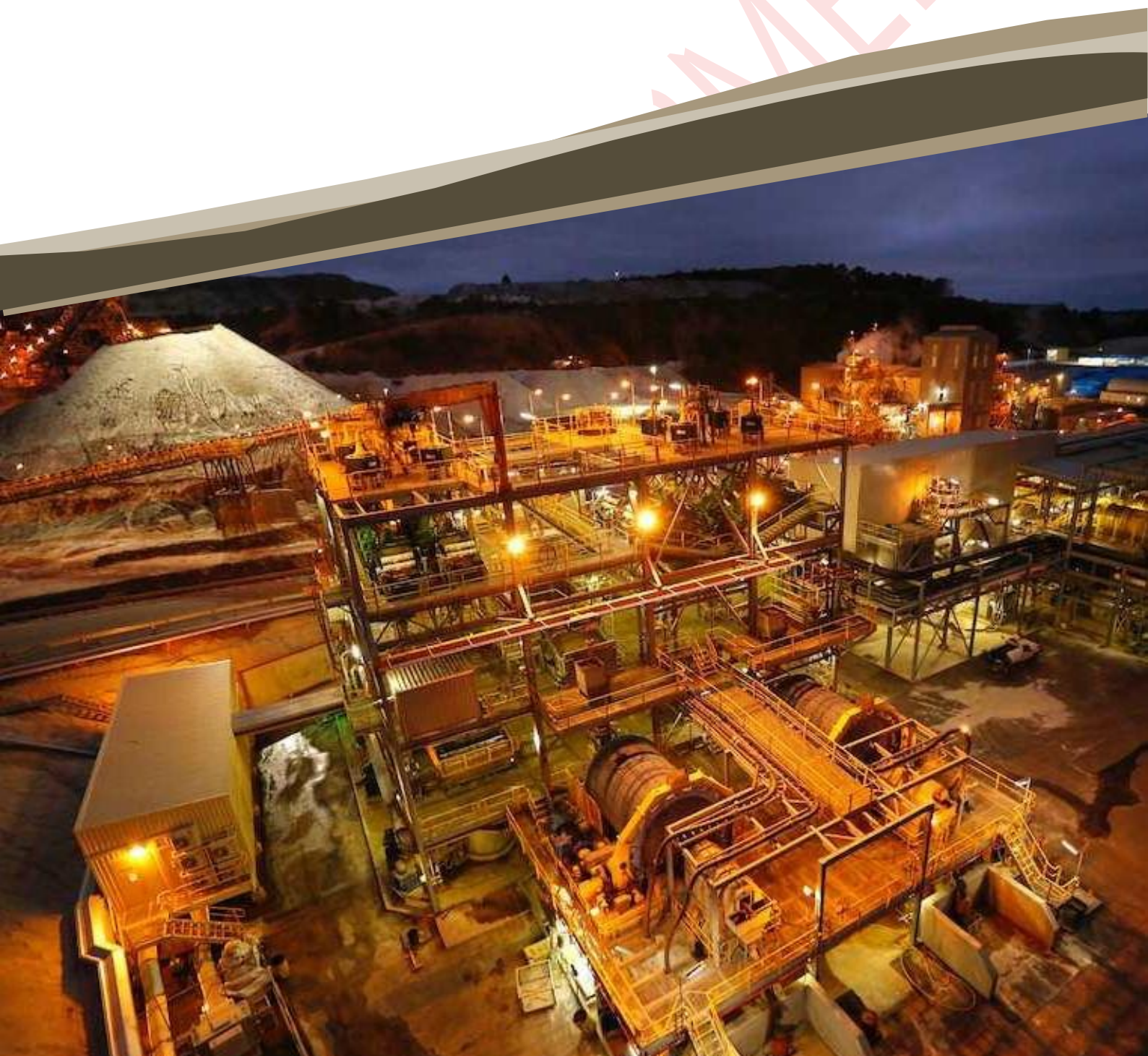




# MINUTES **Confirmed**

Audit Committee Meeting

Tuesday, 21 March 2023



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# MINUTES

**Mission Statement**      *To grow our community through the provision of leadership, services and infrastructure.*

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## 1. DECLARATION OF OPENING

The Shire President to declare the meeting open at 5.20pm.

The Shire President acknowledged the Traditional Owners of the land on which we meet, and paid respect to Elders past, present, and emerging.

## 2. RECORD OF ATTENDANCE, APOLOGIES AND APPROVED LEAVE OF ABSENCE

### **Elected Members:**

Cr Keith Dunlop	(Shire President)
Cr Sue Leighton	(Deputy Shire President) – attended via Teams from Perth
Cr Julia Bell	
Cr Thomas Major	
Cr Mark Mudie	
Cr Graham Richardson	

### **Staff:**

Matthew Bird	(Chief Executive Officer)
Les Mainwaring	(Executive Manager Corporate Services)

### **VISITORS**

Nil.

### **APOLOGIES**

Meredith Lee-Curtis	(Executive Assistant)
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### **LEAVE OF ABSENCE**

Cr Rachel Livingston (extended Approved Leave of Absence)

## 3. DECLARATIONS OF INTEREST

Nil.

#### **4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

##### **4.1 AUDIT COMMITTEE MEETING HELD 2 AUGUST 2022 (ATTACHMENT 'A')**

**Statutory Environment:**

Section 5.22 of the *Local Government Act 1995* provides that minutes of all meeting to be kept and submitted to the next ordinary meeting of the council or the committee, as the case requires, for confirmation.

**Voting Requirements:**

Simple Majority

**COMMITTEE DECISION:**

**Moved by Cr Mudie, seconded by Cr Leighton**

**Resolution: AC01/23**

**That the Minutes and associated attachments of the Audit Committee of the Shire of Ravensthorpe held on 2 August 2022 (Attachment 'A') be confirmed as a true and correct record.**

**Motion put and CARRIED**

**(6/0)**

Cr Rachel Livingston absent for the vote

## **5. REPORTS OF OFFICERS**

### **5.1 CORPORATE SERVICES**

#### **5.1.1 2021-2022 ANNUAL FINANCIAL REPORT AND 30 JUNE 2022 AUDIT REPORT**

<b>File Reference:</b>	<b>FM.AU.1</b>
<b>Location:</b>	<b>N/A</b>
<b>Applicant:</b>	<b>Audit Committee</b>
<b>Author:</b>	<b>Executive Manager Corporate Services</b>
<b>Authorising Officer</b>	<b>Chief Executive Officer</b>
<b>Date:</b>	<b>8 March 2023</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachments: <u>YELLOW</u></b>	<b><u>ATTACHMENTS 'B'</u></b> <b>1. Annual Financial Statements 30 June 2022</b> <b>2. OAG Audit Opinion 30 June 2022</b> <b>3. Final Management Letter 30 June 2022</b>
<b>Previous Reference:</b>	<b>N/A</b>

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#### **PURPOSE**

1. In accordance with section 7.12A(3) of the *Local Government Act 1995*, Council is required to examine the Auditors Report for the year ending 30 June 2022 and is to determine if any matters raised by the Auditors require action to be taken.
2. A copy of the Auditors Report and the Annual Financial Report for the year ending 30 June 2022 is presented for adoption.
3. Council is required to set a date for the Annual General Meeting of Electors within 56 days of adopting the annual financial statements.

#### **BACKGROUND**

4. This is the fifth year where the audit process has involved the Office of the Auditor General (OAG), in conjunction with Moore Australia, and given that the previous audit sign offs have been (17/18) 28 June 2019, (18/19) 11 December 2019, (19/20) 11 March 2021 and (20/21) 28 July 2022, we were looking forward to getting back to a December sign off to allow the timely arrangement of the annual electors meeting, however this was unable to be achieved with a current sign off of 27 February 2023.

#### **COMMENT**

5. The OAG, in conjunction with contracted auditors, Moore Australia, have completed the annual audit for the year ending 30 June 2022.
6. The audit plan for this year was delayed by one month given the late handing down of the 2021 audit on 28 July 2022 as a result of the detailed data requirements in the aftermath of the Crime and Corruption Commission (CCC) intervention 1 September 2021.
7. The OAG has returned the following audit opinion for the year ended 30 June 2022:
  - a) *In my opinion the financial report of the Shire of Ravensthorpe:*
    - i) *is based on proper accounts and records;*



- ii) *presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.*
- iii) *Noting that the fraud had involved a misappropriation of funds, it is worthwhile referring to the Shire's Statement of Financial Position at the top of Page 4, where Cash and Cash equivalents had increased from \$4,774,669 in 2021 to \$4,991,336 in 2022. This reaffirms Shire finance staff assurances at the time of the CCC intervention September 2021 that notwithstanding the fraud, all cash deposits were maintained intact and accounted for without discrepancy.*

8. Whilst the audit opinion is unqualified, the OAG has raised the following significant matters where there is potentially a risk to the entity should the finding not be addressed by the entity promptly, together with a number of significant matters unresolved from the 2020/21 audit handed down on 28 July 2022 after the close of the 2021/22 period:

- a) Fair value of infrastructure assets – frequency of valuations;
- b) Fraud and corruption control plan not implemented (2021);
- c) Declarations of conflict of interest (2021);
- d) Purchases not in accordance with purchasing policy – property expenditure (2021);
- e) Information technology general controls – user access (2021); and
- f) Supplier master file changes are not reviewed (2021).

9. The Shire's management response to the audit findings are as follows;

- a) Fair value of infrastructure assets – frequency of valuations - For direct action the Shire will perform a full revaluation of infrastructure assets in 2023/24. Given that this is an emerging issue triggered by the recent inflationary cycle, we will also consult with the local government industry to determine the best approach in developing an annual management practice to monitor and assess a materiality position when determining whether it is appropriate to perform earlier revaluations than the current maximum 5 year cycle.
- b) Fraud and corruption control plan not implemented (2021) - As commented earlier in this financial year, we will be developing and implementing a Fraud and Corruption Control Plan. Our initial deadline of December 2022 proved to be a little optimistic given the timing of the previous audit in July 2022, late budget preparation and late annuals preparation, however this will be completed by June 2023.
- c) Declarations of conflict of interest (2021) - Following the immediate actions put in place in July 2022, the F2 Purchasing Policy was reviewed by Council in February 2023.
- d) Purchases not in accordance with purchasing policy – property expenditure (2021) - Our comment in July 2022 was that further training will be undertaken in the use of credit cards. This has produced a reduction in transactions and monetary volume which has been evidenced by the progress of our credit card expenditure in the monthly

accounts payment reports to Council, however we are also aware that this is a constant area of monitoring of which the CEO maintains vigilance.

- e) Information Technology General Controls – User Access (2021) - Following our comments in July 2022 we confirm that there may have been a slight misinterpretation of the CCC report as there are no shared accounts on Synergy, however there is the scope for staff to raise purchase orders under their own access that require an authorisation from a higher signing authority before the purchase order becomes valid.

We recognise that this was a case of the former CEO directing others to create purchase orders for his own purposes that had been misrepresented.

Having said that, it is also recognised that staff should be vigilant of others asking them to produce documents for a purpose that may appear to be slightly irregular. This awareness could be included in the development of a Fraud and Corruption Control Plan June 2023.

We also wish to make the point that Invoices are entered by a central Accounts Payable Officer which serves as a control mechanism to create a degree of separation between the purchasing officer and the entering of the invoice. This ensures that invoices are checked thoroughly by an additional officer for correct coding, purchasing authority and to ensure the correct processes are being followed. This aspect of internal control proved crucial in the detection of the corruption that occurred.

- f) Supplier Masterfile changes are not reviewed (2021) - As reported in July 2022, this procedure was implemented immediately.

10. In accordance with the *Local Government Act 1995*, the general meeting of electors is to be held on a day no later than 56 days after Council has adopted the Annual Financial Report, therefore Council would be required to hold the annual meeting of electors no later than Tuesday 16 May 2023 if the report is adopted at the 21 March 2023 Ordinary Council Meeting.
11. The Audit Committee, which is comprised of full Council, is to meet with the auditor during each financial year with such meetings able to be held via teleconference. The Chief Executive Officer arranged an audit exit interview for the audit committee with OAG and Moore Australia on 21 February 2023 via teleconference to discuss the 2021/22 audit findings.
12. The 2021/22 Annual Report will be submitted for Council consideration at the 18 April 2023 Ordinary Council Meeting.

## **CONSULTATION**

13. All Councillors and Executive Team

## **STATUTORY ENVIRONMENT**

14. *Local Government Act 1995* – Part 6 Financial Management; and Local Government (Financial Management) Regulations 1996 - Defines the processes and procedures that apply to the recording and reporting of financial matters.
15. *Local Government Act 1995* – Part 7 Audit; and Local Government (Audit) Regulations 1996 - Defines the audit of the financial accounts of local governments, including the conduct of audits.



16. *Local Government Act 1995* - 7.12A. Duties of local government with respect to audits - A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to determine if any matters raised by the report, or reports, require action to be taken by the local government; and ensure that appropriate action is taken in respect of those matters.

#### POLICY IMPLICATIONS

17. Nil

#### FINANCIAL IMPLICATIONS

18. Nil.

#### RISK MANAGEMENT

19. The following risks have been identified as part of this report;

Risk	Likelihood	Consequence	Risk Analysis	Mitigation
Override of Internal Controls	Possible	Moderate	Medium	Constantly monitor, review and reflect on adequacy and effectiveness of controls
Financial	Possible	Minor	Medium	Robust controls prevent the level and likelihood of loss

#### ALTERNATE OPTIONS

20. Nil.

#### STRATEGIC ALIGNMENT

21. This item is relevant to the Councils approved Strategic Community Plan 2020-2030 and Corporate Business Plan 2020-2024.

**Outcome 5: Governance and Leadership** - The Shire of Ravensthorpe partners the community, and is an effective advocate and responsible steward.

Item	Objectives and Strategies
5.5	The value of community owned assets is maintained
5.6	Financial systems are effectively managed

#### VOTING REQUIREMENTS

22. Simple Majority

#### COMMITTEE DECISION

Moved by Cr Bell, seconded by Cr Major

**Resolution: AC02/23**

**That the Audit Committee RECOMMENDS Council:-**

- ACCEPTS the 2021/22 Annual Financial Statements and auditors report for the year ended 30 June 2022; and**
- SETS the 2021/2022 Annual General Meeting of Electors within 56 days of the acceptance of the 2021/22 Annual Financial Report, being 9 May 2023.**

**Motion put and CARRIED**

**(6/0)**

Cr Rachel Livingston absent for the vote

## 5.1 **CORPORATE SERVICES**

### 5.1.2 **2022 COMPLIANCE AUDIT RETURN**

<b>File Reference:</b>	<b>GR.AU.1</b>
<b>Location:</b>	<b>Not applicable</b>
<b>Applicant:</b>	<b>Not applicable</b>
<b>Author:</b>	<b>Executive Manager Corporate Services</b>
<b>Authorising Officer</b>	<b>Chief Executive Officer</b>
<b>Date:</b>	<b>14 March 2023</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Attachments: <u>YELLOW</u></b>	<b>ATTACHMENT 'C'</b> <b>1. Shire of Ravensthorpe Compliance Audit Return 2022</b>
<b>Previous Reference:</b>	<b>Nil</b>

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#### **PURPOSE**

1. In accordance with section 7.13(i) of the *Local Government Act 1995*, a local government is required to complete a Compliance Audit Return for each calendar year for the period 1 January to 31 December.
2. This report recommends the adoption of the Shire of Ravensthorpe's Compliance Audit Return for the period 1 January 2022 to 31 December 2022.

#### **BACKGROUND**

3. The document is provided by the Department of Local Government, Sport and Cultural Industries (DLGSCI) in a prescribed manner and is designed to be a tool of self-assessment by local governments allowing identification of areas where compliance has been met or is not applicable for that particular year. It also provides guidance for improvement in instances of non-compliance.
4. The Audit Committee at its meeting held 2 August 2022:
  - a. *That the Audit Committee recommend to Council that;  
Council adopt the Compliance Audit Return for the period 1 January 2021 to 31 December 2021 and that it be forwarded to the Department of Local Government, Sport and Cultural Industries after certification by the President and Chief Executive Officer.*

#### **COMMENT**

5. The Compliance Audit Return for 2022 includes 94 compliance questions (98 last year), which requires Yes or No answers, however where an item has not occurred during the calendar year a response of not applicable (N/A) is provided. The areas of compliance this year have focused on commercial enterprises by local governments, delegation of power/duty, disclosures of interest, disposal of property, elections, finance, integrated planning and reporting, employees, official conduct, optional questions and tenders for providing goods and services.
6. The 2022 Return has been completed in good faith to the best of available records and the knowledge of senior officers.
7. After the Compliance Audit Return has been presented to Council, a certified copy of the Return, signed by the Shire President and Chief Executive Officer, along with the relevant section of the minutes and any additional information detailing the contents of the Return, are to be submitted to the DLGSCI by 31 March of each year.

## CONSULTATION

8. Nil

## POLICY IMPLICATIONS

9. Nil

## FINANCIAL IMPLICATIONS

10. Nil.

## RISK MANAGEMENT

11. Nil.

Risk	Likelihood	Consequence	Risk Analysis	Mitigation
Override of Internal Controls	Possible	Moderate	Medium	Constantly monitor, review and reflect on adequacy and effectiveness of controls
Financial	Possible	Minor	Medium	Robust controls prevent the level and likelihood of loss

## ALTERNATE OPTIONS

12. Nil.

## STRATEGIC ALIGNMENT

13. This item is relevant to the Councils approved Strategic Community Plan 2020-2030 and Corporate Business Plan 2020-2024.

**Outcome 5: Governance and Leadership** - The Shire of Ravensthorpe partners the community, and is an effective advocate and responsible steward

Item	Objectives and Strategies
5.5	The value of community owned assets is maintained
5.6	Financial systems are effectively managed

## VOTING REQUIREMENTS

14. Simple Majority

15. On behalf of Council, Cr Major thanked the Executive Manager Corporate Services and his team.

## COMMITTEE DECISION

Moved by Cr Major, seconded by Cr Bell

Resolution: AC03/23

That the Audit Committee RECOMMENDS Council:-

1. **ADOPT** the Compliance Audit Return for the period 1 January 2022 to 31 December 2022; and
2. **REQUESTS** the Chief Executive Officer to forward the Compliance Audit Return 2022 to the Department of Local Government, Sport and Cultural Industries once certified by the Shire President and Chief Executive Officer.

Motion put and CARRIED

(6/0)

Cr Rachel Livingston absent for the vote

**6. MATTERS TO BE CONSIDERED BEHIND CLOSED DOORS**

Nil

**7. MEETING CLOSURE**

The Presiding Member declared the meeting closed at 5.27pm.

**Signed by the Shire President:**  \_\_\_\_\_

(Presiding Person at the meeting of which the minutes were confirmed.)

Date: [19 March 2024]