



CONFIRMED MINUTES

Audit Committee Meeting



Meeting held in Council Chambers at
15 Maddock Street, Mukinbudin
Commencing at 11.00am Tuesday 12th March 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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1.1 Declaration of Opening

2. Record of Attendance, Apologies, Approved leave of Absence

2.1 Present

2.2 Staff

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3. Confirmation of minutes of previous meetings

3.1 Nil

4. Matters for which the meeting may be closed

4.1 Nil

5. Reports of Committees and Officers

5.1 Shire of Mukinbudin - Compliance Audit Return - 31 December 2023

5.2 2022-2023 Report on Significant findings of the 2022-2023 Annual Audit

5. Closure of Meeting

1. Declaration of Opening

1.1 The Shire President declared the Meeting open at 11.28am

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

2.2 Staff:

Dirk Sellenger – Chief Executive Officer
Renee Jenkin – Manager of Corporate and Community Services
Mr Ed Nind – Manager of Finance

2.3 Apologies:

Cr A Walker

2.4 Visitors:

2.5 Gallery:

3. Confirmation of the Minutes of previous meetings

Nil

4. Matters for which the meeting may be closed

Nil

6. Reports of Committees and Officers

7. Nil

5.1 Shire of Mukinbudin - Compliance Audit Return - 31 December 2023	
Location:	Mukinbudin
File Ref:	ADM 289
Applicant:	Dirk Sellenger, Chief Executive Officer
Date:	7 March 2024
Disclosure of Interest:	Nil
Responsible Officer	Dirk Sellenger, Chief Executive Officer
Author:	Ed Nind, Finance Manager
Documents Attached	Shire of Mukinbudin - Compliance Audit Return - 31 December 2023 (12 Pages)

Summary

To present the 31st December 2023 Compliance Audit Return (CAR) to the Audit Committee first, then Council for adoption, and then electronically certified copy to the Department of Local Government and Communities.

Background Information

Every Local Government in Western Australia is required to complete a Compliance Audit Return (CAR) each year ending 31 December. Over the past two years, the CAR has been reduced substantially with many of the questions deleted that were also subject to inspection by Council Auditors.

Local Government (Audit) Regulations 1996 reg 14 and 15 states:

“14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) The local government’s audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
 - (a) presented to the council at a meeting of the council; and*
 - (b) adopted by the council; and*
 - (c) recorded in the minutes of the meeting at which it is adopted.*

[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]

15. Compliance audit return, certified copy of etc. to be given to Executive Director

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —*
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
 - (b) any additional information explaining or qualifying the compliance audit,*

is to be submitted to the Executive Director by 31 March next following the period to which the return relates.

(2) *In this regulation —*

certified in relation to a compliance audit return means signed by —

- (a) *the mayor or president; and*
- (b) *the CEO.*

[Regulation 15 inserted in Gazette 23 Apr 1999 p. 1725.]"

Comment

A draft copy of the Shire of Mukinbudin 2023 Compliance Audit Return has been prepared by the CEO and provided to Audit Committee members/Councillors for consideration (see separate attachment).

Most questions in the CAR were answered in the 'affirmative' or 'not applicable' where appropriate except for the deadline for local government submit to its auditor by 30 September 2023 the balanced accounts and annual financial report for the year ending 30 June 2023 for which Ministerial extension approval was requested and granted.

The auditors report was presented to the Audit committee on 15 December 2023. The Audit Committee minutes with the Auditor's report was received by the local government on 15 December 2023.

At the time of preparing this report the CEO is unaware of any serious areas of non-compliance between 1 January 2023 and 31 December 2023 with the *Local Government Act 1995* or its associated Regulations.

Strategic & Social Implications N/A

Consultation N/A

Statutory Environment

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Functions and General) Regulations 1996

Local government (Administration) Regulations 1996

Local Government (Audit) Regulations 1996

Local Government (Constitution) Regulations 1998

Local Government (Elections) Regulations 1997

Local Government Act 1960 (Miscellaneous Provisions)

Policy Implications

Nil

Financial Implications

As identified in the Officer comments

Voting Requirements

Simple Majority

OFFICER RECOMMENDATION

Council Decision Number – 01 03 2024

Moved: Cr Nicoletti

Seconded: Cr Farina

That the Audit Committee recommend to Council that the 2023 Compliance Audit Return

- **be signed by the CEO and Shire President; and**
- **be received and recorded in the minutes of Council; and**
- **be submitted to the Executive Director of the Department of Local Government and Communities.**

Carried 6 / 0

Mukinbudin – Compliance Audit Return

Commercial Enterprises by Local Governments				
No	Reference	Question	Response	Comments
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2023?	N/A	
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2023?	N/A	
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2023?	N/A	
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2023?	N/A	
5	s3.59(5)	During 2023, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A	

Delegation of Power/Duty				
No	Reference	Question	Response	Comments
1	s5.16 (1)	Were all delegations to committees resolved by absolute majority?	Yes	
2	s5.16 (2)	Were all delegations to committees in writing?	Yes	
3	s5.17	Were all delegations to committees within the limits specified in section 5.17 of the Local Government Act 1995?	Yes	
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes	
5	s5.18	Has council reviewed delegations to its committees in the 2022/2023 financial year?	Yes	
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Local Government Act 1995?	Yes	

7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes	
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes	
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes	
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes	
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2022/2023 financial year?	Yes	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19?	Yes	

Disclosure of Interest				
No	Reference	Question	Response	Comments
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the Local Government Act 1995, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes	
2	s5.68(2) & s5.69(5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting?	Yes	
3	s5.73	Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the Local Government Act 1995 recorded in the minutes of the meeting at which the disclosures were made?	Yes	
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes	
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2023?	Yes	

6	s5.77	On receipt of a primary or annual return, did the CEO, or the Mayor/President, give written acknowledgment of having received the return?	Yes	
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the Local Government Act 1995?	Yes	
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28?	Yes	
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the Local Government Act 1995, did the CEO remove from the register all returns relating to that person?	Yes	
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) of the Local Government Act 1995 been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes	
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A?	Yes	
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes	
13	s5.89A(6)	When people cease to be a person who is required to make a disclosure under section 5.87A or 5.87B of the Local Government Act 1995, did the CEO remove from the register all records relating to those people?	Yes	
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A(6) of the Local Government Act 1995 been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes	
15	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes	

16	s5.71A & s5.71B(5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under section 5.71A(1) of the Local Government Act 1995 relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A	
17	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under section 5.71B(6) of the Local Government Act 1995, recorded in the minutes of the council meeting at which the decision was considered?	N/A	
18	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members candidates that incorporates the model code of conduct?	Yes	
19	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4) of the Local Government Act 1995?	No	
20	s5.104(7)	Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website?	Yes	
21	s5.51A(1) & (3)	Has the CEO prepared and implemented a code of conduct to be observed by employees of the local government? If yes, has the CEO published an up-to-date version of the code of conduct for employees on the local government's website?	Yes	

Disposal of Property				
No	Reference	Question	Response	Comments
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the Local Government Act 1995 (unless section 3.58(5) applies)?	Yes	
2	s3.58(4)	Where the local government disposed of property under section 3.58(3) of the Local Government Act 1995, did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes	

Elections				
No	Reference	Question	Response	Comments
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the Local Government (Elections) Regulations 1997?	Yes	
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997?	N/A	
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997?	Yes	

Finance				
No	Reference	Question	Response	Comments
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Local Government Act 1995?	Yes	
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Local Government Act 1995, did it do so by absolute majority?	N/A	
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2023 received by the local government by 31 December 2023?	Yes	

4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the Local Government Act 1995 required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	Yes	
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	Yes	
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website?	Yes	
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June 2023 received by the local government within 30 days of completion of the audit?	Yes	

Local Government Employees				
No	Reference	Question	Response	Comments
1	s5.36(4) & s5.37(3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A?	N/A	
2	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A	
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the Local Government Act 1995?	N/A	
4	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A	
5	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A	

Official Conduct				
No	Reference	Question	Response	Comments
1	s5.120	Has the local government designated an employee to be its complaints officer?	Yes	
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a) of the Local Government Act 1995?	Yes	
3	S5.121(2)	Does the complaints register include all information required by section 5.121(2) of the Local Government Act 1995?	Yes	
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes	

Tenders for Providing Goods and Services				
No	Reference	Question	Response	Comments
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes	
2	s3.57 F&G Reg 11	Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations?	Yes	
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 of the Local Government Functions and General) Regulations 1996, required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with Regulation 14(3) and (4)?	Yes	

4	F&G Reg 12	Did the local government comply with Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract?	N/A	
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents, or each acceptable tenderer notice of the variation?	N/A	
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16?	Yes	
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes	
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	N/A	
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes	
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes	
11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22?	Yes	
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A	
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	N/A	

14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24?	N/A	
15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions & General) Regulations 1996 regulations 24AD(4) and 24AE?	N/A	
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A	
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A	
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG?	N/A	
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A	
20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A	
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A	
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F?	N/A	

Integrated Planning and Reporting				
No	Reference	Question	Response	Comments
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	19/09/2018
2	Admin Reg 19DA(1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	1/07/2017
3	Admin Reg 19DA(2) & (3)	Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)?	Yes	

Optional Questions				
No	Reference	Question	Response	Comments
1	Financial Management Reg 5(2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 regulations 5(2)(c) within the three financial years prior to 31 December 2023? If yes, please provide the date of council's resolution to accept the report.	Yes	21/06/2022
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2023? If yes, please provide date of council's resolution to accept the report.	Yes	21/06/2022
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B of the Local Government Act 1995, were the disclosures made within 10 days after receipt	N/A	

		of the gift? Did the disclosure include the information required by section 5.87C of the Act?		
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events?	No	
5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the Local Government Act 1995?	No	
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2022/2023 financial year and publish it on the local government's official website by 31 July 2023?	Yes	
8	s6.4(3)	By 30 September 2023, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2023?	Yes	
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all its expenditure, revenue and income?	Yes	



Chief Executive Officer

21/3/2024

Date

Mayor/President

Date

5.2. 2022-2023 Report on Significant findings of the 2022-2023 Annual Audit	
Location:	Mukinbudin
File Ref:	ADM 289
Applicant:	Dirk Sellenger – Chief Executive Officer
Date:	7 March 2024
Disclosure of Interest:	Nil
Responsible Officer	Dirk Sellenger - Chief Executive Officer
Author:	Edward Nind – Finance Manager
Voting Requirements	Simple Majority
Documents Attached	<ol style="list-style-type: none"> 1. Annual Audit Completion Report 2023 (15 Pages) 2. Findings Identified During The Interim Audit (11 Pages) 3. Findings Identified During The Final Audit (8 Pages) 4. Audit Action Report (2 pages)
Documents Tabled	Nil

If a Councillor has any questions regarding the significant findings, please discuss these queries with the Finance Manager so that a researched answer may be provided for you.

Summary

To note the:

- Annual Audit Completion Report 2023
- Findings Identified During The Interim Audit (11 Pages)
- Findings Identified During The Final Audit (8 Pages)
- Audit Action Report

Background Information

The Local Government Act 1995 requires Council to prepare and accept an Annual Report for each financial year by 31 December after that financial year after having received the Independent Auditor's Report.

This year the audit was carried out by the Office of the Auditor General, the main liaison auditor being Tim Sanya. The Office of the Auditor General who subcontracted the detail work to Dry Kirkness with the lead auditor being Robert Hall.

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 Annual Audit Completion Report 2023 identified 3 items as significant, these being;

- Procurement Practices.
- IT Governance
- Excessive Superuser/Admin Access

Further details of these findings can be found in the “Findings Identified During The Interim Audit” and “Findings Identified During The Final Audit” documents.

The Local Government Act 1995 Section 7.12A paragraphs 3 to 5 require that because a matter is identified as “significant”:

- i. A local government must prepare a report addressing any matters identified as significant by the auditor.
- ii. Give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- iii. Within 14 days after a local government gives a report copy to the Minister

A report addressing each of the findings is attached.

Strategic & Social Implications N/A

Consultation N/A

Statutory Environment

Local Government Act 1995, sections 5.53 provides that the Annual Report is to contain the following:

- *A report from the Shire President*
- *A report from the Chief Executive Officer*
- *An overview of the plan for the future of the district made in accordance with Section 5.56, including major initiatives that are proposed to commence or continue in the next financial year*
- *The financial report for the financial year*

- Such information as may be prescribed in relation to the payments made to employees
- The auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year
- A matter on which a report must be made under section 29(2) of the Disability Services Act 1993
- Details of entries made under section 5.121 during the financial year in the register of complaints, including –
 - The number of complaints recorded in the register of complaints; and
 - How the recorded complaints were dealt with; and
 - Any other details that the regulations may require;
- And
- Such other information as may be prescribed.

The Local Government Act 1995 Section 7.2 provides:

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by each local government.

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 03 2024

Moved: Cr Ventris

Seconded: Cr Bent

That the Audit Committee:

- 1. Note the Report on Significant Items Identified in the 2022-2023 Audit.**
- 2. Send a copy of the Report on Significant Items Identified in the 2022-2023 Audit to the Minister and within 14 days of forwarding the report to the Minister publish a copy of the report on the local government's official.**

Carried 6 / 0

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DRY / KIRKNESS

Annual Audit Completion Report

Accounting
Business Advisory
Audit Services

CONFIRMED MINUTES AUDIT COMMITTEE MEETING HELD 12 MARCH 2024



Office of the Auditor General
Audit Committee Chairperson
Serving the Public Interest



DRY / KIRKNESS

Shire of Mukinbudin
30 June 2023

Accounting
Business Advisory
Audit Services

CONFIRMED MINUTES AUDIT COMMITTEE MEETING HELD 12 MARCH 2024

OAG
Office of the Auditor General
Serving the Public Interest

Audit Committee Chairperson

Introduction

FROM OUR ENGAGEMENT PARTNER

Shire of Mukinbudin for the year ended 30 June 2023.

We would like to take this opportunity to thank the management team for their assistance during the audit process. If you have any queries on the report, please feel free to contact me.



ROBERT HALL
DIRECTOR

B.Com (Hons) CA
roberth@drykirkness.com.au

JAY TEICHERT
DIRECTOR

OAG Representative
Jay.Teichert@audit.wa.gov.au

Executive Summary

- + Butler Settineri (Audit) Pty Ltd was appointed as the contract auditor by the Office of the Auditor General for the years ended 30 June 2022, 2023 and ending 2024 and have changed names to Dry Kirkness (Audit) Pty Ltd on 1 July 2022.
- + Dry Kirkness (Audit) Pty Ltd has completed the external statutory audit for the year ended 30 June 2023 as contract auditor on behalf of the Office of the Auditor General.
- + There are no unresolved issues as at the date of this report.
- + Our findings are included in this report.
- + We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements.
- + The first set of financials were received by audit on 18th October 2023 and were certified by the CEO. The 1st draft of the financials was good quality and required few changes.
- + The 2023 R2R certification has been completed and submitted. The 2023 LRCIP certification is currently in progress and is anticipated to be finalized by 12 December 2023.
The audit work relating to the 2023 certifications and issuance of the opinion will be performed by Dry Kirkness.
- + There are no outstanding matters.

Independence

We are independent of the Shire in accordance with the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.

Threats to independence include the following:

- + Self Interest Threats
- + Self Review Threats
- + Advocacy Threats
- + Familiarity Threats
- + Intimidation Threats

What we do to remain independent:

- + All team members sign an independence declaration at the commencement of the audit.
- + We monitor our individual independence throughout the audit.
- + All team members sign off an independence declaration at the completion of the audit.

Compliance With Laws & Regulations & Fraud

Laws and Regulations applicable to the Shire include the following:

- + Local Government Act 1995.
- + Local Government (Financial Management) Regulations 1996.
- + Local Government (Audit) Regulations 1996.
- + Australian Tax Office (GST / FBT / PAYG) Compliance.
- + Compliance with conditions of program funding arrangements.

During the audit process there have been:

- + Non-compliance issues reported in the audit findings where applicable.
- + No findings or indications of suspected fraud.

As far as the external audit relates to the matters noted above.



Key Audit Matters and Audit Outcomes

During the planning phase of the audit, we identified the following issues and key areas of audit risk.

Details of Risk / Issue	Audit Approach
<p>Audit findings reported in the previous audit:</p> <ul style="list-style-type: none"> + Purchase Orders – no PO for 3 out of 60 occasions + Quotes not obtained for purchases – 1 out of 60 instances + Corporate Business Plan requires updating as expired 2021 + Payroll – 1 leave form not on file + IT Security – No Cyber Security Policy + Supplier Master Files – no New Supplier Details Forms & not signed when used or evidence of review + Fees & Charges - no evidence of review of Income Summary Sheet for the Pool & Caravan Park or End-Of-Day Receipts report + 1 Employee with leave balance more than 40 days + No assessment to determine if infrastructure assets represent fair value + Lack of review of Trust bank reconciliations for 2 months 	<p>We followed up on last year's audit issues during the audit. Certain issues remain open as detailed under Audit Findings.</p>
<p>Changes to Local Government (Financial Management) Regulations that have been published by the Department of Local Government, Sport, and Cultural Industries (DLGSCI):</p> <ul style="list-style-type: none"> + New standardized templates are established for local government financial statements for 2022-23. The template for smaller (band 3 and 4) local governments is established to have more streamlined standard financial statements, reflecting the generally less complex operations of smaller local governments. 	<p>We reviewed the financial report and confirmed that management has complied with the change in Regulation.</p>
<p>We have identified the following areas that we consider require additional focus during our 2022-23 local government audits:</p> <ul style="list-style-type: none"> + Revenue recognition including contract liabilities + Unauthorized expenditure + Unrecorded liabilities and expenses + Fictitious employees + Revaluation of Infrastructure assets (last revalued in 2021-22) + Related party disclosures + Joint arrangement disclosures + Contingent liabilities disclosures + Restricted reserve accounts 	<p>We reviewed the related audit evidence as part of our audit testing and confirmed that appropriate recognition and measurement and disclosures have been made in the financial report in relation to the risks identified.</p>

<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> + Provision for annual and long service leave + Fair value of PPE and Infrastructure + Impairment of assets + Provision for rehabilitation of waste disposal sites 	<p>We reviewed the methodology and underlying data that management used when determining critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.</p>
<p>Important changes in management or the control environment</p>	<p>None during the financial year.</p>

Audit Misstatements

The following adjustments were made arising from the audit for the year:

<u>Financial Statement Line Items</u>	<u>Amount</u>
Infrastructure	-2,373,874
Revaluation Reserve	2,373,874
<i>Adjustment to correct the infrastructure value and revaluation reserve arising from an error in the valuation expert's report.</i>	

There were no unadjusted misstatements identified during the audit for the year.

Audit Findings

Per the Interim Management Letter:

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Procurement Practices	No	✓			✓
2. Supplier Masterfile Amendments	No		✓		✓
3. Review of Bank Reconciliations	No		✓		✓
4. IT security control environment	No		✓		✓
5. Credit Card Limits	No		✓		
6. Corporate Business Plan Expired	No		✓		✓
7. Risk Register Not Maintained	No		✓		
8. Workforce Plan has not been updated	No		✓		
9. No Freedom of Information Statement	No		✓		

Per the Final Management Letter:

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. IT Governance	No	✓			✓
2. Excessive Superuser/Admin Access	No	✓			
3. Vulnerability Assessment and Penetration Testing	No		✓		
4. No Service Level Agreement with IT Service Provider	No		✓		
5. No change management process in critical financial system	No			✓	
6. Lack of IT Risk Register and periodic meetings for managing cybersecurity risks	No			✓	
7. Password Policy	No			✓	

Key Changes for Next Year

Changes in regulations

Changes to Local Government (Financial Management) Regulations that have been published by the Department of Local Government, Sport, and Cultural Industries (DLGSCI):

- + During the year, DLGSCI published new financial management and reporting templates for larger and smaller local government entities. Smaller local governments have more streamlined standard financial statements, reflecting the generally less complex operations of smaller local governments.

Accounting Issues for 2024

- + Changes to Local Government (Financial Management) Regulations affected after 30 June 2023 no longer require a fair value assessment of Land & buildings and Infrastructure assets at each reporting date.
- + No other changes anticipated that would have a significant impact on the financial statements for the year ending 30 June 2024.

Thank You

We would like to take this opportunity to thank the management team once again for their assistance during the audit process, we would like to thank Dirk Sellenger, Ed Nind, and the finance team for their support.





**Accounting
Business Advisory
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approved under the
Professional Standards
Legislation

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Procurement Practices	No	✓			✓
2. Supplier Masterfile Amendments	No		✓		✓
3. Review of Bank Reconciliations	No		✓		✓
4. IT security control environment	No		✓		✓
5. Credit Card Limits	No		✓		
6. Corporate Business Plan Expired	No		✓		✓
7. Risk Register Not Maintained	No		✓		
8. Workforce Plan has not been updated	No		✓		
9. No Freedom of Information Statement	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 may be reported as a matter of non-compliance in the audit report 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 report, 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.

1. Procurement Practices

Finding:

During our sample testing of 25 payments made throughout the year we noted:

- 2 instances where insufficient quotes were obtained as required under the Shire's purchasing policy;
- 2 instances where no PO was prepared;
- 1 instance where the purchase order was raised after the invoice date; and
- 6 instances where the PO was approved by a person without delegated authority.

This finding was first reported in the 2021 Management Letter.

Rating: Significant (2022: Moderate)

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 be 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.

Additionally, quotes should be obtained for purchases below the tender threshold in accordance with the Shire's policy. Where it is impractical to obtain the requisite number of quotations, the reasons for this should be recorded prior to committing to the purchase or goods or services.

Management's comments

Quotes

Our documented policy and standard procedure to obtain quotes where required. However, it is important to note the exemption for "Sole supplier goods and services, where the selection is based on availability or existing contractual arrangements." The "availability" may be physical location or time based and the "existing contractual arrangements" is taken to include familiarity with the current situation. One of the 2 items for which there was no evidence of quotes was for the purchase of a vehicle with the WA State Government vehicle purchase contract with the appropriate discount applied.

It appears we have had a temporary failure of quotation procedure, including the failure to note on the order for the vehicle purchase the contracture conditions.

PO Preparation

Our documented policy and standard procedure requires a PO to be issued, if required by policy, before an expense is incurred. It appears, due to a communication failure, there was a temporary failure of the purchase order procedure.

Delegated Authority

The Register of Delegations as existed at the time of the Interim Audit was outdated and failed to address all the options despite the procedure being documented elsewhere.

In May 2023 the Register of Delegations was updated to clarify all delegations and the accounting system setup to reflect the delegated limits. See attached.

Responsible Person: *Ed Nind Finance Manager*
Completion Date: *May 2023.*

2. Supplier Masterfile Amendments

Finding

From our review of changes to supplier master files, we noted 3 instances out of a sample of 16 where no *New/Change of Supplier Details* forms were prepared to support changes to supplier master files.

We however acknowledge that our testing to validate suppliers' information in the system did not identify any discrepancies.

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

Rating: Moderate (2022: Moderate)

Implication

This may result in inaccurate supplier information being processed to the supplier modules giving rise to the risk of payments not being made to the appropriate supplier.

Recommendation

We recommend that *New/Change of Supplier Details* forms be completed for all amendments to the supplier data base with a requirement for a background check to be performed.

We further recommend that *New/Change of Supplier Details* forms and the Monthly Audit Trail report generated from the accounting system be reviewed on a regular basis and that this be evidenced either by being manually signed, or digitally signed by a senior employee of the Shire.

Management's comments

It is our intent that all critical changes to all supplier master file details are supported by a New/Change of Supplier Details form. However the following supplier information changes are not considered critical:

- *Change of contact person*
- *Change of Email*
- *Spelling and typographic error corrections*

Non critical changes are noted in the Supplier Masterfile.

We acknowledge that failed to meet our own procedure on the identified occasions, possibly during employment of temporary staff.

Responsible Person: *Ed Nind Finance Manager*
Completion Date: *Ongoing*

3. Review of Bank Reconciliations

Finding

We found no evidence of review of the December 2022 and February 2023 bank reconciliation in respect of the Reserve Account.

Rating: Moderate (2022: 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's comments

It is our intent that all bank reconciliations are completed and reviewed in a timely manner.

I suspect the December Reserve Reconciliation was accidentally overlooked due staff being absent and the delay completing the February Reserve Reconciliation appears to be a temporary failure of process.

Responsible Person: *Ed Nind Finance Manager*

Completion Date: *Ongoing*

4. IT Security Control Environment

Finding

We noted that there is no Cyber Security Response Plan and no documented process for the Shire to follow should a cyber-attack occur.

We observed that the IT server is located in a room where the door is not locked and the IT server cabinet is also not locked.

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

Rating: Moderate (2022: Moderate)

Implication

Without an appropriate Cyber Security Response Plan in place, the Shire may not be sufficiently prepared to act in the event of a cyber security threat or staff may not be aware of processes that should be followed. This may lead to the Shire's system being compromised, impacts on service delivery, unauthorised access to sensitive information, and potentially financial loss to the Shire.

The server could be accessed by unauthorised persons and sensitive or confidential information could be compromised.

Recommendation

A Cyber Security Response Plan should be developed, including (but not limited to) covering the following key areas:

- Risk assessment of the Shire's IT security control environment
- Identification of safeguards and protections in place
- Action plan in the event of a cyber security event, including outlining the roles and responsibilities of staff during such an event.

We further recommend that the server cabinet is locked with the key stored in a secure location and access is restricted to key employees.

Management's comments

A quote has been received from our IT to develop a Cyber Security Response Plan. This plan will be a separate document to our existing It Disaster recovery Plan. An order will be issued soon.

Responsible Person:

Ed Nind Finance Manager

Completion Date:

December 2023 for the plan. The server cabinet is now locked, and the keys stored in the nightly locked secure room.

5. Credit Card Limits

Finding

During our review of the credit cards we noted that there was 1 instance where there was no authorisation from the Shire President in relation to food and beverage expenditure incurred by the CEO above the \$200 threshold specified in the credit card policy.

Rating: Moderate

Implication

The Shire has not complied with the Credit Card Policy, and this increases the likelihood of financial loss or inappropriate use of Shire resources.

Recommendation

We recommend that any credit card expense incurred by the CEO in relation to food and beverage above the \$200 threshold specified in the credit card policy is approved by the Shire President.

Management's comments

The Register of Delegations as existed at the time of the Interim Audit was outdated and included obsolete requirements with respect to credit card use.

*In May 2023 the Register of Delegations was updated and the \$200 limit no longer applies.
See attached.*

Responsible Person: *Dirk Sellenger CEO*
Completion Date: *May 2023*

6. Corporate Business Plan Expired

Finding

We noted that the Corporate Business Plan expired in 2021 and has not been updated.

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

Rating: Moderate (2022: 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's comments

It is acknowledged that the Corporate Business Plan has expired. A new Corporate Business Plan will be prepared.

Responsible Person: *Dirk Sellenger CEO*

Completion Date: *June 2024*

7. 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.

Rating: 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's comments

We have a Risk Management Manual, but it is not adopted by council. This will be reviewed and a Risk Register prepared if required. Clarification as to what is expected in the Risk Register will be sought.

Responsible Person: *Dirk Sellenger*
Completion Date: *June 2024*

8. Workforce Plan has not been 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.

Rating: 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

It is acknowledged that the Workforce Plan is out of date. A new Workforce Plan will be prepared.

Responsible Person: *Dirk Sellenger CEO*

Completion Date: *June 2024*

9. No Freedom of Information Statement

Finding

We noted the Shire does not have a Freedom of Information Statement (FOI) as required by the Freedom of Information Act 1992.

Rating: Moderate

Implication

Without a FOI Statement there is no communication of the types of information that should be accessible to the public. This can create confusion and hinder the public's ability to access relevant information they are entitled to. It may lead to delays or denials in fulfilling legitimate FOI requests, impeding transparency, and undermining public trust.

Without a FOI statement there are no communicated channels through which the public can engage with the Council. This can result in missed opportunities to foster open dialogue, gather public input, or address concerns. Without a FOI statement may inadvertently limit the public's ability to participate and engage in matters relevant to the Council.

Recommendation

Management should ensure a Freedom of Information Statement is adopted and made available to the public as required by the Freedom of Information Act 1992.

Management's comments

It is acknowledged that Shire does not have a Freedom of Information Statement (FOI). A FOI Statement with an appropriate application form will be prepared. Research has commenced with respect to the content.

Responsible Person: *Dirk Sellenger CEO*
Completion Date: *June 2024*

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. IT Governance	No	✓			✓
2. Excessive Superuser/Admin Access	No	✓			
3. Vulnerability Assessment and Penetration Testing	No		✓		
4. No Service Level Agreement with IT Service Provider	No		✓		
5. No change management process in critical financial system	No			✓	
6. Lack of IT Risk Register and periodic meetings for managing cybersecurity risks	No			✓	
7. Password Policy	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.

1. IT Governance

Finding

The current ICT Use Policy lacks comprehensiveness, particularly in addressing crucial aspects of cybersecurity. While the existing policy touches on general ICT use, it falls short in providing specific guidelines for essential components such as password management, logical access control, backup procedures, physical access control, patch management, vulnerability assessment, and IT asset management. To address these gaps, it is recommended to either enhance the existing ICT Use Policy to include these critical elements or develop a separate, dedicated Cybersecurity Policy that encompasses all these aspects. Simultaneously, there is an absence of an IT Strategic Plan to guide the Shire's overall direction and priorities in the realm of information technology.

The issue relating to a lack of cyber security policy and plan was first reported in the 2022 management letter.

Risk: Significant (2022: Moderate)

Implication

The inadequacy of the current policy exposes the Shire to increased risks of cybersecurity threats and vulnerabilities. Without specific guidelines and procedures in place for password management, access controls, data backup, and vulnerability assessments, the Shire may face challenges in safeguarding sensitive information, maintaining data integrity, and ensuring the overall security of its ICT infrastructure. This could lead to potential data breaches, unauthorised access, and disruptions in business operations.

Recommendation

Revise the existing ICT Use Policy by incorporating detailed sections covering password policies, logical access controls, backup procedures, physical access controls, patch management, vulnerability assessments, and IT asset management, or alternatively, develop a standalone Cybersecurity Policy that encompasses these elements.

Simultaneously, the Shire should establish a formal IT Strategic Plan that outlines the vision, goals, and priorities for information technology. This strategic plan should be integrated with cybersecurity considerations, ensuring a holistic approach to IT management. Regular reviews and updates of both policies and the IT Strategic Plan are essential to adapt to evolving cybersecurity threats and technological advancements. Training programs for employees should also be conducted to ensure awareness and compliance with the established policies and strategic objectives. This integrated approach will contribute to a resilient cybersecurity framework aligned with the Shire's broader strategic goals.

Management's comments

Noted

Management will look to develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.

Management will also conduct an independent review to assist with identifying ICT risks.

Responsible person: **Renee Jenkin, Manager Corporate and Community Services**
Completion date: **June 2024**

2. Excessive Superuser/Admin Access

Finding

The Shire has excessively granted superuser access to many users in Synergy Soft.

Rating: Significant

Implication

Of 20 users, 10 have superuser access in Synergy, which poses a significant risk of unauthorised access and potential security breaches. This wide distribution of superuser privileges increases the likelihood of sensitive information being accessed or manipulated by individuals who may not require such elevated permissions for their regular tasks.

Recommendation

Access to superuser privileges should be strictly based on a "need-to-know" basis. The Shire should conduct a thorough access review and re-evaluate the necessity of superuser privileges for each mentioned role. This process will help minimise the risk of unauthorised access and enhance the security posture of the Shire's systems and sensitive data.

Management's comments

A review will be completed of all Synergy Soft users and management will ensure suitable safeguards are in place to minimise risk.

Responsible person: Ed Nind, Finance Manager
Completion date: March 2024

3. Vulnerability Assessment and Penetration Testing

Finding

During our testing of IT procedures, we noted that vulnerability assessment and penetration testing (VAPT) have not been performed as part of the cybersecurity risk assessment process.

Rating: Moderate

Implication

Failure to conduct VAPT leaves the Shire unaware of potential security vulnerabilities, increasing the risk of cyber-attacks and data breaches with potential consequential impact to operations.

Recommendation

Conduct regular VAPT to identify and address potential security vulnerabilities.

Management's comments

An independent review to assist with identifying ICT risks will be completed, with any testing or other procedural requirements to be aligned with the ICT Strategic Plan.

Responsible person: Renee Jenkin, Manager Corporate and Community Services
Completion date: June 2024

4. No Service Level Agreement with IT Service Provider

Finding

There is no Service Level Agreements (SLA) of Shire with their Managed Service Provider (MSP)

Rating: Moderate

Implication

Failing to establish and synchronise policies with SLA's and neglecting to enforce performance management practices can result in a lack of transparency and responsibility within the partnership with the MSP. This may pave the way for misunderstandings, unfulfilled expectations, and a decrease in the efficiency of service delivery.

Recommendation

The Shire should develop IT-related policies, SLA's, and performance management practices with its MSP. This should involve a detailed analysis of existing agreements and practices, identifying gaps and areas for improvement.

Management's comments

The Shire to develop service agreements with all service providers that clearly identifies the roles, responsibilities and expectations of the service provider.

The Shire will review or implement policies as required to align with the roles, responsibilities and expectations of the service provider.

Responsible person: Renee Jenkin, Manager Corporate and Community Services
Completion date: June 2024

5. No change management process in critical financial system

Finding

It was observed that there was a gap in the current Shire structure, particularly in the scope of change management policies. While there is an existing system for tracking IT changes through tickets for IT changes, the absence of a comprehensive change management policy, specifically for critical changes in the financial system, poses a significant risk. The lack of formal documentation, including change requests, verification processes, and approval mechanisms, leaves room for potential unauthorised modifications to the financial system. This vulnerability raises concerns about data integrity, financial accuracy, and overall system reliability.

Risk: Minor

Implications

The deficiency in the current change management policy holds implications that go beyond operational inefficiencies. It opens the door to potential financial errors, compliance issues, and compromised data security. Without a comprehensive change management framework, there is an increased risk of inaccuracies in financial reporting, challenges in meeting regulatory requirements, and vulnerabilities in protecting sensitive financial information.

Recommendation

Implement change management policy, specifically tailored for critical changes in the financial system. This policy should encompass a structured process for submitting change requests, thorough verification procedures, and a well-defined approval hierarchy. Moreover, training programs should be initiated to educate relevant personnel on the importance of adhering to the change management policy. By addressing this gap, the organisation can proactively mitigate the risk of unauthorised changes, enhance the overall control environment, and fortify the integrity and security of its financial systems.

Management's comments

A change management framework will be developed that addresses the current deficiencies in the financial system.

Training will also be conducted to plan and manage change, and constructively engage with any resistance to change from staff and management to maximise the chances of success and adoption.

Responsible person:
Completion date:

Ed Nind, Finance Manager
June 2024

6. Lack of IT Risk Register and periodic meetings for managing cybersecurity risks

Finding

There is no IT risk register in place to identify potential risks. The Shire also does not regularly convene meetings to address and oversee cybersecurity risks.

Rating: Minor

Implication

The absence of an IT Risk register means that the Shire is not proactively identifying, assessing, and mitigating risks, leaving it vulnerable to unexpected threats. The lack of regular cybersecurity risk management meetings suggests insufficient attention to monitoring, addressing, and adapting to evolving cybersecurity threats.

Recommendation

The Shire should develop and maintain an IT risk register to identify, assess, and prioritise potential risks. This will enable proactive risk management and mitigation strategies. The Shire should organise regular cybersecurity risk management meetings to assess current risks, discuss mitigation strategies, and stay updated on emerging threats and best practices.

Management's comments

[Noted, the Shire will develop and maintain an IT Risk Register.](#)

[An independent review will also be completed to assist management in identifying all ICT risks to be addressed as part of implementation of an ICT Strategic Plan.](#)

Responsible person: **Renee Jenkin, Manager Corporate and Community Services**

Completion date: **June 2024**

7. Password Policy

Finding

During our audit, we have observed the following deficiencies in the password policy set at Active Directory.

- Maximum Password Age: The current setting for maximum password age in Active Directory is 360 days, which exceeds the recommended best practice of 90 days. This means that users can keep the same password for an extended period, potentially increasing the risk of unauthorised access if passwords are compromised.
- Password Length: The password length is set to 7 characters, while the best practice suggests a minimum of 8 characters. A shorter password length can make it easier for attackers to perform brute force or other password-cracking attacks, thus compromising the security of user accounts.

The same policy is applied in the Synergy Soft financial system application.

Risk: Minor

Implications:

- Security Risks: A longer maximum password age increases the window of opportunity for attackers to exploit compromised passwords. Regularly changing passwords is a fundamental security measure to mitigate the risk of unauthorised access.
- Password Length: The use of passwords with only 7 characters falls short of industry best practices. Shorter passwords are generally more susceptible to various types of attacks, including brute force and dictionary attacks, making it easier for attackers to gain unauthorised access.

Recommendation

We recommend the following:

- Adjust Maximum Password Age: It is recommended to align the maximum password age with industry best practices, reducing it to 90 days. This ensures that passwords are regularly updated, enhancing overall security.
- Increase Password Length: Adjust the minimum password length to meet or exceed the recommended best practice of 8 characters. Longer passwords provide an additional layer of security against various password-cracking techniques.
- Regular Security Audits: Conduct regular security audits to identify and address any vulnerabilities. This includes reviewing and updating password policies, monitoring user account activities, and ensuring compliance with security standards.

Management's comments

Agreed.

Password security measures to be developed to align with best practise.

Responsible person:
Completion date:

Renee Jenkin, Manager Corporate and Community Services
June 2024

Shire of Mukinbudin

2022/23 Audit Action Report

Matter Raised	Rating	Area of Concern	Action Taken / Proposed Action	Measurement of Success
Procurement Practices	Significant	<p>During sample testing of 25 payments made throughout the year we noted:</p> <ul style="list-style-type: none"> • 2 instances where insufficient quotes were obtained as required under the Shire's purchasing policy; • 2 instances where no PO was prepared; • 1 instance where the purchase order was raised after the invoice date; and • 6 instances where the PO was approved by a person without delegated authority. 	<p>Management have emphasised the importance of adhering to the Shire's Procurement Policy, including the requirement to document when multiple quotations have been requested, but not supplied.</p> <p>Procurement training will be provided to existing and future staff to enforce the need to comply with the Shire's Procurement Policy.</p>	Adherence with the Shire's Procurement Policy.
Excessive Superuser/Admin Access	Significant	The Shire has excessively granted superuser access to many users in Synergy Soft.	A review will be completed of all Synergy Soft users and management will ensure suitable safeguards are in place to minimise risk.	Reduction in the number of users with access to Super Admin rights.

Matter Raised	Rating	Area of Concern	Action Taken / Proposed Action	Measurement of Success
IT Governance	Significant	<p>The current ICT Use Policy lacks comprehensiveness, particularly in addressing crucial aspects of cybersecurity.</p> <p>While the existing policy touches on general ICT use, it falls short in providing specific guidelines for essential components such as password management, logical access control, backup procedures, physical access control, patch management, vulnerability assessment, and IT asset management.</p>	Management will look to develop an ICT Strategic Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level.	Implementation of an ICT Strategic Plan

6. Closure of Meeting

The Chairperson thanked Elected Members and Staff for attending and declared the meeting closed at 11.44am.



DECLARATION

I declare that these minutes of the Audit Committee Meeting held on the 12th March 2024 were confirmed at the Audit Committee Meeting held on 16th July 2024.

Signed:

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

Date: _____