



Shire of Dardanup

# A G E N D A

## AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 6<sup>th</sup> December 2023  
Commencing at 3.00pm

At

Shire of Dardanup  
ADMINISTRATION CENTRE EATON  
1 Council Drive - EATON

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## NOTICE OF AN AUDIT & RISK COMMITTEE MEETING

Dear Committee Member

The Audit & Risk Committee Meeting of the Shire of Dardanup will be held on Wednesday 6<sup>th</sup> December 2023 to be held at the Eaton Administration Centre - commencing at 3.00pm.



**MR ANDRÉ SCHÖNFELDT**  
Chief Executive Officer

Date: 30<sup>th</sup> November 2023

**Note: If interested persons would like to make comment on any items in this agenda, please email [records@dardanup.wa.gov.au](mailto:records@dardanup.wa.gov.au) or hand deliver written comment to the Shire of Dardanup – Administration Centre Eaton, 1 Council Drive, Eaton. To be included in the meeting comments are to be delivered no later than 48 hours prior to the meeting.**

**The Chief Executive Officer will use his discretion as to whether the written comments are relevant and applicable to the meeting before approving their inclusion in the meeting.**

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## VISION STATEMENT

“Provide effective leadership in encouraging balanced growth and development of the Shire while recognizing the diverse needs of our communities.”

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COMMITTEE MEMBERSHIP:

- CR T GARDINER
- CR M HUTCHINSON
- CR. E LILLY
- CR. S GILLESPIE
- CR. J MANONI

AUDIT & RISK COMMITTEE CHARTER

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:

[2023 - ToR - Audit and Risk Committee](#)

### COUNCIL ROLE

Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government / body /agency.
Executive/Strategic	The substantial direction setting and oversight role of the Council eg. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
Legislative	Includes adopting local laws, town planning schemes and policies.
Review	When Council reviews decisions made by Officers.
Quasi-Judicial	<p>When Council determines an application/matter that directly affects a person’s rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice.</p> <p>Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.</p>

### DISCLAIMER

“Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire’s decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person’s knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request.”

### RISK ASSESSMENT

<b>Inherent Risk</b>	The level of risk in place in order to achieve the objectives of the Council and before actions are taken to alter the risk’s impact or likelihood.
<b>Residual Risk</b>	The remaining level of risk following the development and implementation of Council’s response.
<b>Strategic Context</b>	These risks are associated with achieving Council’s long term objectives.
<b>Operational Context</b>	These risks are associated with the day-to-day activities of the Council.
<b>Project Context</b>	<p>Project risk has two main components:</p> <ul style="list-style-type: none"> <li>• Direct refers to the risks that may arise as a result of project, which may prevent the Council from meeting its objectives.</li> <li>• Indirect refers to the risks which threaten the delivery of project outcomes.</li> </ul>

**RISK CATEGORY CONSEQUENCE TABLE - GUIDELINE**

Rating (Level)	Health	Financial Impact	Service Interruption	Legal and Compliance	Reputational	Environmental	Property
<b>Insignificant (1)</b>	Near miss Minor first aid injuries	Less than \$10,000	No material service interruption - backlog cleared < 6 hours	<b>Compliance</b> - No noticeable regulatory or statutory impact. <b>Legal</b> - Threat of litigation requiring small compensation. <b>Contract</b> - No effect on contract performance.	Unsubstantiated, low impact, low profile or 'no news' item. <b>Example:</b> Gossip, Facebook item seen by limited persons.	Contained, reversible impact managed by on site response.	Inconsequential or no damage.
<b>Minor (2)</b>	Medical type injuries	\$10,001 - \$50,000	Short term temporary interruption – backlog cleared < 1 day	<b>Compliance</b> - Some temporary non compliances. <b>Legal</b> - Single minor litigation. <b>Contract</b> - Results in meeting between two parties in which one party expresses concern.	Substantiated, low impact, low news item. <b>Example:</b> Local paper / Industry news article, Facebook item seen by multiple groups.	Contained, reversible impact managed by internal response.	Localised damage rectified by routine internal procedures.
<b>Moderate (3)</b>	Lost time injury <30 days	\$50,001 - \$300,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	<b>Compliance</b> - Short term non-compliance but with significant regulatory requirements imposed. <b>Legal</b> - Single moderate litigation or numerous minor litigations. <b>Contract</b> - Receive verbal advice that, if breaches continue, a default notice may be issued.	Substantiated, public embarrassment, moderate impact, moderate news profile. <b>Example:</b> State-wide paper, TV News story.	Contained, reversible impact managed by external agencies.	Localised damage requiring external resources to rectify.
<b>Major (4)</b>	Long-term disability/ multiple injuries Lost time injury >30 days	\$300,001 - \$1.5 million	Prolonged interruption of services – additional resources; performance affected < 1 month	<b>Compliance</b> - Non-compliance results in termination of services or imposed penalties. <b>Legal</b> - Single major litigation or numerous moderate litigations. <b>Contract</b> - Receive/issue written notice threatening termination if not rectified.	Substantiated, public embarrassment, high impact, high news profile, third party actions. <b>Example:</b> Australia wide news stories. Regulatory / Political commentary involvement.	Uncontained, reversible impact managed by a coordinated response from external agencies.	Significant damage requiring internal & external resources to rectify.
<b>Catastrophic (5)</b>	Fatality, permanent disability	More than \$1.5 million	Indeterminate prolonged interruption of services – non-performance > 1 month	<b>Compliance</b> - Non-compliance results in litigation, criminal charges or significant damages or penalties. <b>Legal</b> - Numerous major litigations. <b>Contract</b> - Termination of contract for default.	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions. <b>Example:</b> Worldwide news, Focused articles (e.g. 60 minutes). Regulatory / Political oversight and involvement.	Uncontained, irreversible impact.	Extensive damage requiring prolonged period of restitution.  Complete loss of plant, equipment & building.

**RISK - LIKELIHOOD TABLE**

LEVEL	RATING	DESCRIPTION	FREQUENCY
5	<b>Almost Certain</b>	The event is expected to occur in most circumstances	The event is expected to occur more than once per year
4	<b>Likely</b>	The event will probably occur in most circumstances	The event will probably occur at least once per year
3	<b>Possible</b>	The event should occur at some time	The event should occur at least once in 3 years
2	<b>Unlikely</b>	The event could occur at some time	The event could occur at least once in 10 years
1	<b>Rare</b>	The event may only occur in exceptional circumstances	The event is not expected to occur more than once in 15 years

**LEVEL OF RISK GUIDE**

CONSEQUENCE		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD		1	2	3	4	5
Almost Certain	5	Moderate (5)	Moderate (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	Moderate (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

**SHIRE OF DARDANUP**

**AGENDA FOR THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING TO BE HELD ON WEDNESDAY, 6<sup>TH</sup> DECEMBER 2023, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 3.00PM.**

**1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

The Chairperson to declare the meeting open, welcome those in attendance and refer to the Acknowledgement of Country; Emergency Procedures; and the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

*Acknowledgement of Country*

*The Shire of Dardanup wishes to acknowledge that this meeting is being held on the traditional lands of the Noongar people. In doing this, we recognise and respect their continuing culture and the contribution they make to the life of this region and pay our respects to their elders, past, present and emerging. The Shire of Dardanup also respects and celebrates all cultures of all our residents and those visitors to our Shire.*

*Emergency Procedure*

*In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, you will be directed to an appropriate Assembly Area where we will meet (and complete a roll call).*

*Affirmation of Civic Duty and Responsibility*

*Councillors and Officers of the Shire of Dardanup collectively declare that we will duly, faithfully, honestly and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the Shire's Code of Conduct and Standing Orders to ensure efficient, effective and orderly decision making within this forum.*

**2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED****2.1 Attendance****2.2 Apologies****3. PRESENTATIONS**

None.

**4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**4.1 [Minutes - Audit and Risk - 13 September 2023](#)**

**OFFICER RECOMMENDED RESOLUTION**

**THAT the Minutes of the Audit & Risk Committee Meeting held on 13<sup>th</sup> of September 2023, be confirmed as true and correct subject to no / the following corrections:**

**4.2 [Minutes - Audit Exit Meeting - November 2023](#)**

**OFFICER RECOMMENDED RESOLUTION**

**THAT the Minutes of the Audit & Risk Committee Meeting held on 20<sup>th</sup> of November 2023, be confirmed as true and correct subject to no / the following corrections:**



## 5. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

### 5.1 Title: Information Systems 2022 Security Audit Close-Out Report

It is recommended that the Committee go behind closed doors toward the end of the meeting in accordance with Shire of Dardanup Standing Orders & *Local Government Act 1995 Section 5.23 (2) - Matters for Which Meeting May Be Closed*:

Standing Order and the *Local Government Act 1995* provides for the Committee to resolve to close the meeting to the public and proceed behind closed doors for matters:

- S 5.23 (1) Subject to subsection (2), the following are to be open to members of the public-*
- (a) all Council meetings; and*
  - (b) all meetings of any committee to which a local government power or duty has been delegated.*
- (2) If a meeting is being held by a Council or by a committee referred to in subsection (1) (b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following -*
- (a) a matter affecting an employee or employees;*
  - (b) the personal affairs of any person;*
  - (c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;*
  - (d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;*
  - (e) a matter that if disclosed, would reveal -*
    - (i) a trade secret;*
    - (ii) information that has a commercial value to a person; or*
    - (iii) information about the business, professional, commercial or financial affairs of a person,*  
*where the trade secret or information is held by, or is about, a person other than the local government;*
  - (f) a matter that if disclosed, could be reasonably expected to -*
    - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;*
    - (ii) endanger the security of the local government's property; or*
    - (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety;*
  - (g) information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and*
  - (h) such other matters as may be prescribed.*
- (3) A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.*

**Note:** *The Chairperson to advise that the meeting will go behind closed doors toward the end of the meeting to discuss S.5.23 section (2)(f)(ii) a matter that if disclosed, could be reasonably expected to endanger the security of the local government's property.*

## 6. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

## 7. DECLARATION OF INTEREST

"Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences."

Key Management Personnel (which includes Elected Members, CEO and Directors) are reminded of their requirement to disclose biannually transactions between Council and related parties in accordance with Council Policy CP039.

<b>8</b>	<b>REPORTS OF OFFICERS AND COMMITTEES</b>
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### 8.1 [Title: 2022-23 Annual Financial Report](#)

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR 8.1A – 2022/23 Annual Financial Report AAR 8.1B – Risk Assessment</i>

#### **Overview**

This report presents the Annual Financial Report for the 2022/23 financial year to the Audit and Risk Committee and Council for consideration and adoption.

#### **OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit & Risk Committee recommends that Council receive the Shire of Dardanup 2022/23 audited Annual Financial Statements for the financial year ended 30<sup>th</sup> of June 2023 [Appendix AAR: 8.1A].**

#### **Change to Officer Recommendation**

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

## **Background**

Section 6.4 of the *Local Government Act 1995* requires a Local Government to prepare an Annual Financial Report each financial year. This report has been audited and is provided as (Appendix AAR: 8.1A).

The Annual Financial Report has been prepared in accordance with the *Local Government (Financial Management) Regulations 1996* and includes the following:

- Statement by the Chief Executive Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Statement of Financial Activity;
- Notes to and forming Part of the Financial Statements; and
- Independent Auditor's Report.

In accordance with section 5.53 of the *Local Government Act 1995*, the 2022/23 Annual Financial Report forms part of the Annual Report.

The adoption of the Annual Financial Report by Council allows for the adoption of the Annual Report and the holding of the Annual Electors Meeting which is proposed to be held on Wednesday 31<sup>st</sup> of January 2024, commencing at 6.00pm in the Eaton Council Chambers, following the completion of the monthly Council meeting.

## **Legal Implications**

### *Local Government Act 1995*

#### 5.53. *Annual Reports*

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain —*
  - (f) *the financial report for the financial year; and*

#### 6.4. *Financial Report*

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

### *Local Government (Financial Management) Regulations 1996*

#### 4. AAS, effect of

- (1) *These regulations are in addition to and not in derogation of the requirements of the AAS.*
- (2) *If a provision of the AAS is inconsistent with a provision of these regulations, the provision of these regulations prevails to the extent of the inconsistency.*

- (3) *All words in the Act or these regulations that import revenue or expenditure are to be interpreted to permit compliance with the requirements of the AAS.*

**5A. Local governments to comply with AAS**

*Subject to regulation 4, 17A and 36A, the annual budget, annual financial report and other financial reports of a local government must comply with the AAS.*

**R36. Content of annual financial report**

- (1) *The annual financial report must—*
- (a) *include a statement setting out all movements of money to and from reserve accounts that has not been included in the income statement but that has been included in the statement of financial activity; and*
  - (b) *include the net current assets carried forward from the previous financial year for the purpose of the budget of the financial year to which the report relates; and*
  - (c) *include the net current assets shown in the audited annual financial report for the previous financial year; and*
  - (d) *include, or be accompanied by a note containing, a summary explaining the composition of the net current assets referred to in paragraphs (b) and (c); and*
  - (e) *include, if the net current assets referred to in paragraph (b) is different from the net current assets referred to in paragraph (c), the amount of that difference; and*
  - (f) *include notes or statements containing the information set out in regulations 37 to 48.*
- (2) *The detail included under subregulation (1)(b), (c) and (d) must be structured in the same way as the detail included in the annual budget under regulation 31(1) and (3)(a).*
- (3) *The annual financial report must include the following —*
- (a) *the statement of financial activity included under regulation 22(1)(d) in the annual budget for the year to which the report relates;*
  - (b) *adjacent to each item in that statement of financial activity that states an amount, the end-of-year amount for the item;*
  - (c) *adjacent to each item in the income statement that states an end-of-year amount, the original budget estimate for the item;*
  - (d) *adjacent to each item, required by a provision of these regulations listed in the Table, that states an end-of-year amount, the original budget estimate for the item.*

*Table*

<i>r. 36(1)(a)</i>	<i>r. 38(1)(b), (c) and (e)</i>
<i>r. 39(a), (b)(v), (d)(iv) and (e)(v)</i>	<i>r. 42(a) to (d)</i>
<i>r. 43(a), (b) and (c)(i) and (ii)</i>	<i>r. 44(a) to (c)</i>
<i>r. 48(d)(i) and (vii) and (f)(ii) to (v)</i>	

- (4) *Any information relating to exclusions from the calculation of a budget deficiency that is included in the annual financial report must be structured in the same way as the corresponding information included in the annual budget.*

**R36A.** *Class 3 or 4 local governments do not need to comply with certain AAS in annual financial report*

**R37.** *Trust fund, information about in annual financial report*

**R38.** *Information about reserve accounts in annual financial report*

- R39. *Information about rates in annual financial report*  
[40, 41. Deleted: SL 2023/106 r. 23.]
- R42. *Information about discounts, incentive schemes and concessions in annual financial report*
- R43. *Information about interest in annual financial report*
- R44. *Information about fees, expenses and allowances in annual financial report*  
[45-47. Deleted: SL 2023/106 r. 23.]
- R48. *Information about borrowings in annual financial report*  
[49. Deleted: SL 2023/106 r. 25.]  
[50. Deleted: SL 2022/88 r. 10.]
- R51. *Annual financial report declaration to be signed by CEO*

### **Council Plan**

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

### **Precedents**

Each year the Council is required to receive the audited Annual Financial Report.

### **Budget Implications**

The Annual Financial Report is produced internally and the preparation and printing costs are incorporated within the staffing, printing and stationery budgets. The Annual Financial Report presents the financial performance for the past financial year and is scrutinised by an independent auditor to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Statement of Financial Activity.

### **Budget – Whole of Life Cost**

As no asset/infrastructure is being created, there are no whole of life costs relevant to this item.

### **Council Policy Compliance**

Compliance to Administration Policy AP008 Significant Accounting Policy (previously Council Policy CnG CP128 Significant Accounting Policy).

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.1.B) for full assessment document.

<b>TIER 1 - No discernible Inherent Risk has been identified (no Risk Theme or Consequence).</b>	
Risk Event	2022/2023 Annual Financial Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Legal and Compliance - Risk of Council breaching the Local Government Act 1995 – Risk that the audited 2022/23 Annual Financial Report is not received by Council.

### **Officer Comment**

The 2022/23 Annual Financial Report has been produced in accordance with the *Local Government Act 1995, Local Government (Financial Management) Regulations 1996*, and to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

The Annual Financial Statements for the year ended 30<sup>th</sup> of June 2023 have been completed and have been audited by the Office of the Auditor General (OAG) appointed auditors, Moore Australia (WA). The Auditor General have issued an unqualified Audit Report (Appendix AAR: 8.1A). The Independent Auditor's Report is also shown on page 47 of the Annual Financial Report and forms part of the Annual Report scheduled to be adopted at the Ordinary Council meeting on 13<sup>th</sup> of December 2023.

The financial statements include the Index of Notes to the Finance Report which can be found on page 8 of the Annual Financial Report. Other changes relating to reduced Disclosure elements are summarised below.

- Initial Application of Accounting Standards

During the current year, the Shire adopted all of the new and revised Australian Accounting Standards and Interpretations which were compiled, became mandatory and which were applicable to its operations. These were:

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Materiality

The adoption of these standards had no material impact on the financial report.

- New Accounting Standards for Application in Future Years

The following new accounting standards will have application to local government in future years:

- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*
- *AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*
- *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies or Definition of Accounting Estimates*

It is not expected these standards will have an impact on the financial report.

Prior year AASB changes continue to impact Council's financial resources significantly and are summarised below.

- *AASB 15 Revenue from Contracts with Customers*

*AASB 15 Revenue from Contracts with Customers* required Council to assess grant and other revenue for which there is a future contract performance obligation.

- *AASB 16 Leases*

Recognition Council's Lease Liability has meant the vast majority of existing leases now require Council to capitalise each lease from the date of adopting the new standard, or on commencement of a new lease. The accounting treatment requires Council to measure and record the lease liability of all Leases at the present value of the future lease payments (using a discount rate), and recognise a corresponding right-of-use (ROU) asset which is depreciated over the life of the ROU asset (i.e. 'over the life of the lease').

- *AASB 1058 Income of Not-for-Profit Entities*

Similar to *AASB 15*, *AASB 1058 Income of Not-for-Profit Entities* is about deciding which accounting period various items of revenue belong to. As per prior audited financial statements, Council has continued to recognise rates received in advance as 'Prepaid Rates' and revenue received in advance 'Prepaid Revenue' in the Statement of Financial Position.

- Local Government Reform

The Local Government Reform Bill 2023 passed through Parliament in early 2023 delivering the 'first tranche' of changes - one of the most significant changes to the local government sector across Western Australia in 25 years. The reforms are aimed at ensuring local governments better serve residents and ratepayers, and have been crafted in consultation with the local government sector.

Clear and accurate financial management and reporting is critical for public confidence in local government. As a result of the recent reforms, changes have been made to the *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations*.

These amendments supported the Department's Model Financial Statements Guide and Templates for the 2022/23 financial year, and were welcomed particularly by smaller local governments as they incorporated reduced financial reporting obligations and standardised annual financial statements (eg Bands 3 and 4).

This means that the following information is no longer required to be included in a 2022-23 Annual Financial Report:

- fees and charges
- disposal of a class of assets
- certain rating information and service charges

- certain information relation to reserve accounts
- discounts for early payment
- interest charges in relation to a late payment of rate or service charge
- invested money.

Amendments to the Administration Regulations mean that information regarding trading undertakings, major land transactions and completed major land transactions must now be provided in the annual report.

Other key changes include amendments to:

- definitions to update and reflect terminology used in the Australian Accounting Standards
- descriptions used under nature classifications
- figures presented in the annual budget and annual financial report which are to be rounded to the nearest dollar (except for the rate in the dollar)
- specify that a copy of the audited annual financial report is no longer required to be submitted DLGSC Director General
- update the CEO Statement
- the reporting of net current assets.

The 'second tranche' of legislation reform will focus on the establishment of the new Local Government Inspectors and Monitors to handle complaints, manage investigations and coordinate proactive resolutions of significant problems identified within local governments. Early intervention and oversight reforms will also be supported in the 'second tranche', including new transparency and decision-making reforms.

The DLGSCI has also indicated that the financial metrics reporting on the MyCouncil website will also be reviewed and adjusted to ensure they best reflect the underlying financial position of the local government.

- Financial Summary

As at 30<sup>th</sup> of June 2023, Council's Equity (Total Assets *minus* Total Liabilities) increased by \$4,534,179 from \$277,947,927 to \$282,482,106. The increase in Total Equity is primarily due to a higher retained surplus and lower net reserve transfers in 2022/23 than the previous financial year. There was no asset revaluation carried out in 2022/23, noting that Councils assets are required to be revalued no more than every 5 years in accordance with the *Local Government (Financial Management) Regulations 1996*.

A Correction of Error Note exists for a prior period error which is detailed on page 46 of the 2022/23 Annual Financial Report. This was due to an overstatement in a unit rates applied to fencing components within the 2021/22 Asset Revaluation. This error has now been corrected in the 2022/23 Annual Financial Report.

Council's carry forward surplus at 30<sup>th</sup> of June 2023 is \$278,067. This was against the forecast budgeted carry forward surplus in the 2023/24 annual budget of \$332,558. The unfavourable variance of \$54,491 has been updated in the current end of year forecast. The total carry forward surplus amount equates to approximately 0.4% of total adopted budgeted expenditure for 2022/23.

In summary, the Shire of Dardanup is in a sound financial position.

This result is directly attributed to:

1. Comprehensive integrated financial planning model;
2. Commitment to investment in infrastructure asset renewal;



3. Cash backed funding model for future asset obligations; and
4. Structured planning for all borrowings.

I would like to take the opportunity to thank all Corporate & Governance staff for their efforts and high service standard during the year under review.

Council is requested to consider and receive the audited Annual Financial Statements for the 2022/23 financial year.

END REPORT

## 8.2 Title: Update on 2021 Regulation 17 Audit Findings

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Legislative.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR:8.2A – 2021 Regulation 17 Review Report - AMD AAR:8.2B – Risk Assessment Tool</i>

### **Overview**

To provide the Audit and Risk Committee with an update on the findings from the audit undertaken in 2021 pursuant to Regulation 17 of the *Local Government (Audit) Regulations 1996*.

### **OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee:**

- 1. Receive the December 2023 update report on the 2021 Regulation 17 Audit Findings [Appendix AAR: 8.2A]**
- 2. Request that the Council acknowledge that all findings have been completed or will be completed by the end of December 2023.**
- 3. Request that the Council acknowledge that the report for the next triennial Regulation 17 Audit review is due to be presented in March 2024.**

### ***Change to Officer Recommendation***

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

## Background

*Local Government (Audit) Regulations 1996*, Regulation 17, prescribes a number of matters that are to be reviewed by a local governments audit committee. These matters are in relation to:

- a) Risk management,
- b) Internal control; and
- c) Legislative compliance.

In February 2021, AMD Chartered Accountants (AMD) conducted an external Regulation 17 review with the scope of work based on the *Local Government Operational Guidelines No. 9 – Audit in Local Government*. A copy of the report was presented to the Audit and Risk Committee on 3 March 2021, with the committee through Council endorsement, requesting an update of the actions from the findings to be presented to future committee meetings until resolved [OCM 67-21].

The report received from AMD contained six (6) findings for consideration, together with management's response on how these findings will be actioned (Refer Appendix AAR:8.2A).

It has been some time since the Audit and Risk Committee have been updated on the progression of those findings. This report has been compiled in direct response to the remaining two (2) items from the review, with the reporting officer seeking the committee's endorsement that all actions have now been completed or will be completed by the end of December 2023.

## Legal Implications

*Local Government Act 1995*

*Local Government (Audit) Regulations 1996 (as Amended):*

*Reg 17. CEO to review certain systems and procedures*

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
  - (a) *risk management; and*
  - (b) *internal control; and*
  - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

*Reg 16. Functions of audit committee*

*An audit committee has the following functions —*

- (c) *to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
  - (i) *report to the council the results of that review; and*
  - (ii) *give a copy of the CEO's report to the council;*

## Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

**Precedents** - None.

This is the fourth and final 'update' report to be received by the Audit and Risk Committee on the progress of the findings resulting from the Regulation 17 review undertaken in February 2021.

### **Budget Implications**

Staff time is the only resource requirement needed to implement the findings from the Regulation 17 review. This remains in accordance with existing staff budgetary allocation.

### **Budget – Whole of Life Cost**

Future Regulation 17 reviews will be provided for as an expenditure allocation under Audit Fees in the annual budget relating to the financial year of review.

**Council Policy Compliance** - None.

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:8.2B) for full assessment document.

<b>TIER 2 – 'Low' or 'Moderate' Inherent Risk.</b>	
Risk Event	Update on 2021 Regulation 17 Review Findings
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance      Failure to fulfil obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.</p> <p>Reputational                      Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.</p>

### **Officer Comment**

The following are the two (2) outstanding items from the 2021 Regulation 17 Review:

- 2.2.1 Outdated Policies and Handbook
- 2.2.3 Framework, Plan and Procedure Review

The weaknesses identified across both these categories related to the Shire's internal Administration Policies and Procedures which had not been reviewed for some time, nor did they have a regular review period established.

To respond to this weakness, a complete review of all administration policies has now been undertaken with policy owners and reviewers. The reviewed policies have been workshopped with

the Leadership Team and the Executive Management Team (EMT), with subsequent endorsement by the CEO/EMT.

To guide the principles of good governance and to ensure that these policies reflect the current operations of the Shire, Administration Policies will be scheduled for a biennial review moving forward. However, the expectation remains that Administration Policy owners will ensure the legitimacy and accuracy of their respective policies at all times, not just during a biennial review period.

The Procedures have also been the subject of a full review, and at the time of compiling this report are well on their way to being finalised in the coming weeks. Staff are confident that this function will be fulfilled and seek the support to close out all outstanding items from the 2021 Regulation 17 Review.

The next triennial Regulation 17 Review will be occurring in February 2024, with the external audit report due to be presented to the Audit and Risk Committee at the March 2024 meeting.

END REPORT

### 8.3 Title: Biannual Risk Management Dashboard Report

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996, Regulation 17</i>
<b>Council Role</b>	<i>Legislative.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	AAR: 8.3A – Biannual Risk Dashboard Report AAR: 8.3B – Risk Assessment

#### **Overview**

The purpose of this report is to present the biannual Risk Management Dashboard Report (Appendix AAR: 8.3A) to the Audit and Risk Committee for consideration.

#### **OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee receive the biannual Risk Management Dashboard Report for this reporting period, and as provided for in [Appendix AAR: 8.3A].**

#### **Change to Officer Recommendation**

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

## Background

In March 2023 Council, through the Audit and Risk Committee, adopted the revised Risk Management Governance Framework (the Framework) for the Council. The Framework has been developed to connect all of the risk management processes and methodologies and to clearly articulate the appetite for risk. This ensures Council's commitment to meeting its compliance obligations pursuant to the *Local Government (Audit) Regulations 1996*, Regulation 17.

In accordance with the reporting requirements of the Framework, the Senior Corporate Governance Officer is required to present the Audit and Risk Committee with a Risk Dashboard Report every six (6) months. In addition, the Terms of Reference within the Audit and Risk Committee Charter state the following as a committee objective:

- 5.8 *To consider the Shire of Dardanup Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness and progress on the relevant action plans biannually.*

This report has been compiled in direct response to the Framework reporting requirements and Terms of Reference for the committee. The Reporting Officer is seeking the committee's endorsement of the biannual Risk Management Dashboard Report.

## Legal Implications

*Local Government Act 1995*

*Local Government (Audit) Regulations 1996, Regulation 17:*

17. *CEO to review certain systems and procedures*

(1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*

- (a) *risk management; and*
- (b) *internal control; and*
- (c) *legislative compliance.*

(2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*

(3) *The CEO is to report to the audit committee the results of that review.*

## Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

## Precedents

The Audit and Risk Committee have been presented with Risk Management Dashboard Report's at the following meetings:

Committee Meeting Date	AAR Resolution Number
4 <sup>th</sup> December 2019	AAR 05-19
3 <sup>rd</sup> June 2020	AAR 14-20
7 <sup>th</sup> December 2020	AAR 26-20
16 <sup>th</sup> June 2021	AAR 08-21
1 <sup>st</sup> December 2021	AAR 31-21

8 <sup>th</sup> June 2022	AAR 09-22
7 <sup>th</sup> December 2022	AAR 27-22
14 <sup>th</sup> June 2023	AAR 10-23

### **Budget Implications**

As part of the Senior Corporate Governance Officer role, regular reporting of the Risk Management Governance Framework is essential. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

**Budget – Whole of Life Cost** - None.

### **Council Policy Compliance**

Risk Management Governance Framework

- *Administration Policy AP023*
- *Procedure PR036*
- *Australian Standard AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines*

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 8.3B) for full assessment document.

<b>Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.</b>	
Risk Event	Biannual Risk Management Dashboard Report.
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance</p> <p>Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.</p> <p>Reputational</p> <p>Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.</p>

### **Officer Comment**

It is essential to monitor and review the management of risks, as changing circumstances may result in some risks increasing or decreasing in significance.

The Risk Management Dashboard Report for this reporting period (Appendix AAR: 8.3A) summarises the risks of Council and provides the treatment plans (actions) that have been identified by management to improve certain key control ratings. Typically, these control ratings have been identified as inadequate and a treatment plan (action) has been determined to improve the control effectiveness to at least adequate.



The Dashboard focuses on both the inherent risk and the residual risk, together with a spider graph that highlights the impact of the controls against the residual risk.

To provide a comparison between reporting periods, table 1 below indicates that there are currently 18 treatments/action plans in place, with the same number of treatments in place last reporting period. 3 new treatments have been added, with 3 being completed in the last 6 months. As treatments are cleared or completed, they are removed from the Dashboard.

*Table 1 – Treatment Plan Summary*

<b>(Last reporting period)</b>			<b>(This reporting period)</b>		
<b>Total</b>	<b>Completed</b>	<b>In Progress</b>	<b>Total</b>	<b>New</b>	<b>In Progress</b>
18	3	15	15	3	18

The Dashboard also provides an indication of the value of the combined controls in mitigating levels of risk. This is summarised by the overall control rating (how effective the controls in place are operating) and the overall risk rating (the determined level of risk). From the last reporting period, there remains no change to the Overall Control Rating or the Overall Risk Rating. In summary, the Dashboard demonstrates that 10 combined controls are rated as 'Adequate' and 6 are rated as 'Effective'.

The Audit and Risk Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for June 2024.

END REPORT

## 8.4 Title: Western Australian Auditor General – Schedule of Reports

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority. AAR: 8.4A – Report 4 Staff Exit Controls for Government Trading Enterprises</i>
<b>Attachments</b>	<i>AAR: 8.4B – Report 3 Financial Audit Results Local Government 2021-22 AAR: 8.4C – Risk Assessment</i>

### **Overview**

This report provides the Audit and Risk Committee with a schedule of Western Australian Auditor General Reports that have been released since the September 2023 committee meeting.

### **AUDIT & RISK COMMITTEE - OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee:**

- 1. Receive the December 2023 report on the Western Australian Auditor General – Schedule of Reports – [Appendix AAR: 8.4A]; and**
- 2. Request that Council acknowledge the going concern issue raised against the Bunbury-Harvey Regional Council, as noted in [Report-3 Financial-Audit-Results-Local-Government-2021-22.pdf](#)- [Appendix AAR: 8.4B], and the potential impact this may have on the Shire of Dardanup’s Waste Management Plan for FOGO processing.**

### **Change to Officer Recommendation**

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

## **Background**

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on 28<sup>th</sup> of October 2017. The purpose of the Act was to make legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

The Act also provides for a category of audits known as ‘performance audit reports’ which examine the economy, efficiency and effectiveness of any aspect of a local governments operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases ‘guides’ to help support good governance within a local government’s operations.

The Auditor General encourages all entities, not just those audited, to periodically assess themselves against the risks and controls noted in each of the performance audit reports and guides when published. Testing our performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be viewed as a vital component of managing compliance reporting under Regulation 17.

## **Legal Implications**

*Local Government Act 1995*

*Local Government (Audit) Regulations 1996, r17*

*Reg 17. CEO to review certain systems and procedures*

- (1) *The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —*
  - (a) *risk management; and*
  - (b) *internal control; and*
  - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

## **Council Plan**

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

## **Precedents**

The Audit and Risk Committee previously received a report at the September 2023 meeting that responded to the reports released by the OAG from June 2023 to August 2023.

## **Budget Implications**

As part of the Senior Corporate Governance Officer role, regular monitoring and assessment of reports released by the OAG is deemed a matter of good governance and a vital component of managing compliance under Regulation 17. Therefore, the cost to Council is through staff time and the usage of IT/Software systems where applicable.

### **Budget – Whole of Life Cost**

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

### **Council Policy Compliance**

#### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:8.4C) for full assessment document.

<b>Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.</b>	
Risk Event	Western Australian Auditor General – Schedule of Reports
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Not considering the risks, controls and recommendations arising from the Auditor General’s report could have an impact on Council not meeting its compliance requirements.
	Reputational Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

#### **Officer Comment**

Council staff take an active approach by reviewing each ‘Issue’, ‘Finding’ and ‘Recommendation’ as contained in any report released by the OAG to benchmark against Council’s own internal controls and processes working towards an industry ‘best practice standard’. Identifying relevant messages and opportunities from these reports leads to continuous improvement and informed decision making.

Since the last committee meeting, there have been two (2) reports released by the OAG that hold significance to the local government sector. These reports are reflected in the table below together with officer comment:

<b>DATE</b>	<b>REPORT NO</b>	<b>REPORT</b>	<b>APPENDIX</b>
August 2023	3	Financial Audit Results: <i>Local Government 2021-22</i>	AAR: 8.1B
September 2023	4	Performance Audit: <i>Staff Exit Controls for Government Trading Enterprises</i>	AAR: 8.1C

- *Report 3: Financial Audit Results – Local Government 2021-22*

This report provides the results of the OAG’s annual audits of 146 of 148 local government entities for the year ended 30 June 2022 and the 16 remaining audits from 30 June 2021.

For the 2021/22 audit cycle, the OAG noted an increase in financial management and information system control weaknesses in the State government sector, which was also mirrored in the local government sector, resulting in an increase in significant findings and modified opinions.

Timeliness, and the cost of delays, also remain a concern. While more entities received their audit opinions by the legislated deadline than in 2021, the improvement was marginal, with 39% not finalised by the end of December 2022. By 31 March this year, more than a quarter of local government entities still had not finalised their financial reports to an acceptable standard or provided all relevant information. Timely financial reporting is important for accountability and transparency to stakeholders.

Where financial statements and supporting documents and systems are well organised, the audit process can be efficient, reducing time and cost to the entity and ratepayers. But too often the OAG finds incomplete information, reconciliations not performed, problems not addressed and staff unavailable or inexperienced. This results in delays and higher costs to both the entity and the auditors as remedial work that could have been avoided by good practices and preparation becomes, instead, part of the audit process.

The OAG expects all entities to have their financial statements completed and audited by the end of December of the relevant audit cycle. To assist, the OAG recently issued a better practice guide on audit readiness and published an Audit Readiness Tool on their website to assist public entities avoid delays and modified opinions. The Department of Local Government, Sport and Cultural Industries has also engaged tangibly with financial accountability issues, including by releasing Model Financial Statements that work with new regulations gazetted on 30 June 2023 to support appropriately reduced reporting for some entities. The OAG expects these initiatives to have a positive impact on the next audit cycle.

The Shire of Dardanup is mentioned twice within the report, as follows:

- Page 43 for receiving a clear opinion, received by 30<sup>th</sup> September 2022 deadline, and being audit ready.
- Page 56 for certification dates of grants.

Management and staff have formally met and reviewed the recommendations from OAG Report 3. The key takeaways are:

- To continue to be audit ready through the use of the OAG better practice guide and tool on audit readiness.
- From the 30 June 2023 audit cycle, a signed set of financial statements is to be provided to the auditors before the final audit begins. This ensures that the Shire has performed its own internal quality review of the financial statements and formally recognises that the financial statements are complete and ready for audit.
- When engaging contractors to undertake asset valuations for the Shire, ensure that the contractors possess the necessary valuer accreditation for conducting valuations for financial reporting purposes. This reduces the risk associated with the accuracy and reliability of valuations, however scrutiny by Council staff is still required of this valuation data, particularly around asset unit rates.
- Costs of audits have increased.
- OAG have advocated for, and supported, regulatory reform initiatives by the DLGSC and welcomed the introduction of Model Financial Statements and regulatory amendments gazetted on 30 June 2023, allowing tiered reporting across the sector.

- OAG continues to advocate for clarity on measurement of fair value of land, buildings and infrastructure assets by the DLGSC.
- July 2023, DLGSC issued guidance for fair value measurement of non-financial assets for local governments. To achieve greater consistency across local governments, DLGSC's advice is that land should be valued using the market approach in AASB 13 Fair Value Measurement, plus, if the land has any public sector restrictions (including from current use for community purposes) over it, the restrictions must be considered when valuing the land. This should help overcome problems that the OAG has previously identified with wildly fluctuating valuations provided by different valuers either taking or not taking restrictions into account, whether that be at the next valuation interval or for jointly owned assets.

In addition, management would like to draw the attention to Council, through the Audit and Risk Committee, of the going concern issue raised for the Bunbury-Harvey Regional Council, as detailed in the table below.

Entity	Description
<b>Bunbury-Harvey Regional Council</b>	The opinion draws attention to Note 19 in the financial report which indicates that the Regional Council has a negative retained surplus as at 30 June 2022 and that all reserves would be required to be utilised to cover the liability for the capping of the landfill. As stated in Note 19, these events indicate that a material uncertainty exists that may cast significant doubt on the Regional Councils' ability to continue as a going concern. The opinion is not modified in respect of this matter

Source: [Report-3 Financial-Audit-Results-Local-Government-2021-22.pdf](#) (page 54)

The Bunbury-Harvey Regional Council is currently the processing facility for the Shire of Dardanup's kerbside FOGO. Consideration should be given if this going concern will impact the Shire's ongoing Waste Management Plan.

- *Report 4: Staff Exit Controls for Government Trading Enterprises*

Entities need to ensure when a staff member leaves, that premises and information are protected, and all public assets recovered. Ineffective controls increase the risk of security breaches and the loss of information, physical assets, and public money. Issues with controls on staff exits are regularly identified in the OAG financial and information systems audits, and performance audits on this topic.

For this audit the OAG chose to look at government trading enterprises to see if the different operating environment made a difference to both the risks and controls around staff exits. The OAG found that risks and controls are similar and that although performance was generally better than other State sector entities they have examined, areas for improvement remain.

Responsibility for staff exit controls is often shared across business units that may not routinely work together, so entities need good systems and policies to support effective coordination. Also, that exit controls were not adapted to different risks posed by high integrity positions and high risk levels.

The OAG encourages all public sector entities to consider the findings, recommendations and better practice material in this and previous reports and seek to apply them in their own operating context.

Relevant staff members have undertaken a self-assessment desktop review against the recommendations noted in the report. No gaps were immediately identified with the current process, however an internal audit will be conducted at some point to further verify that the Shire is up to the expected standard in this area. Staff will continue to monitor future OAG reports and recommendations concerning staff exit controls, together with any advice from our external auditors.

**Conclusion**

The OAG report review process will continue to be applied to future reports and guides released by the Auditor General. The analysis of these reports provides Council with a greater level of confidence in internal control practices and processes throughout Council operations.

END REPORT

## 8.5 [Title: 2024 Annual Audit Work Plan](#)

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR: 8.5A - Risk Assessment</i>

### ***Overview***

This report to the Audit and Risk Committee provides members with the Annual Audit Work Plan for 2024 for their consideration and subsequent recommendation to Council.

### **OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee recommends that Council receive and endorse the 2024 Annual Audit Work Plan.**

### ***Change to Officer Recommendation***

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:



## **Background**

In accordance with section 7.1A of the *Local Government Act 1995* Council has established an Audit and Risk Committee. The Audit and Risk Committee operates in accordance with all relevant provisions of the Act and the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*.

Since the emergence of Regulation 17 of the *Local Government (Audit) Regulations 1996*, the operation of the Audit and Risk Committee has been expanded to not only support the local government in effective financial management but also to provide effective corporate governance. This is achieved through the review of systems and procedures in place relating to risk management, internal control, and legislative compliance.

To assist and guide the Audit and Risk Committee on the functions, roles and responsibilities that are undertaken in a calendar year, and in accordance with the committee Charter, an Annual Audit Work Plan has been developed.

This report presents to the committee the proposed 2024 Annual Audit Work Plan. The Reporting Officer is seeking the committee's endorsement of this plan.

## **Legal Implications**

*Local Government Act 1995*

### *7.1A. Audit committee*

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

*\* Absolute majority required.*

- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) An employee is not to be a member of an audit committee.*

## **Council Plan**

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

## **Precedents**

This is the fourth Annual Audit Work Plan to be considered by the Audit and Risk Committee.

## **Budget Implications**

Setting the Annual Audit Work Plan for the Audit and Risk Committee is administered through staff time which is supported by the salaries and wages budget specific to the Corporate and Governance directorate.

## **Budget – Whole of Life Cost**

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

**Council Policy Compliance** - None.

**Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.5A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2024 Annual Audit Work Plan.
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	<p>Legal and Compliance Not considering the Annual Work Plan would not be in line with the Audit and Risk Committee Charter.</p> <p>Reputational Council’s reputation could be seen in a negative light for not adhering to the Audit and Risk Committee Charter.</p>

**Officer Comment -**

The following Terms of Reference within the Audit and Risk Committee Charter instructs that:

*“A forward annual work plan will be agreed by the Committee each year. The forward annual work plan will cover all Committee responsibilities as detailed in this ToR”.*

The Charter provides a template to assist and guide the committee on the functions and roles and responsibilities that may be undertaken in a calendar year. Staff have used this template as a guideline and the proposed ‘Annual Audit Work Plan’ for the calendar year January 2024 to December 2024 is presented as follows:

AUDIT AND RISK COMMITTEE – 2024 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	13 Mar 24	* Apr/ May 24	12 Jun 24	11 Sep 24	11 Dec 24
<b>1. Committee Operation</b>					
Biennial review of the Charter (Terms of Reference). <i>Next Due 2025.</i>	Not applicable – next due 2025				
Agree on the annual audit work plan; and set priority areas for the coming year.					✓
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes					✓

<b>AUDIT AND RISK COMMITTEE – 2024 ANNUAL AUDIT WORK PLAN</b>					
<b>FUNCTIONS, RESPONSIBILITIES &amp; ASSOCIATED ACTIVITIES</b>	<b>13 Mar 24</b>	<b>* Apr/ May 24</b>	<b>12 Jun 24</b>	<b>11 Sep 24</b>	<b>11 Dec 24</b>
delivered during the period.					
New members are briefed on their appointment to assist them to meet their Committee responsibilities. <i>Next Due 2025.</i>	Not applicable – next due 2025				
Appointment of Presiding Member and Deputy Presiding Member. <i>Next Due 2025.</i>	Not applicable – next due 2025				
<b>2. Risk Management</b>					
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 28-06-2023 [Res 168-23]	Not applicable – next due 2026				
Receive the biannual dashboard report			✓		✓
<b>3. Legislative Compliance</b>					
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review.	✓				
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).	✓			✓	
<b>4. Internal Audit</b>					
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				✓	
<b>5. Financial Reporting</b>					
Consider and recommend adoption of the Annual Financial Report to Council.					✓
<b>6. External Audit (OAG)</b>					
Audit Entrance Meeting with Chair and Deputy Chair as representatives of the Audit and Risk Committee, Management and Council Auditors.		*			

AUDIT AND RISK COMMITTEE – 2024 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	13 Mar 24	* Apr/ May 24	12 Jun 24	11 Sep 24	11 Dec 24
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.					✓
Examine the reports of the auditor to – i.) determine if any matters raised require action to be taken by the local government; and ii.) ensure that appropriate action is taken in respect of those matters.					✓
Audit Exit Meeting with Audit and Risk Committee, Management and Council Auditors. To meet with the auditor, once in each year and provide a report to Council on the matters discussed and the outcome of those discussions.					✓
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	✓		✓	✓	✓
<b>7. Regulation 17 Triennial Review (report next Due: March 2024)</b>					
To consider the CEO's triennial review on risk management, internal control and legislative compliance.	✓				
Set the action plan arising from auditor recommendations from the Regulation 17 review.	✓				
Receive an update on the action plan arising from auditor recommendations from the <b>2023-2024</b> Regulation 17 review (until all action items are completed).			✓	✓	✓

AUDIT AND RISK COMMITTEE – 2024 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	13 Mar 24	* Apr/ May 24	12 Jun 24	11 Sep 24	11 Dec 24
<b>8. Financial Management Systems Triennial Review (report next Due: March 2025)</b>					
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review.	Not Applicable – next due 2025				
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2025				
Receive an update on the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2025				
<b>9. Governance Health &amp; Financial Sustainability Review</b>					
To consider the Governance Health and Financial Sustainability Review, and report to the Council the results of that review when undertaken.	Discretionary item – next due for consideration 2027-2028				
Set the action plan arising from the recommendations from the review.	Discretionary item – next due for consideration 2027-2028				
Receive an update on the action plan arising from the recommendations from the review.	Discretionary item – next due for consideration 2027-2028				
Undertake an independent external assessment of the Committee. This assessment may be included in the scope of the Governance Health and Financial Sustainability Review.	Discretionary item – next due for consideration 2027-2028				
<b>10. Information Systems Security Audit</b>					
Receive the audit report arising from the 2 yearly Information Systems Security Audit. <i>Report Next Due: 31-12-2024</i>					✓
Set the action plan arising from the recommendations from the Information Systems Security Audit. <i>Report Next Due: 31-12-2024</i>					✓
Receive an update on the action plan arising from the recommendations from the 2024	Not Applicable – next due 2025				

AUDIT AND RISK COMMITTEE – 2024 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	13 Mar 24	* Apr/ May 24	12 Jun 24	11 Sep 24	11 Dec 24
Information Systems Security Audit.					
<b>11. Business Continuity Plan (report next Due: September-2024)</b>					
To consider the Business Continuity Plan (including disaster recovery) review every 2 years (or after a major event or incident). Current Plan reviewed: EMT 27-09-2022				✓	
Receive a summary report on the testing of the Business Continuity Plan after each test exercise.				✓	

\* A minimum of four meetings per annum is required, however an additional meeting may be scheduled for April/May 2022 that serves as an audit entrance meeting with Council’s appointed Auditors, Chair and Deputy Chair as representatives of the Audit and Risk Committee and management.

END REPORT

## 8.6 Title: Confirmation of Completed Committee Responsibilities for 2023

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Legislative.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR: 8.6A – 2023 Annual Audit Work Plan AAR: 8.6B – Risk Assessment</i>

### **Overview**

To provide Council, through the Audit and Risk Committee, with annual confirmation of the responsibilities that have been completed in accordance with the Audit and Risk Committee Charter and subsequent 2023 Annual Audit Work Plan.

### **OFFICER RECOMMENDED RESOLUTION**

**THAT the Audit and Risk Committee:**

- 1. Receive this report confirming the Audit and Risk Committee’s responsibilities that have been completed in accordance with the 2023 Annual Audit Work Plan.**
- 2. Recommends that the Council endorse this report confirming the Audit and Risk Committee’s responsibilities that have been completed in accordance with the 2023 Annual Audit Work Plan – [Appendix AAR: 8.6A]**

### **Change to Officer Recommendation**

No Change. **OR:**

As per *Local Government (Administration) Regulations 1996* 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

### **Background**

In June 2020, the Auditor General released the ‘Western Australian Public Sector Audit Committees - Better Practice Guide’ as a beneficial resource to state and local governments when further developing the role of audit committees. The Guide takes into consideration the relevant functions, responsibilities, and associated activities that a committee will undertake and has been a resourceful guide when reviewing the Charter of the Audit and Risk Committee of Council.

The Charter, which incorporates the Terms of Reference, Instrument of Appointment and Annual Audit Work Plan template, was endorsed by Council on 18 October 2023 [Res 253-23].

The 2023 Annual Audit Work Plan (Appendix AAR: 8.6A) that assists and guides the committee on the functions, roles and responsibilities that are undertaken throughout 2023, was endorsed by Council on 14 December 2022 [Res 331-22].

The following committee operation function is noted within the 2023 Annual Audit Work Plan:

*Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.*

*Scheduled: December 2023.*

This report has been compiled in response to the above committee operation function and seeks a direct decision from the Council on the responsibilities that have been completed in accordance with the 2023 Annual Audit Work Plan.

### **Legal Implications**

*Local Government Act 1995*

#### *7.1A. Audit committee*

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

*\* Absolute majority required.*

- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) An employee is not to be a member of an audit committee.*

### **Council Plan**

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

### **Precedents**

Council is required to confirm annually the Audit and Risk Committee responsibilities that have been completed. This function was previously considered at the 14 December 2022 Ordinary Council Meeting [332-22].

### **Budget Implications**

This confirmation is administered through staff time which is supported by the salaries and wages budget specific to the Corporate and Governance directorate.

### **Budget – Whole of Life Cost**

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

### **Council Policy Compliance**

- *Audit and Risk Committee Charter*
- *Western Australian Public Sector Audit Committees – Better Practice Guide*

### **Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.6B) for full assessment document.



<b>Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.</b>	
Risk Event	Confirmation of Completed Committee Responsibilities for 2023
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Not confirming the committee’s responsibilities that have been completed, would not be in line with the recommendations from the Auditor General’s publication (Better Practice Guide), or the Audit and Risk Committee Charter.
	Reputational Council’s reputation could be seen in a negative light for not adhering to the functions of the Charter or the Better Practice Guide.

### **Officer Comment**

- *Committee Meetings 2023*

The committee have formally met on the following five (5) occasions throughout 2023:

- 15 March 2023
- 14 June 2023
- 13 September 2023
- 20 November 2023 (Audit Exit Meeting)
- 6 December 2023 (this Meeting)

In addition, the Audit Entrance Meeting was held on 19 April 2023 (via the Microsoft Teams application) with the Audit and Risk Committee Chairperson, Audit and Risk Committee Proxy for the Deputy Chairperson, Moore Australia representative, OAG representative and Management.

- *Committee Members*

The following table demonstrates the members of the Audit and Risk Committee during 2023, together with their term and appointment details.

<b>Councillor Name</b>	<b>Role</b>	<b>Resolution</b>	<b>Term</b>
<b>Cr. T Gardiner</b>	Voting Member	SCM 20-10-2021 Res 312-21	October 2021 to October 2023
	Chairperson	AAR 01-12-2021 Item 3.1	
<b>Cr. M Hutchinson</b>	Voting Member	SCM 20-10-2021 Res 312-21	October 2021 to October 2023
	Deputy Chairperson	AAR 01-12-2021 Item 3.2	
<b>Cr. M Bennett</b>	Voting Member	SCM 20-10-2021 Res 312-21	October 2021 to October 2023
<b>Cr. J Dow</b>	Voting Member	SCM 20-10-2021	October 2021 to

Councillor Name	Role	Resolution	Term
		Res 312-21	February 2023
	Resigned	SCM 08-03-2023 Res 34-23	
Cr. P Perks	Voting Member	SCM 20-10-2021 Res 312-21	October 2021 to October 2023
Cr. E Lilly	Voting Member (replaced Cr. J Dow)	OCM 22-03-2023 Res 73-12	March 2023 to October 2023
Cr. E Lilly	Voting Member	SCM 25-10-2023 Res 263-23	October 2023 to October 2025
	Chairperson	AAR 20-11-2023 Item 3.1	
Cr. M Hutchinson	Voting Member	SCM 25-10-2023 Res 263-23	October 2023 to October 2025
	Deputy Chairperson	AAR 20-11-2023 Item 3.2	
Cr. T Gardiner	Voting Member	SCM 25-10-2023 Res 263-23	October 2023 to October 2025
Cr. S Gillespie	Voting Member	SCM 25-10-2023 Res 263-23	October 2023 to October 2025
Cr. J Manoni	Voting Member	SCM 25-10-2023 Res 263-23 * AAR 20-11-2023 Res AAR 25-23  * correction to SCM Minutes	October 2023 to October 2025

Following on from the ordinary elections held in October 2023 and the subsequent appointment of incoming committee members, the Chairperson and Deputy Chairperson for the succeeding two-year term were appointed at the 20<sup>th</sup> November 2023 Audit and Risk Committee meeting.

- *Confirmation of completed committee responsibilities.*

The following table provides the 2023 Annual Audit Work Plan that was endorsed for the period January 2023 to December 2023, and also provides management's response on the completion of these functions.

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN							Management Response
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	19 Apr 23	14 Jun 23	13 Sep 23	20 Nov 23	6 Dec 23	
<b>1. Committee Operation</b>							
Biennial review of the Charter (Terms of Reference). <i>Next Due 2023.</i>	Council considered the Charter at the Ordinary Council Meeting held on 18 October 2023 [Res: 253-23]						Completed
Agree on the 2024 annual audit work plan; and set priority areas for the coming year.						✓ Res: <i>Pending</i>	This function is occurring at this committee meeting
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.						✓ Res: <i>Pending</i>	This function is occurring at this committee meeting
New members are briefed on their appointment to assist them to meet their committee responsibilities.						✓ <i>Nil Minutes</i>	This function is occurring before this committee

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN							Management Response
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	19 Apr 23	14 Jun 23	13 Sep 23	20 Nov 23	6 Dec 23	
<i>Next Due 2023.</i>							meeting
Appointment of Presiding Member and Deputy Presiding Member. <i>Next Due 2023.</i>					✓ Items 3.1 & 3.2		Completed
<b>2. Risk Management</b>							
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 14-08-2019 [Res 250-19]			✓ Res: AAR 12-23				Completed New Framework adopted: OCM 28-06-2023 [Res 168-23]
Receive the biannual dashboard report			✓ Res: AAR 12-23			✓ Res: Pending	Completed
<b>3. Legislative Compliance</b>							
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review.	✓ Res: AAR 02-23						Completed
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).	✓ Res: AAR 04-23			✓ Res: AAR 19-23			Completed
<b>4. Internal Audit</b>							
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				✓ Res: AAR 20-23			Completed
<b>5. Financial Reporting</b>							
Consider and recommend adoption of the Annual Financial Report to Council.						✓ Res: Pending	This function is occurring at this committee meeting
<b>6. External Audit (OAG)</b>							
Audit Entrance Meeting with Chair and Deputy Chair as representatives of the Audit and Risk Committee, Management and Council Auditors.		✓ <i>Nil Minutes</i>					Completed Microsoft Teams Meeting held 19 April 2023 with Chair, Deputy Chair Proxy, Moore Australia representative, OAG representative & Management
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.					✓ Res: AAR 28-23		Completed
Examine the reports of the auditor to – iii.) determine if any matters raised require action to be taken by the local government; and iv.) ensure that appropriate action is taken in respect of those matters.						✓ Res: Pending	This function is occurring at this committee meeting
Audit Exit Meeting with Audit and Risk Committee, Management and Council Auditors. To meet with the auditor, once in each year and provide a report to Council on the matters discussed and the outcome of those discussions.					✓ Res: AAR 28-23		Completed

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN							Management Response
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	19 Apr 23	14 Jun 23	13 Sep 23	20 Nov 23	6 Dec 23	
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	✓ Res: AAR 05-23		✓ Res: AAR 11-23	✓ Res: AAR 18-23		✓ Res: Pending	Completed
<b>7. Regulation 17 Triennial Review (report next Due: March 2024)</b>							
To consider the CEO's triennial review on risk management, internal control and legislative compliance.	Not Applicable – next due 2024						
Set the action plan arising from auditor recommendations from the Regulation 17 review.	Not Applicable – next due 2024						
Receive an update on the action plan arising from auditor recommendations from the 2021 Regulation 17 review (until all action items are completed).						✓ Res: Pending	This function is occurring at this committee meeting
<b>8. Financial Management Systems Triennial Review (report next Due: March 2025)</b>							
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review.	Not Applicable – next due 2025						
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2025						
Receive an update on the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2025						
<b>9. Governance Health &amp; Financial Sustainability Review</b>							
To consider the CEO's Governance Health and Financial Sustainability Review, and report to the Council the results of that review when undertaken.	Discretionary item – next due for consideration 2027-2028						
Set the action plan arising from the recommendations from the review.	Discretionary item – next due for consideration 2027-2028						
Receive an update on the action plan arising from the recommendations from the review.	Discretionary item – next due for consideration 2027-2028						
Undertake an independent external assessment of the Committee. This assessment may be included in the scope of the Governance Health and Financial Sustainability Review.	Discretionary item – next due for consideration 2027-2028						
<b>10. Information Systems Security Audit</b>							
Receive the audit report arising from the 2 yearly Information Systems Security Audit. <i>Report Next Due: 31-12-2024</i>	Not Applicable – next due 2024						
Set the action plan arising from the recommendations from the Information Systems Security Audit. <i>Report Next Due: 31-12-2024</i>	Not Applicable – next due 2024						
Receive an update on the action plan arising from the recommendations from the 2022 Information Systems Security Audit.						✓ Res: Pending	Completed

## 8.7 Title: Audit Contract – Extension

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR: 8.7A – Audit Contract Extension for 2 Years to 30/06/2025 AAR: 8.7B – Risk Assessment</i>

### **Overview**

As per Section 7.2 of the *Local Government Act 1995* Council is required to have the accounts and annual financial report of a Local Government audited by an auditor, at the direction of the Office of the Auditor General (OAG).

This report is provided to the Audit and Risk Committee, and subsequently to Council, to acknowledge that Moore Australia (WA), on behalf of the OAG, will undertake the annual financial audit for the Shire of Dardanup for the next two financial years ending 30 June 2024 and 30 June 2025 (Appendix AAR: 8.7A).

### **AUDIT & RISK COMMITTEE - OFFICER RECOMMENDED RESOLUTION**

- 1. THAT the Audit & Risk Committee receives the letter from the Office of the Auditor General (OAG) – [Appendix AAR: 8.7A].**
- 2. Acknowledges that the Office of the Auditor General (OAG) has appointed audit firm Moore Australia (WA) to perform the audit of Council's financial statements for the financial years ending 30 June 2024 and 30 June 2025.**

### **Change to Officer Recommendation**

No Change. **OR:**

As per Local Government (Administration) Regulations 1996 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

## **Background**

In October 2017 the *Local Government Amendment (Auditing) Act 2017* was proclaimed, giving the Auditor General the mandate to audit all local governments within Western Australia. The Act allowed the Auditor General to conduct performance audits straight away while financial audits transitioned to the Auditor General over four years, as local government's existing audit contracts expired.

In April 2021, Council received advice from the Office of the Auditor General (OAG) stating that Moore Australia (WA) had been to conduct the Shire's annual financial audit, on behalf of the OAG, for the 3- year period, commencing audit year ended 30 June 2021 to 30 June 2023, with an option for a further 2-year term.

In November 2023, the OAG advised that the audit contract was to be extended to 30 June 2025.

The objective and scope of the audit is set out by the OAG and Moore Australia (WA) and details Council's responsibilities for the audit of the annual financial statements ensuring compliance to the requirements under the *Local Government Act 1995*.

The objective of the financial statements and accounts audit is to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, and to issue an auditor's report that will include the Auditor General's opinion. The audit will be conducted in the manner as determined by the OAG and in accordance with the relevant Australian Accounting Standards.

## **Legal Implications**

### *Local Government Act 1995*

#### *1.4. Terms used auditor means —*

- (a) *in relation to an audit, other than a performance audit —*
  - (i) *in relation to a local government that has an audit contract that is in force — a person for the time being appointed under Part 7 Division 2 to be the auditor of the local government; and*
  - (ii) *in relation to a local government that does not have an audit contract that is in force — the Auditor General;*
- and*
- (b) *in relation to a performance audit — the Auditor General;*

#### *7.12A. Duties of local government with respect to audits*

- (1) *A local government is to do everything in its power to —*
  - (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*
  - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*

#### *7.2. Audit*

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

#### *7.3. Appointment of auditors*

- (1) *Subject to subsection (1A), a local government is to, from time to time whenever such an appointment is necessary or expedient, appoint\* a person, on the recommendation of the audit committee, to be its auditor.*  
\* Absolute majority required.
- (1A) *A local government cannot appoint a person to be its auditor after commencement day.*
- (2) *The local government may appoint one or more persons as its auditor.*
- (3) *The local government's auditor is to be a person who is —*
  - (a) *a registered company auditor; or*
  - (b) *an approved auditor.*

#### **Local Government (Financial Management) Regulations 1996**

##### **6. Audits and performance review of accounting staff etc., who may conduct**

*A local government is to ensure that an employee to whom is delegated responsibility for the day to day accounting or financial management operations of a local government is not also delegated the responsibility for —*

- (a) *conducting an internal audit; or*
- (b) *reviewing the discharge of duties by that employee, or for managing, directing or supervising a person who carries out a function referred to in paragraph (a) or (b).*

#### **Local Government (Audit) Regulations 1996**

##### **10. Report by auditor**

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

#### **Council Plan**

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

**Environment** - None.

**Precedents** - None.

#### **Budget Implications**

The budget provision for the 2023/24 audit contract expenditure is \$39,434. As noted in the Audit Contract Extension letter dated 2 November 2023 (Appendix 8.7A), an increase is expected for the 2023/24 financial audit with the OAG releasing the estimated contract audit fees for the Shire in the coming months.

**Budget – Whole of Life Cost**

Audit Contract expenditure is budgeted in Council's Long Term Financial Plan and the adopted Annual Budget each year.

**Council Policy Compliance**

Compliance to Administration Policy AP008 Significant Accounting Policy (previously Council Policy CnG CP128 Significant Accounting Policy).

**Risk Assessment**

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.7B) for full assessment document.

TIER Choose an item.	
Risk Event	Audit Contract - Extension
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Risk of Council breaching the Local Government Act 1995 – that an Auditor is not appointed by the OAG, to carry out the audit of the 2022/23 Annual Financial Report.

**Officer Comment**

Changes to the *Local Government Act 1995* and associated Regulations mandate that the Office of the Auditor General is responsible for all annual financial audits of Local Governments in Western Australia including the Shire of Dardanup.

The OAG awarded a 3-year contract to Moore Australia (WA) which was to expire 30 June 2023. Recent correspondence from OAG has advised that an extension of contract has been agreed to between OAG and Moore Australia (WA) resulting in a further 2-year extension of the current contract to expire 30 June 2025 (ie 2024/25 financial statements).

Financial reporting and audits are an annual process. Management is confident in both the OAG's and Moore Australia's approach to the financial audit and expect that the audit firm will continue to deliver high level, quality audit over the next two years.

END REPORT



## 9. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

None.

## 10. NEW BUSINESS OF AN URGENT NATURE

[Please Note: This is Not General Business – This is for Urgent Business Approved By the Person Presiding or by Decision. In cases of extreme urgency or other special circumstance, matters may, with the consent of the person presiding, or by decision of the members present, be raised without notice and decided by the meeting.]

## 11. MATTERS BEHIND CLOSED DOORS

### 11.1 Title: Information Systems 2022 Security Audit Close-Out Report

<b>Reporting Department</b>	<i>Corporate &amp; Governance Directorate</i>
<b>Responsible Officer</b>	<i>Mr Phil Anastasakis - Deputy CEO</i>
<b>Reporting Officer</b>	<i>Mr Chris Murray - Manager Information Services</i> <i>Mr Thomas Shook – IT Team Leader</i>
<b>Legislation</b>	<i>Local Government Act 1995</i>
<b>Council Role</b>	<i>Executive/Strategic.</i>
<b>Voting Requirement</b>	<i>Simple Majority.</i>
<b>Attachments</b>	<i>AAR: 11.1A Penetration Test Report Internal Infrastructure</i> <i>AAR: 11.1B Penetration Test Report External Infrastructure</i> <i>AAR: 11.1C Penetration Test Report Web Application</i> <i>AAR: 11.1D Risk Assessment</i>

### REPORT UNDER SEPARATE COVER

**Note:** In accordance with the Local Government Act 1995 5.23 (2) (f) (ii) this report is not available to the public. The Chairperson tables the confidential report on this matter and provides copies to each elected member. The report will be located in the Records Management System of the Council.

### OFFICER RECOMMENDED RESOLUTION

**THAT the Audit & Risk Committee return from Behind Closed Doors [time].**

*Note: In accordance with Standing Order 5.2(6) the Presiding Officer, may cause the motion passed by the Audit & Risk Committee whilst behind closed doors to be read out.*

**12. CLOSURE OF MEETING**

The date of the next Audit & Risk Committee Meeting will be Wednesday, 13<sup>th</sup> of March 2024.

There being no further business the Chairperson to declare the meeting closed.