



# CONFIRMED MINUTES

Audit Committee Meeting



Meeting held in Council Chambers at  
15 Maddock Street, Mukinbudin  
Commencing at 11.30am Tuesday 16th July 2024

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## **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.]*

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Agenda of the Audit Committee Meeting held in Council Chambers, Maddock Street, Mukinbudin on Tuesday 16 July 2024.

**1. Declaration of Opening**

- 1.1 The Shire President declared the Meeting open at 11.30am

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

- 2.1 Present:  
       Cr Gary Shadbolt                      President  
  
       Cr G Bent  
       Cr A Farina  
       Cr C McGlashan  
       Cr S Ventris
- 2.2 Staff:  
       Tanika McLennan – Acting Chief Executive Officer  
       Renee Jenkin – Manager of Corporate and Community Services
- 2.3 Apologies:  
       Cr A Walker  
       Cr R Nicoletti
- 2.4 Visitors:
- 2.5 Gallery:

**3. Confirmation of the Minutes of previous meetings**

- 3.1 Confirmation of Minutes for the Audit Committee Meeting of Council held on 12<sup>th</sup> March 2024.

**Voting Requirement**

Simple Majority

**OFFICER RECOMMENDATION**

**Council Decision Number – 01 07 2024**

**Moved: Cr Ventris**

**Seconded: Cr McGlashan**

**That the Minutes of the Audit Committee Meeting of Council held on Tuesday 12<sup>th</sup> March 2024 be accepted as a true and correct record of proceedings.**

**Carried 5 / 0**

#### 4. Matters for which the meeting may be closed

Nil

#### 5. Reports of Committees and Officers

5.1 Report on Findings During the 2023-2024 Interim Audit	
Location:	Mukinbudin
File Ref:	ADM 289
Applicant:	Tanika McLennan, Acting Chief Executive Officer
Date:	24 <sup>th</sup> June 2024
Disclosure of Interest:	Nil
Responsible Officer	Tanika McLennan, Acting Chief Executive Officer
Author:	Tanika McLennan, Acting Chief Executive Officer
Voting Requirements	Simple Majority
Documents Attached	1. <a href="#">Interim Management Letter to President</a> 2. <a href="#">Findings Identified During the Interim Audit - Including Management Comments</a>
Documents Tabled	Nil

#### Summary

To note the:

- Interim Management Letter to President
- Findings Identified During the Interim Audit - Including Management Comments

#### Background Information

An extract from Department of Local Government and Communities Operational Guideline Number 09 – ‘Audit in Local Government’ revised September 2013 is regarding roles and responsibilities is given below.

#### ***“Role and Responsibilities***

*8 The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.*

*9 The audit committee should critically examine the audit and management reports provided by the external auditor. The committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.*

*10 A further role for the audit committee would be to receive and authorise the report relating to the audit prepared by the CEO that is to be sent to the Minister.*

*This report would outline any actions the local government has taken or intends to take in relation to the matters identified by the auditor.*

*11 While a formal internal audit function could be considered to be an operational function and therefore the responsibility of the CEO, it is desirable for an internal auditor to have a direct line of communication to the Audit Committee.*

*The Audit Committee needs to form an opinion of the local government’s internal audit requirements and recommend a course of*

*action that ensures that any internal audit processes adopted are appropriate, accountable and transparent. The role of the external auditor in this regard can be established at the time of appointment.*

**Please note** that an audit committee (or any other committee) cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local government is assigned the function through the legislation, the audit committee may have a role unless the function has been delegated to the CEO by the Council.”

### **Officer Comment**

The Interim Audit Findings Report 2024 identified no significant items however 5 items were raised as moderate, these being;

- Review of Bank Reconciliations
- Corporate Business Plan Expired
- Risk Register Not Maintained
- Workforce Plan Not Updated
- No Employee Exit Checklist

Further details of these findings, including management comments, can be found in the attached Interim Management Letter.

**Strategic & Social Implications** N/A

**Consultation** N/A

### **Statutory Environment**

*The Local Government Act 1995 Section 7.12A provides:*

- (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.

**Policy Implications** N/A

### **Financial Implications**

There is no direct financial implication in relation to this matter.

**OFFICER RECOMMENDATION****Council Decision Number – 02 07 2024****Moved: Cr Farina****Seconded: Cr Bent****That the Audit Committee:**

- 1. Note the report on Findings Identified During the Interim Audit.**

**Carried 5 / 0****6. Closure of Meeting**

The Chairperson thanked Elected Members and Staff for attending and declared the meeting closed at 11.38am.



Our Ref: 8346

7th Floor, Albert Facey House  
469 Wellington Street, Perth

Mr Gary Shadbolt  
Shire President  
Shire of Mukinbudin

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Dear Shire President

**ANNUAL FINANCIAL REPORT  
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2024**

We have completed the interim audit for the year ending 30 June 2024. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

**Management Control Issues**

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the CEO. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7742 if you would like to discuss these matters further.

Yours faithfully

Jay Teichert  
Director  
Financial Audit  
21 June 2024

Attach



NAME OF ENTITY: SHIRE OF MUKINBUDIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Review of Bank Reconciliations	No		✓		✓
2. Corporate Business Plan Expired	No		✓		✓
3. Risk Register Not Maintained	No		✓		✓
4. Workforce Plan Not Updated	No		✓		✓
5. No Employee Exit Checklist	No		✓		
6. Procurement Practices	No			✓	✓

**Key to ratings**

The Ratings in this management letter 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. We 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).

**Significant** - 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.

**Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

**Minor** - Those findings that are not of primary concern but still warrant action being taken.

*The ratings included are preliminary ratings and could be modified pending other findings being identified, rated and the consideration of them collectively on the ratings and any potential impact on the audit opinion.*

**NAME OF ENTITY: SHIRE OF MUKINBUDIN**  
**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024**  
**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**1. Review of Bank Reconciliations**

**Finding**

We found no evidence of review of the following bank accounts and associated months:

- Muni Investment Account - October 2023, December 2023, and February 2024
- Reserve Account - December 2023.
- Restricted Muni & Trust Account - December 2023
- Trust Bank Account - December 2023

This finding was first reported in the 2023 Interim Management Letter.

**Rating: Moderate** (2023: Moderate)

**Implication**

Bank reconciliations are a fundamental internal control in accounting to ensure that there are no transactions that have been misstated. Should reconciliations not be prepared or reviewed in a timely manner, significant errors may not be detected and addressed in a timely manner.

**Recommendation**

Bank reconciliations should be prepared and reviewed in a timely manner.

**Management Comment**

*The Finance Manager retired in May 2024 and it is proposed to fill the role with a contractor. Reviewing bank reconciliations is listed as a requirement under the new contract. All bank reconciliations since March 2024 have been reviewed.*

**Responsible person:** Tanika McLennan, ACEO  
**Completion date:** March 2024

NAME OF ENTITY: SHIRE OF MUKINBUDIN  
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024  
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

## 2. Corporate Business Plan Expired

### Finding

We noted that the Corporate Business Plan expired in 2021 and has not been updated. As per discussion, there has been effort to contract external expert to sort and draft one applicable for Shire of Mukinbudin.

This finding was first reported in the 2022 Final Management Letter.

**Rating: Moderate** (2023: *Moderate*)

### Implication

This is not in accordance with section 19DA (1) and (2) the Local Government (Administration) Regulations 1996 which requires a local government to prepare a corporate business plan which is to cover at least 4 financial years.

### Recommendation

We recommend that the Corporate Business Plan is updated to cover the next 4 financial years in accordance with section 19DA (1) and (2) the Local Government (Administration) Regulations 1996.

### Management Comment

*Consultant was engaged in June 2024 to prepare a Corporate Business Plan.*

**Responsible person:** Tanika McLennan, ACEO  
**Completion date:** October 2024

**NAME OF ENTITY: SHIRE OF MUKINBUDIN**  
**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024**  
**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

### **3. Risk Register Not Maintained**

#### **Finding**

A risk register was not available for our inspection to reflect identified risks, and if they have been adequately treated. We are informed that the Shire uses the Financial Management Review to monitor the risks. However, the identified risks are not included within agenda items for elected member consideration in the Council and/or audit risk committee meeting or recorded elsewhere.

This finding was first reported in the 2023 Interim Management Letter.

**Rating: Moderate** (2023: *Moderate*)

#### **Implication**

Without a comprehensive documented and updated risk register, the Shire has potential exposure to risks that if unmanaged, may have an adverse impact on the achievement of organisational objectives.

#### **Recommendation**

Risks should be appropriately recorded in a risk register including details of remedial actions and timeframe of the implementation. The Shire should communicate the identified risks within a council meeting, to enable elected members to be fully informed of the identified risks when making decisions.

#### **Management Comment**

*Risk Register to be prepared and implemented in 2024/25 financial year.*

**Responsible person:** Tanika McLennan, ACEO  
**Completion date:** June 2025

NAME OF ENTITY: SHIRE OF MUKINBUDIN  
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024  
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

#### 4. Workforce Plan Not Updated

##### Finding

We noted that the Shire's Workforce Plan had not been reviewed and updated since 2016.

Section 5.56 of the *Local Government Act 1995* requires a local government to plan for the future of the district, and the plans made are to be in accordance with any regulations made about planning for the future of the district. This plan should be kept up to date to ensure relevance.

We note that there has been an effort to contract an external expert to prepare a Workforce Plan for the Shire.

This finding was first reported in the 2023 Interim Management Letter.

**Rating: Moderate** (2023: *Moderate*)

##### Implication

The Shire has no current plan to follow in respect of matters relating to employment and the lack of a Workforce Plan represents non-compliance with section 5.56 of the *Local Government Act 1995*.

##### Recommendation

We recommend that the Workforce Plan is prepared and approved by Council to ensure compliance with section 5.56 of the *Local Government Act 1995*.

##### Management's comments

*Consultant was engaged in June 2024 to prepare a Workforce Plan.*

**Responsible person:** Tanika McLennan, Acting CEO  
**Completion date:** October 2024

NAME OF ENTITY: SHIRE OF MUKINBUDIN  
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024  
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

#### 5. No Employee Exit Checklist

##### Finding

We noted that the Shire does not have an exit checklist to ensure employees, who are leaving the Shire, have returned all Shire property prior to their departure.

**Rating: Moderate**

##### Implication

Without a formal Employee Exit Checklist prior to the employee's departure from the Shire, there is a risk of loss of Shire property as well as inappropriate access to the Shire's premises.

##### Recommendation

We recommend that management develop and implement an Employee Exit Checklist to ensure employees, return all Shire property and their system access is removed promptly upon their departure.

##### Management comment

*Senior Finance Officer prepared an employee exit checklist in May 2024 and this is now in use.*

**Responsible person:** Lucia Scari, SFO  
**Completion date:** May 2024

NAME OF ENTITY: SHIRE OF MUKINBUDIN  
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024  
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

## 6. Procurement Practices

### Finding:

During our sample testing of 28 payments made throughout the period from 1 July 2023 to 31 March 2024, we noted:

- 1 instance where the purchase order was raised after the invoice date

This finding was first reported in the 2021 Management Letter.

**Rating: Minor** (2023: Significant)

### Implication

The Shire has not adhered to the purchasing policy and the Local Government (Financial Management) Regulations. There is an increased risk of favouritism of suppliers and not obtaining value for money.

### Recommendation

Staff are reminded of appropriate procurement policies and practices and ensure purchase orders are raised and appropriately approved prior to receiving goods or services for all applicable items that require purchase orders.

### Management's comments

*Staff have been reminded of the purchasing policy and procedures and asked to ensure purchase orders are raised and appropriately approved prior to receiving goods or services for all applicable items that require purchase orders.*

**Responsible person:** Tanika McLennan, ACEO  
**Completion date:** June 2024



## DECLARATION

I declare that these minutes of the Audit Committee Meeting held on the 16<sup>th</sup> July 2024 were confirmed at the Audit Committee Meeting held on 16<sup>th</sup> December 2024.

Signed: \_\_\_\_\_

Being the person presiding at the meeting at which these minutes were confirmed.

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