest

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Councillors to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the Act.

Nil.

5. Public Question Time

5.1. Responses to previous public questions that were taken on notice

Nil.

5.2. Public Question Time

Question from: Shane Sercombe

It appears much work has been done to address the information contained in the table on page 8. What is the source of information on this table?

Response: President Vivienne MacCarthy

This table is from the audit report.

Question from: Shane Sercombe

Has the Audit Committee been presented with the audit report?

Response: Chief Executive Officer

Yes. This is from a management letter, and it was tabled at the last Audit and Risk Management Committee Meeting. The responses and the findings were discussed with the auditors.

Question from: Shane Sercombe

Was that management letter in regard to the interim audit report?

Response: President Vivienne MacCarthy

Both the interim and the audit report were given together.

Question from: Shane Sercombe

Where can I find the interim audit report?

Response: President Vivienne MacCarthy

The interim audit report and the final audit report are all consolidated into one. The Office of the Auditor General had delays in responding to the interim audit report and it was agreed then to pull everything together into one report.

Question from: Shane Sercombe

Could I please have a copy of the interim audit report.

Response: President Vivienne MacCarthy

No, its confidential. An overview has been provided within the Officers report.

Question from: Shane Sercombe

So, the Auditor General did that and not the Shire.

Response: President Vivienne MacCarthy

Yes.

Question from: Shane Sercombe

Is the audit management letter only written if significant issues are found.

Response: Acting Manager Financial Services

The management letter includes findings that the auditors have found on site. We then get an opportunity to respond and then they assess our responses and make their recommendations. We had an unqualified audit so there were no qualifications and nothing to report. This is just a management letter.

Question from: Shane Sercombe

Is the Shire able to elaborate what the reasons were for the confidential management letter. Is this a new process.

Response: Chief Executive Officer

It's a long-standing practice for the management letter to be a confidential document, however the auditors opinion is a public document.

Question from: Shane Sercombe

Local Governments usually receive interim audits in July or August. Is there a reason why ours was significantly late.

Response: Acting Manager Financial Services

The interim audit report was done on time, and our auditors sent the report on to OAG, however they had a backlog. We were then informed that we were not going to get it before they came to our final audit.

6. Confirmation of Minutes

6.1. Audit and Risk Management Committee Meeting held on 13 November 2024

Minutes of the Audit and Risk Management Committee Meeting held 13 November 2024 are attached as Attachment 6.1(1).

EXECUTIVE RECOMMENDATION

That the Minutes from the Audit and Risk Management Committee Meeting held 13 November 2024 be confirmed as a true and accurate record.

COMMITTEE RESOLUTION:	ARM14/11-24	
MOVED BY:	Angelo Loguidice	SECONDED BY: Cr Alexis Davy

That the Minutes from the Audit and Risk Management Committee Meeting held 13 November 2024 be confirmed as a true and accurate record.

For: Cr MacCarthy, Cr Bailey, Cr Davy, Mr Loguidice, Mr Telfer
Against: Nil.
Carried: 5/0

7. Reports of Officers

7.1. Director Finance and Corporate

7.1.1. 2023/2024 Annual Financial Statements, Audit Report (Opinion) and Management Letter

Report Details:

Prepared by: Acting Director Finance and Corporate, Loren Clifford

Manager: Chief Executive Officer, Nick O'Connor

File Reference: FNC 02A

Voting Requirement: Simple Majority

Attachment(s):

7.1.1(1) AOG's Signed 2023/2024 Annual Financial Report and Audit's Report (Opinion).

7.1.1(2) **Audit Management Letter (confidential)**

Executive Recommendation

That the Audit and Risk Management Committee:

- 1. Receives and endorses the 2023/2024 Annual Financial Statements including Auditors Report (Opinion) (Attachment 7.1.1(1)) and Audit Management Letter (confidential Attachment 7.1.1(2)) for Councils receipt; and**
- 2. Confirms that it has fulfilled the requirements of section 7.12AD(2) of the *Local Government Act 1995*, to meet with a representative from the Office of the Auditor General on 13 November 2024; and**
- 3. Note that a report on significant findings in accordance with Section 7.12A(4) of the *Local Government Act 1995*, for the year ending 30 June 2024, is not required.**

Strategic Alignment

The following outcomes from the Council Plan relate to this proposal:

Outcome: 12 - A well respected, professionally run organisation.

Objective: 12.1 - Deliver effective and efficient operations and service provision.

Item: Nil.

Executive Summary

AMD, on behalf of the Office of the Auditor General (OAG), completed the Shire's Interim Audit in June 2024 and the final audit in October 2024 for the year ending 30 June 2024. The signed Independent Auditor's Report (Opinion), along with the 2023/2024 Annual Financial Statements ([Attachment 7.1.1\(1\)](#)) and the Audit Management Letter ([Confidential Attachment 7.1.1\(2\)](#)), was received from the OAG on 21 November 2024.

In accordance with its Terms of Reference, it is requested that the Audit and Risk Management Committee review and receive the 2023/2024 Annual Financial Statements, Auditor's Report

(Opinion), and Management Letter. Where appropriate, the committee should make recommendations regarding these documents and endorse them for Council's receipt. In addition, the committee is requested to confirm that it has met with the auditor, as required by Section 7.12A(2) of the *Local Government Act 1995*.

Background

In June 2024, AMD Chartered Accountants, on behalf of the Office of the Auditor General (OAG), conducted the Interim Audit for the year ending 30 June 2024. The final audit commenced in mid-August 2024, with Shire officers uploading requested documents to the online portal. The Auditor's were on-site from 2-4 October 2024.

Pursuant to Section 7.9 of the *Local Government Act 1995*, the Auditor is required to examine the accounts and annual financial report submitted by a local government and prepare a report by December 31 following the financial year. This report must be forwarded to:

- a. The Mayor or President,
- b. The Chief Executive Officer, and
- c. The Minister.

The signed and stamped 2023/2024 Annual Financial Statements, Auditor's Report (Opinion), and Management Letter were received on 21 November 2024 for the local government's examination.

In accordance with Regulation 10(4) of the *Local Government (Audit) Regulations 1996*, the Auditor may also prepare a Management Letter to accompany the Independent Auditor's Report, which is forwarded to the persons specified in Section 7.9 of the Act above. The Management Letter provides an overview of the audit process and outcomes, identifying any matters relevant to the Shire's day-to-day operations. These areas of improvement have been listed under the Officers Comment below.

Pursuant to Section 7.12A(2) of the *Local Government Act 1995*, a local government is required to meet with its auditor annually. The Audit Exit meeting was held on November 13, 2024, with the OAG's Director Financial Audit and AMD's Director leading the meeting. The Audit and Risk Management Committee, CEO, and relevant officers attended, with all elected members invited. At this meeting, the OAG outlined the audit process, provided an overview of the draft Auditor's Report (Opinion) discussing areas of improvement and management comments, allowing for questions from attendees. This requirement has been met due to the meeting taking place.

The OAG has since provided their signed Auditor's Report (Opinion) and Management Letter, which is now presented for receipt.

Risk Management

Risk:	Likelihood:	Consequence:	Risk Rating:
Compliance	Unlikely	Moderate	Moderate (6)
Risk Description:	Non-compliance with the <i>Local Government Act 1995</i> and associated regulations.		
Mitigation:	Adhering to statutory requirements, such as meeting with the auditor and endorsing the financial statements, ensures compliance.		

Risk:	Likelihood:	Consequence:	Risk Rating:
Financial Impact	Unlikely	Moderate	Moderate (6)
Risk Description:	Inaccurate financial statements could lead to financial mismanagement or undetected fraud.		
Mitigation:	The audit process, including the review and endorsement of the financial statements and auditor's report, ensures accuracy and transparency.		

Financial Implications

Nil.

Policy Compliance

Nil.

Statutory Compliance

Local Government Act 1995 - Section 7.9 and Section 7.12A.

Local Government (Financial Management) Regulations 1996.

Local Government (Audit) Regulations 1996 – Regulation 16

Consultation

The audited financial statements must be included in the Shire's Annual Report. This report will be made available to the public after it is reviewed by the Council in December 2024.

Officer Comment

The audit process for the year ending 30 June 2024 was thorough and involved multiple stages, including an Interim Audit in June and a final audit in October. The collaboration between Shire officers and the auditors ensured that all necessary documents were provided in a timely manner.

The Audit Exit meeting on November 13, 2024, was a key component in fulfilling the statutory requirement to meet with the auditor annually. The presence of the OAG's Director Financial Audit

and AMD's Director provided valuable insights into the audit findings and allowed for a comprehensive discussion with the Audit and Risk Management Committee and other attendees.

The auditors commended the Shire's staff for their diligence and professionalism throughout the audit process, especially considering the recent changes in staff. This recognition highlights the team's commitment to maintaining high standards and effective internal controls despite challenges.

The receipt of the signed and stamped 2023/2024 Annual Financial Statements, Auditor's Report (Opinion), and Management Letter marks the completion of the audit process. These documents are now presented for the committee's review and subsequent endorsement by the Council.

The Management Letter, in particular, highlights areas for improvement and provides actionable recommendations to enhance the Shire's day-to-day operations. Addressing these findings will be crucial in maintaining robust governance and financial management practices.

These areas of improvements are listed as follows:

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1	Non-Compliance with LG Regulations	No	X		N/A
2	Lack of Review of Masterfile Changes	No	X		N/A
3	Lack of IT Policies, Strategic Plan, IT Risk Register	No	X		N/A
4	Lack of Independent Review of Daily Receipting Listings	No		X	N/A
5	Inadequate Credit Card Policies/Procedures	No		X	N/A
6	Missing Credit Note Request form	No		X	N/A
<p><i>Auditors key to ratings: The Ratings 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. They 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).</i></p>					
Significant	<p><i>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 could indicate the need for a modified audit opinion 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 opinion, it should be addressed promptly.</i></p>				
Moderate	<p><i>Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.</i></p>				

Minor	<i>Those findings that are not of primary concern but still warrant action being taken.</i>
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Officers provided management comments on each of the six (6) matters listed above outlining the actions it intends to take or has undertaken on each matter. This information was shared with the auditors prior to their presentation at the Audit Exit meeting, during which the management comments were evaluated for appropriateness.

Each of the six (6) matters listed above have been assigned to a responsible officer, given an achievable completion date, and the Audit and Risk Management Committee (ARMC) will be provided with status updates by way of the Audit Findings Progress Report that is tabled for consideration at each scheduled ARMC meeting.

The Shire has received an unqualified audit opinion, which means that the auditors found the financial statements to be free of material misstatements and in accordance with the applicable financial reporting framework. Therefore it should be noted that a report on significant findings in accordance with Section 7.12A(4) of the *Local Government Act 1995*, for the year ending 30 June 2024, is not required. This is a positive outcome, indicating that the Shire's financial records are accurate and reliable.

COMMITTEE RESOLUTION: ARM15/11-24	
MOVED BY: Cr Alexis Davy	SECONDED BY: Cr John Bailey

That the Audit and Risk Management Committee:

- 1. Receives and endorses the 2023/2024 Annual Financial Statements including Auditors Report (Opinion) (Attachment 7.1.1(1)) and Audit Management Letter (confidential Attachment 7.1.1(2)) for Councils receipt; and**
- 2. Confirms that it has fulfilled the requirements of section 7.12AD(2) of the *Local Government Act 1995*, to meet with a representative from the Office of the Auditor General on 13 November 2024; and**
- 3. Note that a report on significant findings in accordance with Section 7.12A(4) of the *Local Government Act 1995*, for the year ending 30 June 2024, is not required.**

For: Cr MacCarthy, Cr Bailey, Cr Davy, Mr Loguidice, Mr Telfer
Against: Nil.
Carried: 5/0

8. Meetings Closed to the Public

8.1. Matters for which the Meeting may be closed

Nil.

8.2. Public reading of Resolutions that may be made public

Nil.

9. Closure

The Chairperson advised that the next Audit and Risk Management Committee Meeting is to be advised.

The Chairperson declared the meeting closed at 4.45pm.