



AGENDA

Audit Committee Meeting



Meeting to be held in Council Chambers at
15 Maddock Street, Mukinbudin
Commencing at 3.00pm Monday 16th December 2024

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Mukinbudin for any act, omission or statement or intimation occurring during Council or Committee meetings. The Shire of Mukinbudin disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings. Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by a member or officer of the Shire of Mukinbudin during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Mukinbudin. The Shire of Mukinbudin warns that anyone who has any application lodged with the Shire of Mukinbudin must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attaching to the decision made by the Shire of Mukinbudin in respect of the application.

ETHICAL DECISION MAKING AND CONFLICTS OF INTEREST

Council is committed to a code of conduct and all decisions are based on an honest assessment of the issue, ethical decision-making and personal integrity. Councillors and staff adhere to the statutory requirements to declare financial, proximity and impartiality interests and once declared follow the legislation as required.

7.1B. Delegation of some powers and duties to audit committees

- (1) Despite section 5.16, the only powers and duties that a local government may delegate* to its audit committee are any of its powers and duties under this Part other than this power of delegation.

** Absolute majority required.*

- (2) A delegation to an audit committee is not subject to section 5.17.

[Section 7.1B inserted by No. 49 of 2004 s. 5.]

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an audit committee is to be made by a simple majority.

[Section 7.1C inserted by No. 49 of 2004 s. 5.]

Table of Contents

- 1. Declaration of Opening**
 - 1.1 Declaration of Opening
- 2. Record of Attendance, Apologies, Approved leave of Absence**
 - 2.1 Present
 - 2.2 Staff
 - 2.3 Apologies
 - 2.5 Visitors
 - 2.6 Gallery
- 3. Confirmation of minutes of previous meetings**
 - 3.1 Confirmation of Minutes of Audit Committee Meeting held 16th July 2024.
- 4. Matters for which the meeting may be closed**
 - 4.1 Nil
- 5. Reports of Committees and Officers**
 - 5.1 Auditor Exit Interview
 - 5.2 2023-2024 Annual Financial Report
- 5. Closure of Meeting**

1. Declaration of Opening

- 1.1 The Shire President declared the Meeting open at 3.__pm

2. Record of attendance, apologies and approved leave of absence

2.1 Present:

Cr Gary Shadbolt	President
Cr Romina Nicoletti	Deputy President

Cr G Bent
Cr A Farina
Cr C McGlashan
Cr S Ventris
Cr A Walker

2.2 Staff:

Tanika McLennan	Acting Chief Executive Officer
Renee Jenkin	Manager of Corporate and Community Services

2.3 Apologies:

2.5 Visitors:

Jay Teichert	OAG Director
Robert Hall	Dry Kirkness Audit Director

2.6 Gallery:

3. Confirmation of the Minutes of previous meetings

- 3.1 Confirmation of Minutes for the Audit Committee Meeting of Council held on 21st March 2023

Voting Requirement

Simple Majority

OFFICER RECOMMENDATION

Council Decision Number –

Moved: Cr

Seconded: Cr

That the Minutes of the Audit Committee Meeting of Council held on Tuesday 16th July 2024 be accepted as a true and correct record of proceedings.

Carried /

4. Matters for which the meeting may be closed

Nil

5. Reports of Committees and Officers

5.1 Meeting with the Auditor

Representatives from the Office of the Auditor General and audit firm, Dry Kirkness will be attending the meeting via Teams to discuss the Annual Financial and Independent Auditor's Report.

The *Local Government Act 1995* section 7.12A 'Duties of Local Government with respect to audits' subsection (2) states:

- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.

DISCUSSION POINTS

1.	INTRODUCTION
2.	EXECUTIVE SUMMARY
3.	INDEPENDENCE
4.	COMPLIANCE WITH LAWS AND REGULATIONS AND FRAUD
5.	KEY AUDIT MATTERS AND AUDIT OUTCOMES
6.	SIGNIFICANT AUDIT FOCUS
7.	AUDIT MISSTATEMENTS
8.	AUDIT FINDINGS
9.	KEY CHANGES FOR NEXT YEAR

5.2 2023-2024 Annual Financial Report	
Location:	Mukinbudin
File Ref:	ADM 001
Applicant:	Tanika McLennan, Acting Chief Executive Officer
Date:	2 nd December 2024
Disclosure of Interest:	Nil
Responsible Officer	Tanika McLennan, Acting Chief Executive Officer
Author:	Tanika McLennan, Acting Chief Executive Officer
Documents Attached	1. 2023-24 Annual Financial Report 2. Annual Audit Completion Report 2024 3. Audit Findings (with management comments)

Summary

This agenda item seeks the Audit Committee's review and endorsement of the following documents related to the 2023/2024 financial year:

1. Audited Annual Financial Report for the period ending 30 June 2024.
2. Annual Audit Completion Report and Audit Findings Report addressing matters raised during the audit.

The Audit Committee is requested to recommend these documents to Council for adoption and ensure compliance with statutory requirements.

Background Information

Pursuant to Section 7.9 of the *Local Government Act 1995* ("LGA"), an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is also required, by 31 December following the financial year to which the accounts and report relate, prepare a report thereon and forward a copy of that report to:

- (a) Mayor or President; and
- (b) The Chief Executive Officer; and
- (c) The Minister.

Furthermore, in accordance with Regulation 10(4) of the *Local Government (Audit) Regulations 1996* ("Audit Regulations"), where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the LGA.

Attached for discussion is the Annual Audit Completion Report and Final Management Letter.

The Auditor General's Management Letter includes an index of findings categorized by their potential impact and risk level. These findings are rated as Significant, Moderate, or Minor. The following table summarises the audit findings for 2023:

Financial Audit Findings

1. Excessive Annual Leave Balance (Minor): One staff member was identified with annual leave exceeding 40 days.
2. IT Governance (Significant): The ICT Use Policy is insufficient in addressing cybersecurity and IT governance aspects.
3. Vulnerability Assessment and Penetration Testing (VAPT) (Moderate): No VAPT has been conducted, increasing risks of cyber threats.
4. No Service Level Agreement (SLA) with IT Service Provider (Moderate): Absence of an SLA with the managed IT service provider, limiting performance management.
5. No Change Management Process for Financial System (Minor): Critical financial system changes are not governed by a formal change management policy.

6. Lack of IT Risk Register and Cybersecurity Meetings (Minor): No formal IT Risk Register exists to manage and mitigate cybersecurity risks.

Each finding has implications and recommendations, along with management's responses and proposed completion dates, as detailed in the Management Letter. Management has provided detailed responses, including corrective measures and timelines to address these findings. Collaboration with the Shire's IT provider, Wallis Computer Solutions, is underway to implement necessary changes, such as drafting SLAs, updating policies, and documenting IT risks.

Officer Comment

Of the six matters raised, one was classed as significant and as such the following steps are required;

1. It must be stated what action the local government has taken or intends to take with respect to the matter raised;
2. A copy of the report is to be forwarded to the Minister within 3 months of the audit report being received by the local government; and
3. A copy of the report must be published on the local government's official website.

The audited financial documents and associated reports reflect the Shire's compliance with financial management and governance requirements. The CEO's Audit Action Report provides detailed steps to address the significant matters and areas for improvement identified during the audit.

The Audit Committee is requested to endorse these documents and recommend them to Council for adoption, ensuring compliance with legislative requirements and alignment with best practice governance standards.

Strategic & Social Implications

N/A

Consultation

Bob Waddell and Associates
Dry Kirkness
Office of the Auditor General

Statutory Environment

Local Government Act 1995

6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
 - (a) be prepared and presented in the manner and form prescribed; and
 - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —
 - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
 - (b) the annual financial report of the local government for the preceding financial year.

7.9. Audit to be conducted

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —
 - (a) the mayor or president; and
 - (b) the CEO of the local government; and
 - (c) the Minister.
- (2) Without limiting the generality of subsection (1), where the auditor considers that —
 - (a) there is any error or deficiency in an account or financial report submitted for audit; or
 - (b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or
 - (c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.
- (3) The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —
 - (a) prepare a report thereon; and
 - (b) forward a copy of that report to the Minister,and that direction has effect according to its terms.
- (4) If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government.

7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to —
 - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and
 - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
 - (aa) examine an audit report received by the local government; and
 - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —

- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

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.

Local Government (Audit) Regulations 1996

10. Report by auditor

- (1) An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.
- (2) The report is to give the auditor's opinion on —
 - (a) the financial position of the local government; and
 - (b) the results of the operations of the local government.
- (3) The report must include a report on the conduct of the audit.
- [(4A) *deleted*]
- (4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.

Local Government (Financial Management) Regulations 1996

17A. Valuation of certain assets for financial reports

- (1) In this regulation —

carrying amount, in relation to a non-financial asset, means the carrying amount of the non-financial asset determined in accordance with the AAS;

fair value, in relation to a non-financial asset, means the fair value of the non-financial asset measured in accordance with the AAS;

last valuation date, in relation to a non-financial asset of a local government, means —

 - (a) if the asset has been revalued by the local government — the date of the last revaluation;
 - (b) otherwise — the date of acquisition by the local government;

reportable value — see sub regulation (4);

right-of-use asset, of a local government, includes the local government's right to use —

- (a) Crown land; or
- (b) other land that is not owned by the local government,

that is vested in the local government at nil or nominal cost for an indefinite period for the purpose of roads or for any other purpose;

vested improvement, in relation to a local government, means a pre-existing improvement on land of which the care, control or management is vested in the local government at nil or nominal cost for an indefinite period.

- (2) A local government must show in each financial report for a financial year ending on or after 30 June 2020 —
 - (a) the reportable value of all of the non-financial assets of the local government that are —
 - (i) land and buildings that are classified as property, plant and equipment; or
 - (ii) investment properties; or
 - (iii) infrastructure; or
 - (iv) vested improvements that the local government controls;and
 - (b) the carrying amount of all of the non-financial assets of the local government that are plant and equipment type assets measured using the cost model in accordance with the AAS; and
 - (c) the carrying amount of all of the right-of-use assets of the local government (other than vested improvements referred to in paragraph (a)(iv)) measured using the cost model in accordance with the AAS.

[(3) *deleted*]

- (4) For the purposes of sub regulation (2)(a), the **reportable value** of a non-financial asset of a local government is the fair value of the asset as at its last valuation date minus the following (to the extent applicable) —
 - (a) the accumulated depreciation in respect of the asset subsequent to its last valuation date;
 - (b) the accumulated impairment losses in respect of the asset subsequent to its last valuation date.
- (4A) A local government must revalue a non-financial asset of the local government referred to in sub regulation (2)(a) as follows —
 - (a) if the asset is an investment property —
 - (i) whenever required under the AAS known as AASB 140; and
 - (ii) in any event, on the day after the period of 5 years beginning on the asset's last valuation date;
 - (b) otherwise — on the day after the period of 5 years beginning on the asset's last valuation date.
- (4B) A local government —

- (a) is not required to revalue a non-financial asset of the local government referred to in sub regulation (2)(a) otherwise than as required under sub regulation (4A); but
 - (b) may revalue the asset earlier than is required under sub regulation (4A) if the local government chooses to do so.
- (4C) A local government is not required to comply with the AAS known as AASB 136 to determine the recoverable amounts of its non-financial assets referred to in sub regulation (2)(a) for an impairment indicator of a general decrease in asset values.
- (5) A non-financial asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5 000.

17B. CEO to take steps to protect excluded portable and attractive assets

A CEO must take all reasonable steps to prevent the theft or loss of —

- (a) a non-consumable asset that is susceptible to theft or loss due to its portable nature and attractiveness for personal use or resale; and
- (b) an asset referred to in regulation 17A(5).

Policy Implications

N/A

Financial Implications

As identified in the Officer comments

Voting Requirements

Simple Majority

OFFICER RECOMMENDATION

Council Decision Number –

Moved: Cr

Seconded: Cr

That the Audit Committee

- 1. Adopt the Audited Annual Financial Report for the period ended 30 June 2024;**
- 2. Receive the Annual Audit Completion and Audit Findings Reports**

Carried /

6. Closure of Meeting

The Chairperson thanked Elected Members and Staff for attending and declared the meeting closed at ____pm.