



MINUTES

AUDIT & RISK MANAGEMENT COMMITTEE

held on

Thursday, 11 July 2024 at 6:00pm

at the

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



WESTERN AUSTRALIA'S
WILDFLOWER COUNTRY

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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

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|--|--|-----------|--------------|
| <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 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 declared the meeting open at 6:00pm.

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 Recording of Attendance**3.1 Attendance****Committee Members**

President Councillor Karen Chappel (Presiding Member)

Deputy President Councillor Ken Stokes

Councillor Debbie Collins

Staff

Chief Executive Officer

Executive Manager Corporate & Community Services

Scott Wildgoose

Jackie Hawkins

3.2 Apologies

Councillor Diana North

3.3 Approved Leave of Absence

Nil

3.4 Disclosure of Interests

Nil

Item 4 Applications for Leave of Absence

Nil

Item 5 Response to Previous Questions

Nil

Item 6 Questions from Members without Notice

Nil

Item 7 Announcements by Presiding Member without Discussion

Nil

Item 8 Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting

The Committee 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 Debbie Collins

Item 9 Confirmation of Minutes of Previous Meeting

The Minutes of the 14 March 2024 Audit & Risk Management Committee Meeting were provided under separate cover via the Shire of Morawa’s secure portal to all Councillors on 15 March 2024.

OFFICER’S RECOMMENDATION/COMMITTEE RESOLUTION

240701 Moved: Cr Stokes Seconded: Cr Collins

That the Audit Committee Meeting Minutes held on Thursday, 14 March 2024 are confirmed to be a true and correct record.

CARRIED BY SIMPLE MAJORITY 3/0

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 10 Reports of Officers

10.1 2022-2023 Regulation 17 Actions Update

Author: Chief Executive Officer

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/COMMITTEE RESOLUTION

240702

Moved: Cr Stokes

Seconded: Cr Collins

That the Audit Committee:

- 1. Notes the Reg 17 review update for July 2024 and accepts the actions taken so far.**

CARRIED BY SIMPLE MAJORITY 3/0

PURPOSE

For the Audit Committee to be updated on the status of the action items relating to the 2023 Regulation 17 assessment.

DETAIL

Background

The Audit Committee (Committee) is responsible for the oversight of actions related to the *Local Government (Audit) Regulations 1996*. Regulation 17 states that the CEO is to review certain systems and procedures relating to risk management, internal control, and legislative compliance at least once in every three financial years.

The last Regulation 17 review was conducted in 2022/2023 by Civic Legal as an experienced Local Government specialised legal firm.

Regulation 17 reviews are not pass or fail and centre around embedding continuous improvement within the organisation.

A number of suggested actions were highlighted as part of the review’s findings. Council has previously endorsed the CEO’s allocated timeframes against each action with the goal of delivering all actions by the time of the next review in 2026.

Update

A full update is provided in *Attachment 1*.

A large number of items that are overdue are linked to a review of the Council Policy manual and updating of policies. This is quite a time intensive task and will likely take until late 2024 as part of the staged manual review process. Procedure and plan development delays are an unfortunate outcome of workforce shortages and resource constraints, but all critical items have been reviewed and the current stage of development is a further enhancement or documentation of existing practices.

LEVEL OF SIGNIFICANCE

Medium – achieving the agreed upon action items within delivery timeframe will ensure continued improvement and compliance enhancements.

CONSULTATION

Senior Management Team

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995

Local Government (Audit) Regulations 1996

Strategic Community Plan 2022 to 2032

N/A

FINANCIAL AND RESOURCES IMPLICATIONS

The delivery of some action items will involve consultant support or significant current workload reallocation. This will fall within normal budgetary constraints.

RISK MANAGEMENT CONSIDERATIONS

The Reg 17 Audit is essentially a risk mitigation/identification measure focussed on providing the Audit Committee with information relating to potential systems or procedure risk areas. The current outcomes are falling behind schedule which increases the risk of not all items being completed by 2026, this is a risk but the Shire would need to pivot resources away from other key deliverables in order to achieve the current timeframes.

CONCLUSION

The CEO has continued to work towards achieving organisation wide compliance, with a status update of the Reg 17 Review action items as presented above.

ATTACHMENTS

Attachment 1 – 10.1a Shire of Morawa Reg 17 Action Items – July 2024 Update

10.2 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/COMMITTEE RESOLUTION

240703 Moved: Cr Collins Seconded: Cr Stokes

That the Audit Committee:

- 1. Receive the Financial Management Review 2022 status report and note that all the outstanding items are completed.**

CARRIED BY SIMPLE MAJORITY 3/0

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 outstanding 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, noting all actions raised during the review have now been completed. The next Financial Management Review will occur during the 2024/2025 financial year.

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 2022-2032

Be future focused in all we do:

1. Ensure the Shire and its assets are well resourced and sustainable.

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. All items that were listed on the FMR 2022 have now been completed.

CONCLUSION

The Shire has undertaken all improvement actions arising from the 2022 Financial Management Review and will undertake a 2025 Financial Management Review to further enhance processes and controls.

ATTACHMENTS

Attachment 1 – 10.2a Financial Management Review Status Report Update

10.3 2023-2024 Interim Audit

Author: Chief Executive Officer

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.

Motion to Suspend Standing Orders

Moved: Cr Stokes

Seconded: Cr Collins

ACCEPTED 3/0

Standing Orders Suspended at 6:03pm

Councillors requested CEO to provide a further brief on the Interim Audit Letter and findings.

Motion to Resume Standing Orders

Moved: Cr Stokes

Seconded: Cr Collins

ACCEPTED 3/0

Standing Orders Resumed at 6:09pm**OFFICER'S RECOMMENDATION/COMMITTEE RESOLUTION**

240704

Moved: Cr Collins

Seconded: Cr Stokes

That the Audit Committee:

- 1. Notes the Interim Audit Letter and the Management Comments including actions and timeframes relating to the management response to findings.**

CARRIED BY SIMPLE MAJORITY 3/0

PURPOSE

For the Audit Committee to review the findings of the interim audit and the proposed actions of the administration.

DETAIL

As part of the normal annual financial audit processes, the Shire's auditors conduct an interim audit each year to review the overall control environment, to build an understanding of business processes, risks, and controls relevant to the audit of the annual financial statements.

The interim audit for the Annual Financial report for the year ended 30 June 2024, was conducted onsite during the period 4 to 7 June 2024.

An exit interview was held with the CEO on the 07 June 2024, with all items raised in the Interim Audit Letter raised at this time. The management letter associated with the interim audit was first received by management for comment on 28 June 2024, with the contract auditors and Office of the Auditor General finalising the letter on 05 July 2024.

One significant finding was raised by the auditors. This finding related to Department of Transport (DoT) revenue and cost recognition. The finding whilst significant in terms of the revenue and expenditure values has no net impact on the Shire's financial position and just requires a procedural change to allocate all DoT related transactions to a liability control account with the balance to be journalled as Shire income monthly. The Shire used to manage the DoT funds this way but changed its practices over 10 years ago, and as such this recommendation will trigger a change back to the old process. The management team challenged the finding categorisation as the revenue and cost inflation did not pose a threat to the organisation's viability or financial position as the overstatement of the two areas cancelled each other out. The Shire will change is process for the 2024/2025 financial year.

The other three findings require minor procedural or system changes to improve allocations, review processes, and statements with management not seeing any item or finding as a major risk.

One finding in relation to Revenue Recognition centres around changes to Accounting Standards that required grants paid in advance with milestones for completion to be held as liabilities until milestones are completed and then receipted as income. This is an administrative burden with no real benefit other than AASB compliance. The Shire always sorts revenue at the end of financial year to ensure any carry forward projects are recognised as a contract liability but during the financial year funds are generally just receipted and expended. The auditors note that the monthly financial statements presented to Council are meant to be in alignment with AASBs and as such revenue and expenditure should be sorted each month to recognise contract liabilities. Management agree that this is a AASB requirement and technically the financials presented to Council each month are non-complaint in terms of this accounting area, however it is believed that this area offers no real benefit or practical outcome for the Shire and the administrative burden of having to undertake multiple journals to reallocate funds on a monthly basis is an inefficient use of the Shire's limited financial staffing resources, as such it has not been done each month. The management team asks the ARC to consider this non-compliance area and the risk it poses, and whether managements approach of undertaking the revenue liability review during budget reviews would be sufficient at this stage. The management team is open to changing to a monthly process should more administrative staff or resources in this area be onboarded.

LEVEL OF SIGNIFICANCE

Low – the Interim Audit letter represents a pre-end of year review and does not form part of the end of year audit outcome unless a significant failing or misstatement is found and not resolved.

CONSULTATION

Armada
OAG Director
Senior Management Team

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995

Local Government (Audit) Regulations 1996

Strategic Community Plan 2022 to 2032

N/A

FINANCIAL AND RESOURCES IMPLICATIONS

Nil

RISK MANAGEMENT CONSIDERATIONS

The Interim Audit is a risk management practice in itself and the auditors findings are always welcomed as they highlight areas of improvement for the Shire. In terms of the weaknesses identified, they are all minor in nature and only require minor procedural changes with no major financial impacts or fraud risks detected.

CONCLUSION

The management team has reviewed the auditors findings and provided appropriate comments and timeframes for actions.

ATTACHMENTS

Attachment 1 – 10.3a Interim Management Letter

Item 11 Motions of Which Previous Notice Has Been Given

Nil

Item 12 New Business of an Urgent Nature

Nil

Item 13 Closure

13.1 Date of Next Meeting

The next Audit & Risk Management Committee will be held on Monday, 9 December 2024 commencing at 6.00pm.

13.2 Closure

There being no further business, the President declared the meeting closed at 6:10pm.