



# MINUTES

## AUDIT & RISK MANAGEMENT COMMITTEE

held on

**Thursday, 9 June 2022 at 3:00pm**

at the

**Shire of Morawa Council Chambers,  
26 Winfield Street, Morawa**



WESTERN AUSTRALIA'S  
WILDFLOWER COUNTRY

*'This meeting is being recorded on audio tape and to assist with minute taking purposes. The public is reminded that in accordance with Section 6.16 of the Shire of Morawa Meeting Procedures Local Law 2012 that nobody shall use any visual or vocal recording device or instrument to record the proceedings of Council without the written permission of the presiding member.'*

**DISCLAIMER**

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## DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS

*Local Government Act 1995 – Section 5.65, 5.70 and 5.71 Local Government (Administration) Regulation 34C*

|  |  |           |              |
|--|--|-----------|--------------|
| <i>This form is provided to enable members and officers to disclose an Interest in a matter in accordance with the regulations of Section 5.65, 5.70 and 5.71 of the Local Government Act and Local Government (Administration) Regulation 34C</i> |  |           |              |
| Name of person declaring the interest  |  |           |              |
| Position   |  |           |              |
| Date of Meeting  |  |           |              |
| Type of Meeting (Please circle one)  | Council Meeting/ Committee Meeting/ Special Council Meeting<br>Workshop/ Public Agenda Briefing/ Confidential Briefing |           |              |
| Interest Disclosed   |  |           |              |
| Item Number and Title  |  |           |              |
| Nature of Interest   |  |           |              |
| Type of Interest (please circle one)   | Financial  | Proximity | Impartiality |
| Interest Disclosed   |  |           |              |
| Item Number and Title  |  |           |              |
| Nature of Interest   |  |           |              |
| Type of Interest (please circle one)   | Financial  | Proximity | Impartiality |
| Interest Disclosed   |  |           |              |
| Item Number and Title  |  |           |              |
| Nature of Interest   |  |           |              |
| Type of Interest (please circle one)   | Financial  | Proximity | Impartiality |

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**Important Note:** Should you declare a **Financial** or **Proximity** Interest, in accordance with the Act and Regulations noted above, you are required to leave the room while the item is being considered. For an **Impartiality** Interest, you must state the following prior to the consideration of the item:

*“With regard to agenda item (read item number and title), I disclose that I have an impartiality interest because (read your reason for interest). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly.”*

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**Item 1 Opening of Meeting**

The Presiding Member to declare the meeting open at 3:06pm.

**Item 2 Acknowledgement of Traditional Owners and Dignitaries**

The Presiding Member acknowledges the traditional custodians, the Yamatji people, and recognises the contribution of Yamatji elders past, present and future, in working together for the future of Morawa.

**Item 3 Swearing In**

*Cr Chappel invites Mr Mark Coaker to undertake his elected member declaration in line with Section 5.104 of the Local Government Act 1995.*

*Cr Stokes has congratulated Cr M. Coaker on his appointment to Councillor at the Shire of Morawa.*

**Item 4 Recording of Attendance****4.1 Attendance****Committee Members**

President Councillor Karen Chappel (Presiding Member)

Deputy President Councillor Ken Stokes

Councillor Jane Coaker

Councillor Yvette Harris

Councillor Mark Coaker

**Staff**

Chief Executive Officer

Executive Manager Corporate & Community Services

Executive Manager Works and Assets

Scott Wildgoose

Jackie Hawkins

Paul Devcic

**4.2 Attendance by Telephone / Instantaneous Communications**

In accordance with section 14 of the *Local Government (Administration) Regulations 1996* "Meetings held by electronic means in public health emergency or state of emergency (Act s. 5.25(1)(ba))", the President to declare that this Meeting may take place via instantaneous communication. All Councillors and staff are to be available either via telephone (teleconference) or in person.

**4.3 Apologies**

Councillor Debbie Collins

Councillor Shirley Katona

**4.4 Approved Leave of Absence**

Nil

**4.5 Disclosure of Interests**

Nil

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| <b>Item 5 Applications for Leave of Absence</b> |
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Nil

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| <b>Item 6 Response to Previous Questions</b> |
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Nil

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| <b>Item 7 Questions from Members without Notice</b> |
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Nil

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| <b>Item 8 Announcements by Presiding Member without Discussion</b> |
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Nil

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| <b>Item 9 Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting</b> |
|---|

The Elected Members to declare that they had given due consideration to all matters contained in the agenda.

- President Councillor Karen Chappel (Presiding Member)
- Deputy President Councillor Ken Stokes
- Councillor Jane Coaker
- Councillor Yvette Harris
- Councillor Mark Coaker

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| <b>Item 10 Confirmation of Minutes of Previous Meeting</b> |
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**OFFICER'S RECOMMENDATION/RESOLUTION**

220602

Moved: Cr J Coaker

Seconded: Cr Chappel

That the Audit Committee Meeting Minutes held on Thursday, 10 March 2022 are confirmed to be a true and correct record.

**CARRIED BY SIMPLE MAJORITY 5/0**

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*Disclaimer*

*Members of the public are cautioned against taking any action on Council decisions, on items in this agenda in which they may have an interest, until formal notification in writing from the Shire has been received. Decisions made at this meeting can be revoked pursuant to the Local Government Act 1995.*

**Item 11 Reports of Officers****11.1 Audit Strategy Memorandum 2021-2022**

|                                |  |
|--------------------------------|--|
| <b>Author:</b>                 | Executive Manager Corporate and Community Services   |
| <b>Authorising Officer:</b>    | Chief Executive Officer  |
| <b>Disclosure of Interest:</b> | The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item. |

**OFFICER'S RECOMMENDATION/RESOLUTION**

220603

Moved: Cr Harris

Seconded: Cr Chappel

**That the Audit Committee:**

1. **Receives the Auditor's Audit Strategy Memorandum for the year ending 30 June 2022.**

***CARRIED BY SIMPLE MAJORITY 5/0*****PURPOSE**

The Audit Committee (Committee) is to report to Council and provide appropriate advice and recommendations regarding audit reporting. This report is for information only and the Committee only needs to receive the report.

This report presents to the Committee the Audit Strategy Memorandum for the year ending 30 June 2022.

**DETAIL**

It is a statutory requirement that all Local Governments conduct an independent audit of the accounts and financial statements of the entity at the completion of each financial year.

Each year prior to an Audit being conducted the Office of the Auditor General and the contracted auditors issue Council with a plan on how the audit for the year will be conducted.

For the year ending 30 June 2022 it has been determined that the following areas will be the key focus during the audit:

- Operational and capital expenditure – Procurement processes, use of corporate credit cards and internal controls as listed on page 8 of the attached report.
- Revenue – grants, rate and other fees and charges. A walkthrough of the system and internal controls as listed on page 9 of the attached report.
- Property, Plant & Equipment – Additions, disposals, depreciation and controls as listed on page 10 of the attached report.
- Management Override of Controls – Journals and accounting policies as listed on page 11 of the attached report.



- Related Party Transactions – review of the disclosures made by all related parties.
- Financial ratios as listed on page 12 of the attached report.
- Other areas as listed on pages 12 – 14.

**LEVEL OF SIGNIFICANCE**

Low – provides Council with details on what the Audit for 2021-2022 will focus on.

**CONSULTATION**

*Internal*

Shire President  
Senior Management Team  
Finance team

*External*

Nexia  
Office of Auditor General

**LEGISLATION AND POLICY CONSIDERATIONS**

*Local Government Act 1995*

*Local Government (Financial Management) Regulations 2011*

**FINANCIAL AND RESOURCES IMPLICATIONS**

The costs associated with conducting the annual audit are included in the 2021-2022 Budget.

**STRATEGIC AND SUSTAINABILITY IMPLICATIONS**

***Shire of Morawa Community Strategic Plan 2018-2028***

**Outcome 4.3** A local government that is respected, professional and accountable.

**RISK MANAGEMENT CONSIDERATIONS**

The items listed in the attached report are for information only. They signal to Council what the audit will focus on. All areas are covered by internal controls and the risks are low.

**CONCLUSION**

The Audit Strategy Memorandum for the year ending 30 June 2022 is attached for the Audit Committee’s review. The Shire of Morawa is continuously working towards improvements in the financial management area and while there has been progress in some areas further work is still required in creating stronger controls around purchasing, procurement and our accounts receivable.

**ATTACHMENTS**

*Attachment 1* – Audit Strategy Memorandum for the year ending 30 June 2022.

**11.2 Financial Management Review 2022 – Status Report Update**

**Author:** Executive Manager Corporate and Community Services

**Authorising Officer:** Chief Executive Officer

**Disclosure of Interest:** The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

**OFFICER'S RECOMMENDATION/RESOLUTION**

**220604**                      **Moved: Cr J Coaker**                      **Seconded: Cr Harris**

**That the Audit Committee:**

- 1. Receive the Financial Management Review 2022 status report update.**
- 2. Direct the CEO to present a further update on the Financial Management Review findings and actions taken in December 2022.**

***CARRIED BY SIMPLE MAJORITY 5/0***

**PURPOSE**

The purpose of this report is to present to the Audit & Risk Management Committee (ARMC) the Financial Management Review 2022 (FMR) status review update.

**DETAIL**

In accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996, local government CEOs are to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government not less than once in every three financial years and report to the local government the results of the reviews.

RSM Australia were engaged to undertake the review in January 2022.

From the FMR report provided management have produced a Status Report (***Attachment 1***) that lists all the issues identified and the planned actions to remedy the issues. This report has been updated with the actions taken to date and is presented to the ARMC for review.

**LEVEL OF SIGNIFICANCE**

Moderate– provides a representation of how effective the current controls that have been implemented at the Shire of Morawa are.

**CONSULTATION**

*Internal*  
Chief Executive Officer  
Finance team

## LEGISLATION AND POLICY CONSIDERATIONS

*Local Government Act 1995*

*Local Government (Financial Management) Regulations 1996*

*Local Government (Audit) Regulations 1996*

## FINANCIAL AND RESOURCES IMPLICATIONS

There are no financial or resource implications

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

*Shire of Morawa Community Strategic Plan 2018-2028*

**Outcome 4.3** A local government that is respected, professional and accountable.

## RISK MANAGEMENT CONSIDERATIONS

Findings outlines in the FMR report are assigned a risk rating. These 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. Preparation of a schedule of management actions and reporting progress to the ARMC ensures findings are appropriately addressed.

## CONCLUSION

Whilst there are several areas where Council's systems and procedures can be improved, there are many areas where the controls in place are of a good standard.

## ATTACHMENTS

*Attachment 1* – Financial Management Review Status Report Update

**11.3 Interim Audit 2021-2022 Processes and Findings**

|                                |  |
|--------------------------------|--|
| <b>Author:</b>                 | Executive Manager Corporate and Community Services   |
| <b>Authorising Officer:</b>    | Chief Executive Officer  |
| <b>Disclosure of Interest:</b> | The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item. |

**OFFICER'S RECOMMENDATION/RESOLUTION**

**220605**                      **Moved: Cr J Coaker**                      **Seconded: Cr Harris**

**That the Audit Committee:**

- 1. Receive the Draft Interim Audit report for 2021-2022 including the proposed Management Comments; and**
- 2. Direct the CEO to review and rectify any significant risks based on the final audit letter prior to the final audit for 2021-2022**

***CARRIED BY SIMPLE MAJORITY 5/0***

**PURPOSE**

The purpose of this report is to present the draft findings of the Interim Audit for 2021-2022, together with the initial management comments for the Audit Committee's (Committee) information and review.

This report presents to the Committee the Draft Interim Management Letter (*Confidential Attachment 1*) for the Shire of Morawa for the year ended 30 June 2022. The letter will be finalised once the Auditors have reviewed the Management comments and refined or endorsed their recommendations.

**DETAIL**

It is a statutory requirement that all Local Governments conduct an independent audit of the accounts and financial statements of the entity at the completion of each financial year.

The Interim Audit was conducted by Nexia on behalf of the Office of the Auditor General (OAG). The Interim Audit was conducted from 16-18 May 2022. At the conclusion of this audit, a Management Letter and Findings identified document was issued and is attached for the information of the Audit Committee.

A review of the Management Letter and Findings for the Interim Audit allows the Audit Committee to fulfil its governance and oversight responsibilities in relation to the financing of the Shire.

During the final audit which is scheduled to be conducted in the week of the 17 October 2022 the findings listed in the Interim Management Letter will be reviewed and determined if any actions have been completed so that they can be excluded from the final Management Letter that is issued on completion of the audit.

## LEVEL OF SIGNIFICANCE

Moderate – provides the findings of the interim audit in the management letter for management to respond.

## CONSULTATION

### *Internal*

Shire President  
Senior Management Team  
Finance team

### *External*

Nexia  
Office of Auditor General

## LEGISLATION AND POLICY CONSIDERATIONS

*Local Government Act 1995*

*Local Government (Financial Management) Regulations 2011*

## FINANCIAL AND RESOURCES IMPLICATIONS

The costs associated with conducting the annual audit are included in the 2021-2022 Budget.

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

*Shire of Morawa Community Strategic Plan 2018-2028*

**Outcome 4.3** A local government that is respected, professional and accountable.

## RISK MANAGEMENT CONSIDERATIONS

Findings outlined in the Management Letter have been assigned a risk rating by the OAG. These 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. Consideration is given to these potential adverse outcomes in the context of both quantitative impact and qualitative impact.

Management have provided responses to each the findings and in some instances disagree with the risk ratings applied.

The final interim audit letter will be presented as part of the final audit process.

## CONCLUSION

The Interim Management Letter is attached for the Audit Committee's review. The Shire of Morawa is continuously working towards improvements in the financial management area and while there has been progress in some areas further work is still required in creating stronger controls around purchasing, procurement, and our accounts receivable as per the Financial Management Review.

**ATTACHMENTS**

*Attachment 1 – Interim Management Letter (confidential)*

**Item 11 Motions of Which Previous Notice Has Been Given**

Nil

**Item 12 New Business of an Urgent Nature**

Nil

**Item 13 Closure**

There being no further business, the Presiding Member to declare the meeting closed at 3:21pm