

Date: 14 April 2023

To: Shire President  
Deputy Shire President  
Councillors

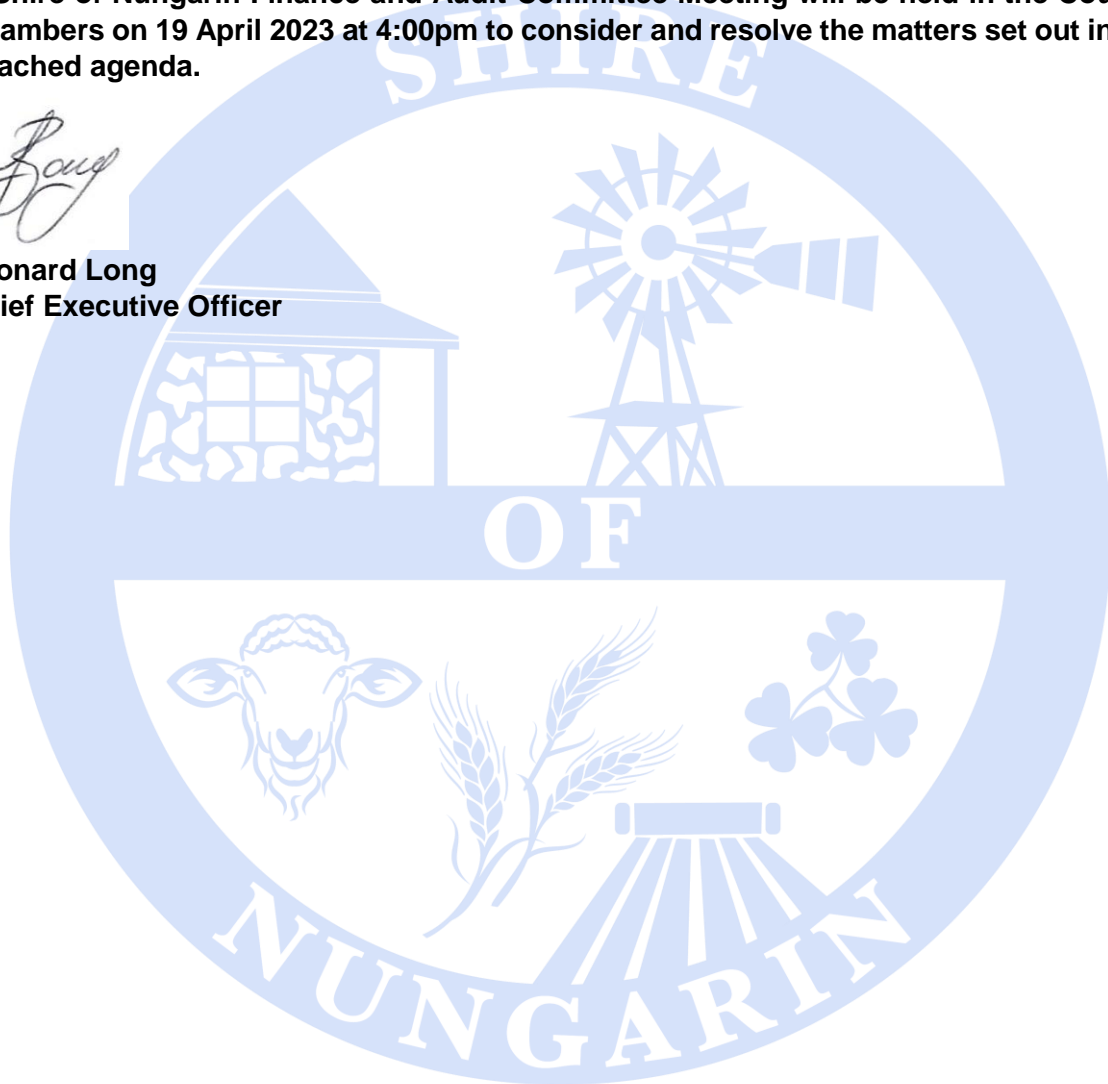


## NOTICE AND AGENDA – FINANCE AND AUDIT COMMITTEE MEETING

A Shire of Nungarin Finance and Audit Committee Meeting will be held in the Council Chambers on 19 April 2023 at 4:00pm to consider and resolve the matters set out in the attached agenda.

A handwritten signature in cursive script, appearing to read "Leonard Long".

Leonard Long  
Chief Executive Officer



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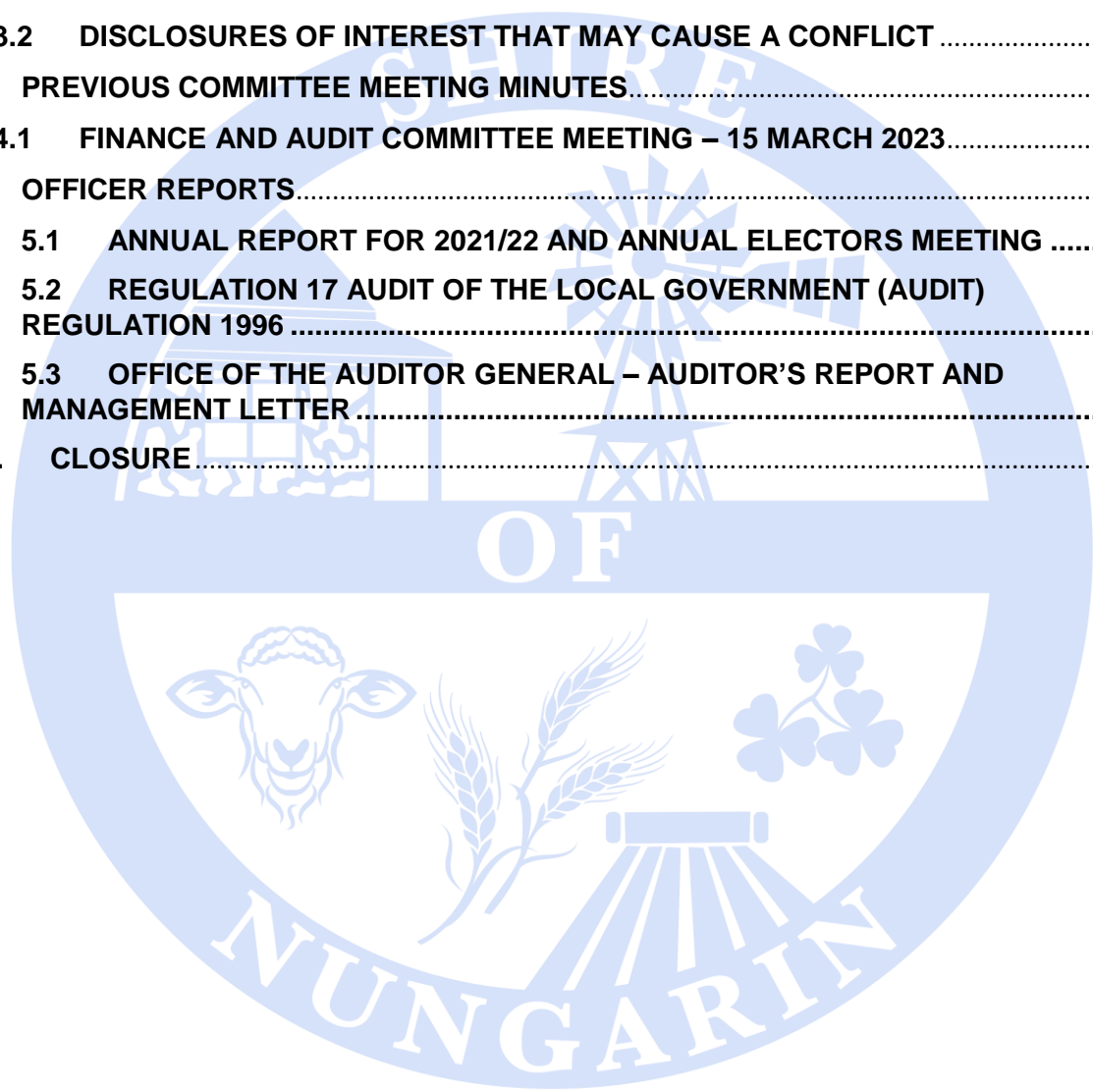
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## **AGENDA**

### **1. DECLARATION OF OPENING**

The Presiding Member declared the meeting open at \_\_\_pm.

#### **Affirmation of Civic Duty and Responsibility as Read**

*I make this Affirmation in good faith on behalf of Councillors and Officers of the Shire of Nungarin. We collectively declare 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 judgment and ability.*

#### **Acknowledgement of Traditional Custodians**

We wish to acknowledge the Traditional Custodians of the land we are meeting on, the Njaki Njaki Nyoongar people, and recognise the contribution of Elders past, present and future.

### **2. ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE**

#### **2.1 ATTENDANCE**

##### **Councillors**

Shire President	Cr P de Lacy
Deputy Shire President	Cr G Coumbe
Elected Member	Cr RE O'Connell
Elected Member	Cr K Dayman
Elected Member	Cr J Davis
Elected Member	Cr W Lee
Elected Member	Cr M Caughey

##### **Council Officers**

Chief Executive Officer	Mr L Long
Manager Works & Services	Mr D Nayda
Manager Corporate Services	Mrs Georgina McKay

##### **Observers / Visitors**

#### **2.2 APOLOGIES**

### **3. DECLARATIONS OF INTEREST**

#### **3.1 FINANCIAL AND PROXIMITY INTEREST**

#### **3.2 DISCLOSURES OF INTEREST THAT MAY CAUSE A CONFLICT**

**4. PREVIOUS COMMITTEE MEETING MINUTES**

**4.1 FINANCE AND AUDIT COMMITTEE MEETING – 15 MARCH 2023**

**OFFICER RECOMMENDATION FAC5/04/23**

**That the Minutes of the Finance and Audit Committee Meeting held on 15 March 2023 be confirmed as being a true and accurate record.**

**Moved:** .....

**Seconded:** .....

.....



**5. OFFICER REPORTS**

<b>5.1 ANNUAL REPORT FOR 2021/22 AND ANNUAL ELECTORS MEETING</b>	
<b>File Ref:</b>	3.13 & 11.4.1
<b>Previous Item Ref:</b>	Nil
<b>Applicant:</b>	Nil
<b>Author and Title:</b>	Leonard Long, Chief Executive Officer Darren Long, Financial Consultant
<b>Declaration of Interest:</b>	Nil
<b>Voting Requirements</b>	Absolute Majority
<b>Attachment Number:</b>	5.1A – 2021/22 Annual Report and Audit Financial Statements

**OFFICER RECOMMENDATION FAC6/04/23**

**That the Finance & Audit Committee recommend Council to:**

- 1. Adopt the Annual Report including the Audited Financial Statements and Auditors Report for the year ending 30 June 2021.**
- 2. Endorse the content of the “Report Detail” in the agenda item as the Shire of Nungarin report to the Minister.**
- 3. Hold an Electors’ General Meeting at 6:00pm on 17 May 2023.**

**Moved:** .....

**Seconded:** .....

.....  
**Absolute Majority Required**

**IN BRIEF**

- The Committee is requested to consider and endorse the Shire of Nungarin Annual Report for the 2021/22 financial year; and
- Consider advertising the annual electors meeting to be held on Wednesday 17<sup>th</sup> May 2023 at 6:00pm.

**BACKGROUND**

In accordance with the *Local Government Act 1995*, local governments are required to accept the annual report by absolute majority no later than 31 December after the relevant financial year. However, the Audited Financial Statements were only received from the Auditor General in March 2023.

Further, a general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year. In this regard it is recommended the Electors’ General Meeting be held on 17 May 2023 to ensure compliance with the *Local Government Act 1995*.

## **REPORT DETAIL**

The Shire of Nungarin's Annual Report is an account of the Shire's activities throughout the 2021/22 financial year which highlights the progression and achievements towards the strategic objectives detailed in Council's Strategic Community Plan.

The annual report which includes the 2021/22 annual financial report once adopted by Council will be available on Council's website as well as at the Administration Office for public viewing. Copies will be provided to ratepayers and community members upon request.

Initially, Council's annual audit for 2021/220 was to be undertaken by RSM Australia Pty Ltd on behalf of the Office of the Auditor General (OAG). However, due to unknown circumstances RSM Australia Pty Ltd was no longer available. The OAG appointed Dry / Kirkness who completed the audit on behalf of the OAG.

Details of management issues, suggestions etc. are contained within a separate management report and are addressed on an ongoing basis. A copy of the 2021/22 Annual Financial Statements can be found at **Attachment 5.1A**.

Following adoption of the Annual Report, the Annual Financial Statements and the official audit report the document will be presented to the Electors at the annual General Electors meeting. It is also a requirement that a copy of the audit report and Financial Statements be forwarded to the Dept. of Local Government.

Confirm with Darren, if the management letter should be included in the report

## **SHIRE OF NUNGARIN INTEGRATED STRATEGIC PLAN 2023 – 2033**

<b>Focus Area</b>	Our Organisation
<b>Community Priority</b>	Effective forward planning and engagement with our community
<b>Success Measurement</b>	We deliver sound financial and asset management

## **OTHER STRATEGIC LINKS**

Nil

## **STATUTORY ENVIRONMENT**

*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 —
  - (a) a report from the mayor or president; and
  - (b) a report from the CEO; and
  - [(c), (d) deleted]
  - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
  - (f) the financial report for the financial year; and

- (g) such information as may be prescribed in relation to the payments made to employees; and
- (h) the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and
  - (ha) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and
  - (hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
    - (i) the number of complaints recorded in the register of complaints; and
    - (ii) how the recorded complaints were dealt with; and
    - (iii) any other details that the regulations may require; and
    - (i) such other information as may be prescribed.

#### 5.54. Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted\* by the local government no later than 31 December after that financial year.

\* Absolute majority required.

- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

#### 5.55. Notice of annual reports

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

#### 5.55A. Publication of annual reports

The CEO is to publish the annual report on the local government's official website within 14 days after the report has been accepted by the local government.

#### 5.27. Electors' general meetings

- (1) A general meeting of the electors of a district is to be held once every financial year.
- (2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.
- (3) The matters to be discussed at general electors' meetings are to be those prescribed.

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

#### 15. Matters to be discussed at general meeting (Act s. 5.27(3))

For the purposes of section 5.27(3), the matters to be discussed at a general

electors’ meeting are, firstly, the contents of the annual report for the previous financial year and then any other general business.

*Local Government Act 1995*

7.9 Requires the Auditor to examine the accounts and annual financial report by 31 December following the end of the financial year. The Office of the Auditor General has not complied with this requirement.

7.12A Sets out the requirements for local governments in respect to audits. This includes the need to prepare a report to the Minister within 3 months of receiving the audit report if the auditor identifies any items it considers significant.

*Local Government (Audit) Regulations 1996*

10. Requires the audit report to be forwarded to the Audit Committee within 30 days of completing the audit.

16. Describes the functions of the audit committee.

**SUSTAINABILITY AND RISK CONSIDERATIONS**

**Economic – (Impact on the Economy of the Shire and Region)**

The Annual Report demonstrates to the community sound management of the Shire’s resources during the 2021/22 financial year.

**Social – (Quality of life to community and / or affected land owners)**

The Annual Report outlines achievements that demonstrate the Shire’s commitment to improving the quality of life in the community.

**Policy Implications**

Nil

**Risk Management Implications**

Risk Level	Comment
High	Council is required to prepare and accept annual report at the conclusion of each financial year which is then publicised to the community. Council risks not being compliant with the <i>Local Government Act 1995</i> and Regulations requirements. There is also a reputational factor where Council could fail to communicate to the community in a transparent and accountable way.

**CONSULTATION**

Throughout the preparation of the Annual Financial Report the Shire’s Auditors Dry / Kirkness consulted the Shires’ Financial Consultant Darren Long, as well as Shire staff.



In March 2023 the Auditors together with the Auditor Generals' Office had an exit meeting to present the Annual financial Report attended a number of Councillors.

**RESOURCE IMPLICATIONS**

**Financial**

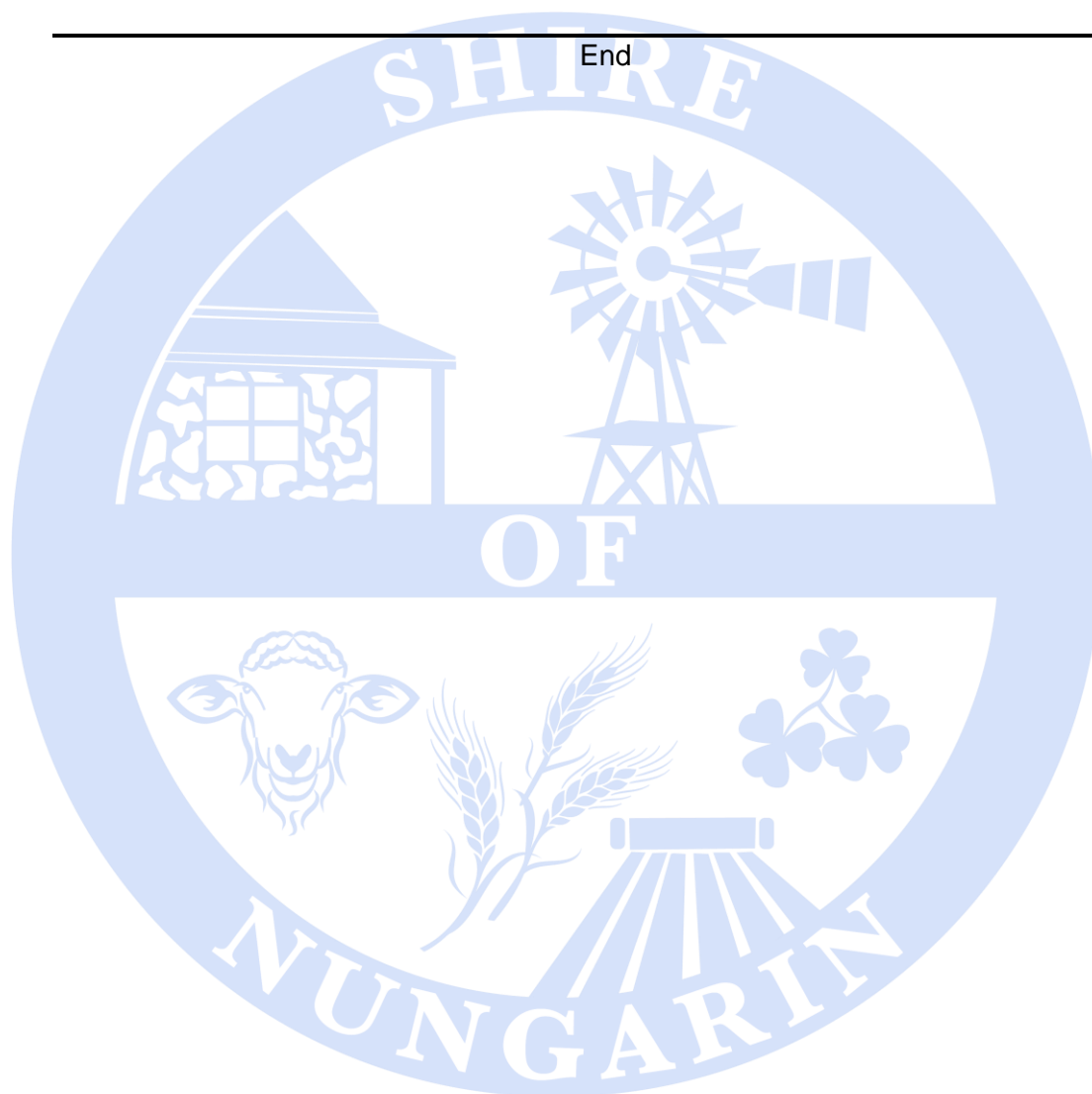
Nil

**Workforce**

Nil

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End



<b>5.2 REGULATION 17 AUDIT OF THE LOCAL GOVERNMENT (AUDIT) REGULATION 1996</b>	
<b>File Ref:</b>	10.16
<b>Previous Item Ref:</b>	Nil
<b>Applicant:</b>	Nil
<b>Author and Title:</b>	Leonard Long, Chief Executive Officer
<b>Declaration of Interest:</b>	Nil
<b>Voting Requirements</b>	Simple Majority
<b>Attachment Number:</b>	8.7A – 2019 Review 8.7B – 2023 Review

**OFFICERS RECOMMENDATION FAC7/04/23**

**That the Finance & Audit Committee recommend Council to:**

- 1. Receive the Audit Report pursuant to *Regulation 17 of the Local Government (Audit) Regulations 1996*.**
- 2. Request the Chief Executive Officer to continue working towards resolving all issues identified in the recommendation of the Audit Report received in (1.) above.**

**Moved:** .....

**Seconded:** .....

.....

**IN BRIEF**

To present the review and actions identified from the report relating to legislative compliance, internal controls, and risk management, in accordance with regulation 17 of the Local Government (Audit) Regulations 1996 (the Regulations), prepared by Darren Long Consulting.

**BACKGROUND**

In 2013, regulation 17 of the Regulations were amended to include a requirement for the CEO to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to risk management, internal controls, and legislative compliance on a biennial basis. In 2018, regulation 17 was amended to change the frequency of the review requirement from biennial to triennial.

In accordance with regulation 16 of the Regulations, a local government’s audit committee is responsible for reviewing the CEO’s report, before providing a copy of the report and the results of its review to Council.

Pursuant to Regulation 17(1) of the Local Government (Audit) Regulations 1996, the Chief Executive Officer is to review the appropriateness and effectiveness of the systems and procedures relating to:

- a. Legislative compliance;

- b. Internal control; and
- c. Risk management.

### **REPORT DETAIL**

Regulation 17 of the Regulations require the CEO to conduct a review of systems and procedures relating to legislative compliance, risk management and internal controls on a triennial basis. As a result of the reviews conducted, a total of 33 opportunities for improvement were identified across the three areas of review, down from the 51 identified in the 2019 review. Of the 33 opportunities identified work has commenced on the following, with the remainder to be addressed over the coming months:

- That the CEO consider the formalisation of internal procedure manuals for key processes so there is clear documentation on how tasks and processes should be performed;
- That the CEO consider implementing a new internal control procedure where the MCS undertakes the role of checking customer sales invoices raised and to certify debtor batch listings by verifying the sales invoices to the Debtor Invoice Batch Report.
- That the CEO consider implementing a new certification stamp for supplier invoices that incorporates an initial and check box for verifying the additions on the supplier invoice for accuracy, verifying the GST amount matches that specified on the invoice, verifying if GST credits can be claimed on the supplier invoice, and verifying the supplier's ABN and GST registration status.
- That the CEO implement new internal control procedures to ensure the certification stamp on supplier invoices is signed by the ordering/receiving officer that goods have been received in appropriate condition or services have been rendered at the appropriate standard and also the 'Authorised for Payment' certification line.

### **SHIRE OF NUNGARIN INTEGRATED STRATEGIC PLAN 2023 – 2033**

<b>Focus Area</b>	Our Organisation
<b>Community Priority</b>	Effective forward planning, and engagement with our community
<b>Success Measurement</b>	We deliver sound financial and asset management

### **OTHER STRATEGIC LINKS**

Nil

### **STATUTORY ENVIRONMENT**

- Regulation 17 of the *Local Government (Audit) Regulations 1996*

### **SUSTAINABILITY AND RISK CONSIDERATIONS**

#### **Economic – (Impact on the Economy of the Shire and Region)**

Nil

#### **Social – (Quality of life to community and / or affected land owners)**

Nil

**Policy Implications**

Nil

**Risk Management Implications**

Risk Level	Comment
Medium	A review of the review of systems and procedures relating to legislative compliance, risk management and internal controls is a legislative requirement, not under taking this would result in the Shire not being compliant with legislation and would likely result in a significant finding during an audit.

**CONSULTATION**

- Manager Corporate Services
- Manager Works and Services

**RESOURCE IMPLICATIONS**

**Financial**

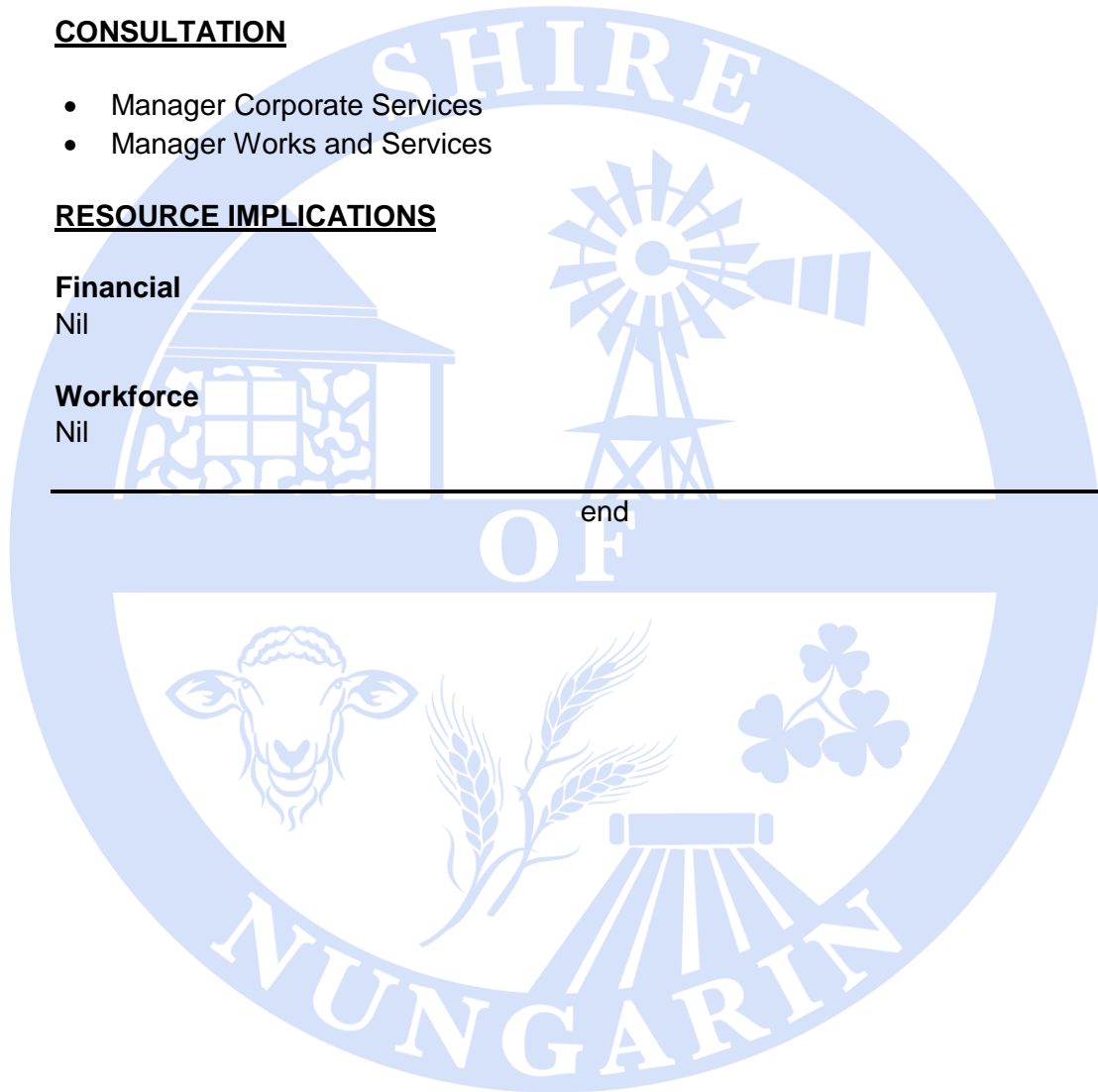
Nil

**Workforce**

Nil

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end



<b>5.3 OFFICE OF THE AUDITOR GENERAL – AUDITOR’S REPORT AND MANAGEMENT LETTER</b>	
<b>File Ref:</b>	11.11
<b>Previous Item Ref:</b>	Nil
<b>Applicant:</b>	Nil
<b>Author and Title:</b>	Leonard Long, Chief Executive Officer
<b>Declaration of Interest:</b>	Nil
<b>Voting Requirements</b>	Simple Majority
<b>Attachment Number:</b>	5.3A - Auditors Report 5.3B – Management Letter

**OFFICERS RECOMMENDATION FAC7/04/23**

**That the Finance & Audit Committee recommend Council to:**

- 1. Note the Auditor General’s Report Attachment 5.3A.**
- 2. Note the management responses as outlined in the Management Letter Attachment 5.3B.**

**Moved:** .....

**Seconded:** .....

.....

**IN BRIEF**

Committee remains informed, the Committee is requested note the Auditor General’s Report and Management Letter.

**BACKGROUND**

As part of the annual financial audit undertaken by the Office of the Auditor General, the Auditor General provides an “Independent Auditor’s Report” outlining the auditors opinion. In addition, the Auditor General also provide a “Management Letter” outlining the findings identified during the audit.

**REPORT DETAIL**

As a result of the 2021/22 financial audit, the Auditor General provided the following opinion (**Attachment 5.3A**):

*“I have audited the financial report of the Shire of Nungarin (Shire) which comprises:*

- *The Statement of Financial Position at 30 June 2022 and the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, and Statement of Cash Flows and Rate Setting Statement for the year then ended.*
- *Notes comprising a summary of significant accounting policies and other explanatory information.*

*In my opinion, the financial report is:*

- *Based on proper accounts and records.*
- *Presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period.*
- *In accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not consistent with the Act, Australian Accounting Standards.”*

In addition to the Auditor General’s Report / opinion the Auditor General also provides a Management Letter (**Attachment 5.3B**) outlining any findings identified during the audit. The findings are categorised as follows:

**Significant:** Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.

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

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

With regard to the 2021/22 financial Audit, nine (9) findings have been reported of which six (6) have since the completion of the audit been addressed.

(1) Purchase quotations (Moderate rating):

As a result of the remote location and difficulty in obtaining quotes for various works, Council adopted a new purchasing policy which will address this matter. Staff with delegated authority have been made aware of the new policy and its requirements.

Further, to ensure compliance going forward a “purchasing form” confirming compliance with the new Purchasing Policy CM 9 will be developed and staff will be required to attach this form to purchase orders were relevant.

(2) Fair value of roads infrastructure assets (Moderate rating):

A desktop assessment is done annually by the Shires’ Financial Consultant to determine if there is any potential significant impact on the valuations. This was done for the subject financial year and sent to the auditors on 28 September 2022 with no further enquiries.

Further, since the last revaluation of the asset, there has been significant volatility with regard to inflation, in addition, there have been a number of factors that have also contributed to the high inflation, particularly, COVID-19 pandemic.

Nonetheless, the Shire as required by the LG Act 1995, is planning to budget for the revaluation of this asset class to be done in the 2023/24 budget. The opinion

is held, that the inflation volatility will begin to settle and the markets return to pre-pandemic levels or close too, resulting in more stable conditions.

(3) Supplier invoices not signed (Moderate rating):

A process has been put in place requiring the relevant area manager to sign all invoices confirming receipt of goods / work prior to payment.

(4) Supplier Masterfile amendments (Moderate rating):

Monthly Audit reports have been run for the past several months now and are signed by the Manager Corporate Services with the CEO counter signing reports. The opinion is held that the Shire does comply with the exception of confirming the ABN. However, a process has been put in place to ensure ABN lookup is completed prior to supplier setup or amendment and a new supplier / Supplier Change of Details form is used. All changes to suppliers are now checked by the Corporate Service Officer, confirmed by the Manager Corporate Services.

(5) Risk Management Policy (Moderate rating):

Council adopted Policy CM 6 – Risk Management on 19 October 2022.

(6) Corporate business plan expired (Moderate rating):

The Shires' Integrated Strategic Plan 2023 – 2033 which incorporates the Corporate Business Plan was adopted by Council at its Ordinary Council Meeting of 16 November 2022.

The remaining three (3) findings identified as moderate are as follows:

(1) No Workforce Plan (Significant rating):

Finding: Section 5.56 of the *Local Government Act 1995* requires a local government to plan for the future of the district, and the plans made are to be in accordance with any regulations made about planning for future of the district.

Section 19DA(3)(c) of the *Local Government (Administration) Regulations 1996*, requires a corporate business plan for a district to develop and integrate matters relating to resources, which includes workforce planning. Section 19DA(4) requires the corporate business plan to be reviewed every year.

Management Comment:

It is acknowledged that a plan is a requirement of the Act, A workforce plan will be prepared and considered by Council within the current financial year.

(2) IT security control environment (Moderate rating):

Finding: There is no Cyber Security Response Plan and no documented process for the Shire to follow should a cyber-attack occur.

Management Comment:

It is acknowledged that an ICT Strategy Plan is required and will be prepared and considered by Council within the current financial year

(3) Information and communication technology (ICT) disaster recovery plan (Moderate rating):

Finding: There is no ICT Disaster Recovery Plan in place.

Management Comment:

It is acknowledged that an ICT Disaster Recovery Plan is required and will be prepared and considered by Council within the current financial year.

**SHIRE OF NUNGARIN INTEGRATED STRATEGIC PLAN 2023 – 2033**

<b>Focus Area</b>	Our Organisation
<b>Community Priority</b>	Effective forward planning, and engagement with our community
<b>Success Measurement</b>	We deliver sound financial and asset management

**OTHER STRATEGIC LINKS**

Nil

**STATUTORY ENVIRONMENT**

- *Local Government Act 1995*
- *Local Government (Administration) Regulations 1996*

**SUSTAINABILITY AND RISK CONSIDERATIONS**

**Economic – (Impact on the Economy of the Shire and Region)**

Nil

**Social – (Quality of life to community and / or affected land owners)**

Nil

**Policy Implications**

Nil



**Risk Management Implications**

Risk Level	Comment
Medium	Annual audits are an invaluable tool to use to ensure compliance with the Act, continued non-compliance may result in a report being presented to parliament.

**CONSULTATION**

- Councillors (OAG exit meeting)

**RESOURCE IMPLICATIONS**

**Financial**

Nil

**Workforce**

Nil

end

**12. CLOSURE**

The being no further business the meeting closed at .....

\_\_\_\_\_  
Presiding Member

\_\_\_\_\_  
Date

