

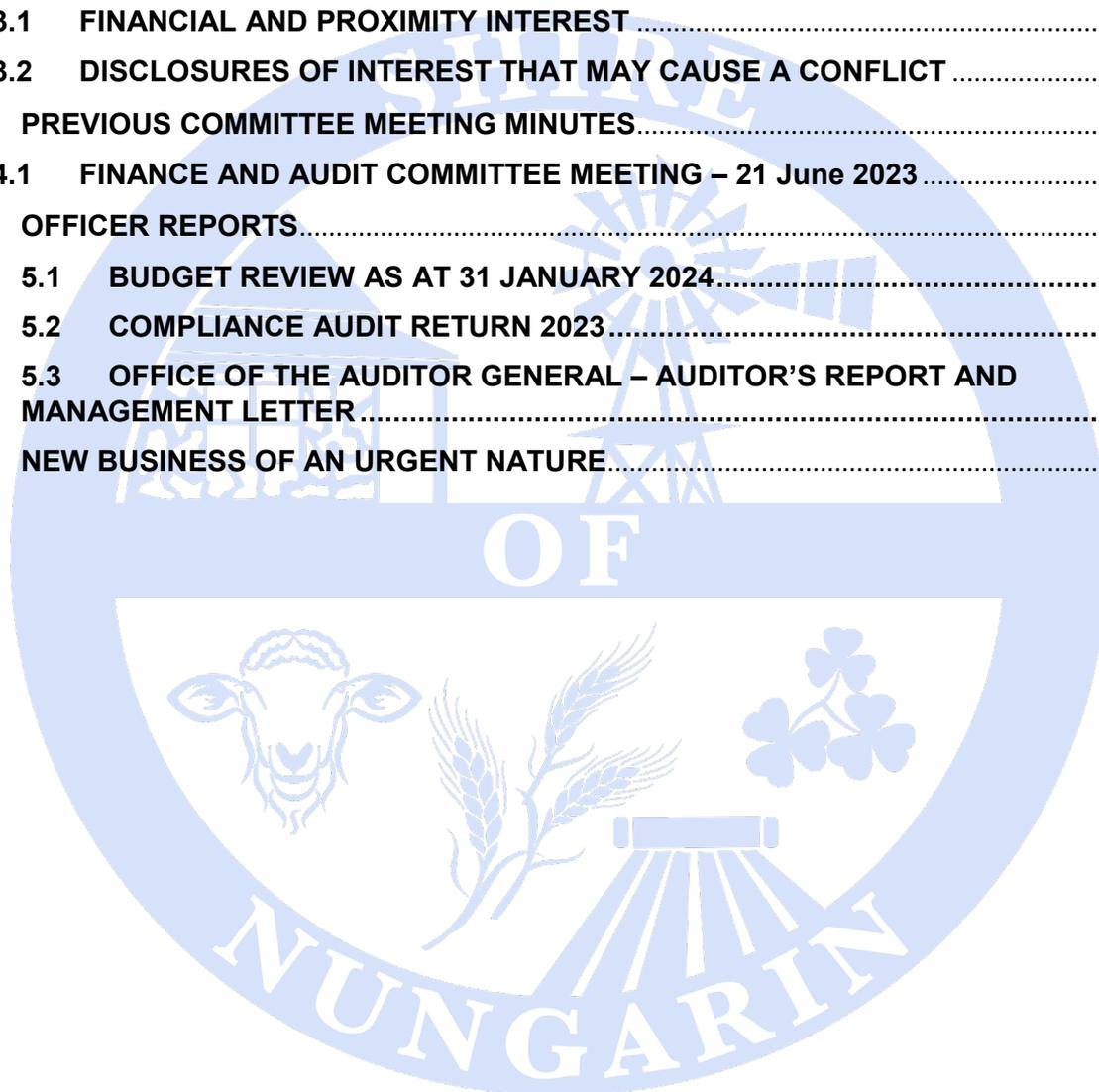
Minutes

Finance and Audit Committee

20 March 2024

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AGENDA

1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 3:00pm.

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 W Lee
Elected Member	Cr M Caughey
Elected Member	Cr A Eksanow

Council Officers

Chief Executive Officer	Mr Ric Halse
Manager Works & Services	Mr David Nayda

Observers / Visitors

2.2 APOLOGIES

Manager Corporate Services Ms Crystal Pearce

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

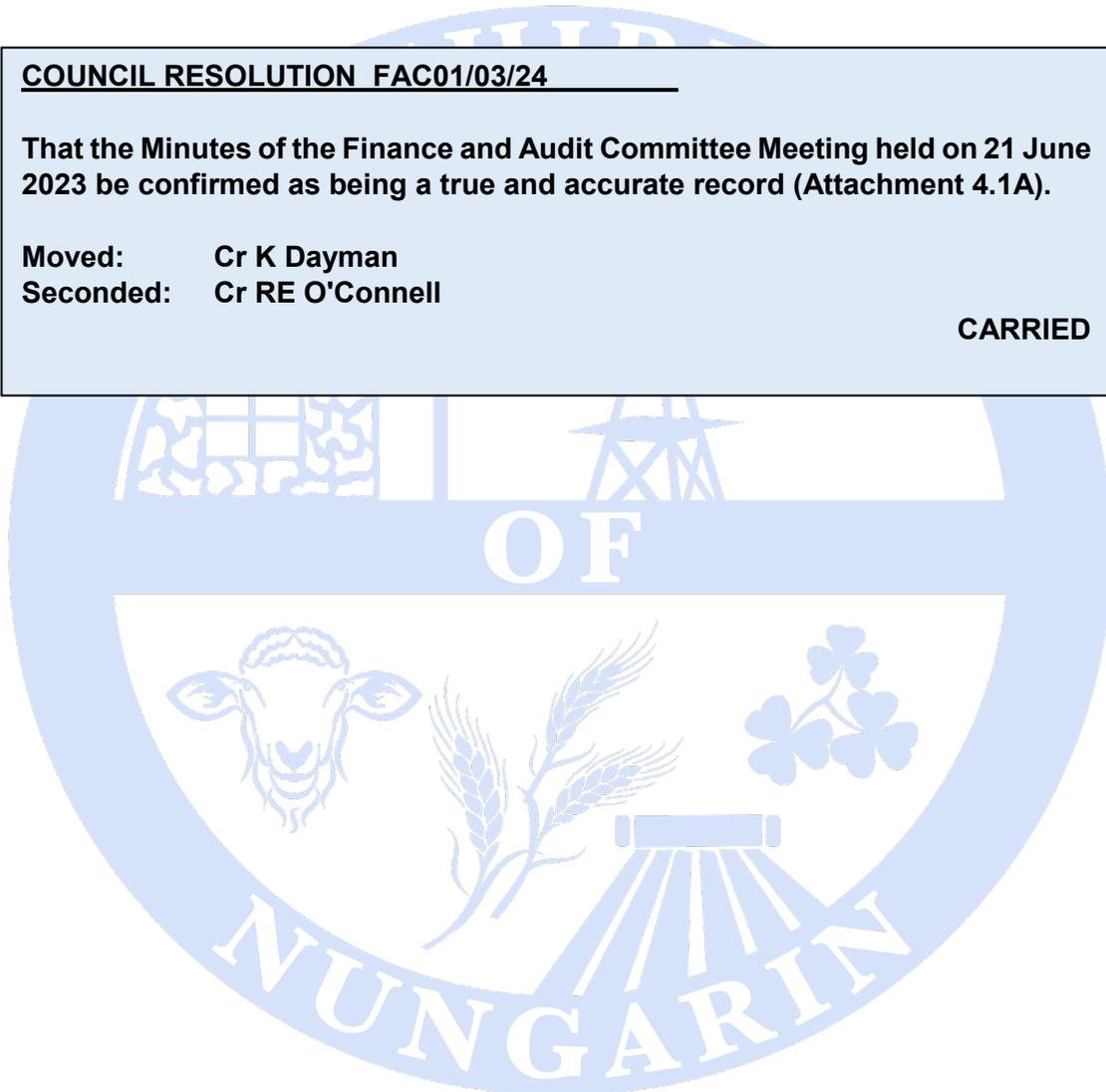
4.1 FINANCE AND AUDIT COMMITTEE MEETING – 21 June 2023

COUNCIL RESOLUTION FAC01/03/24

That the Minutes of the Finance and Audit Committee Meeting held on 21 June 2023 be confirmed as being a true and accurate record (Attachment 4.1A).

**Moved: Cr K Dayman
Seconded: Cr RE O'Connell**

CARRIED



5. OFFICER REPORTS

5.1 BUDGET REVIEW AS AT 31 JANUARY 2024	
File Ref:	10.1.13.2
Previous Item Ref:	Nil
Responsible Officer:	Ric Halse
Author and Title:	Ric Halse, Chief Executive Officer Darren Long, Financial Consultant
Declaration of Interest:	Nil
Voting Requirements	Absolute Majority
Attachment Number:	5.1A – Budget Review Report

COUNCIL RESOLUTION FAC02/03/24

That the Finance & Audit Committee Resolves to recommend Council:

- 1. Adopt the 2023/24 Annual Budget Review, as presented in Attachment 5.1A, and note that the estimate closing funds are based on current revenue and expenditure trends; and**
- 2. Approve the following budget amendments as authorised expenditure:**

****Absolute Majority Required***

Moved: Cr G Coumbe

Seconded: Cr K Dayman

CARRIED BY ABSOLUTE MAJORITY

Summary

Western Australian local governments are mandated by the Act to plan and revise their annual budgets, ensuring financial sustainability and accountability. The process spans drafting initial budgets to conducting mid-year reviews, culminating in adjustments that reflect operational realities and forecasts. This financial year, the Shire's estimated surplus is \$178,000. Officer's project readjusting \$120,000 to invest in outstanding projects that were on-hold until 2024/2025 budget.

Timelines and Processes

- ✓ **Annual Budget Drafting:** From 1 June to 31 August, local governments draft budgets for the upcoming fiscal year, ending 30 June.
- ✓ **Mid-Year Budget Review:** Conducted between 1 January and 31 March, this review evaluates financial performance from the start of the fiscal year up to at least 31 December.

2023/24 Budget Review Highlights

The review process assesses the council's financial health and makes informed adjustments to ensure the projected end-of-year surplus. Key findings from this year include: a projected surplus of **\$177,995** by 30 June 2024, showcasing a robust financial position.

- **Increased Operating Revenue:** An uplift of \$145,034, enhancing the financial inflow.
- **Reduced Operating Expenditure:** A decrease of \$151,093, reflecting efficient expense management.
- **Capital Expenditure Rise:** An increase of \$64,582, indicating investment in long-term assets.
- **Boost in Non-operating Revenue and Asset Sales:** Additional revenue of \$46,815 and proceeds from asset sales of \$50,000, contributing to financial health.
- **Adjusted Opening Surplus:** A revised opening surplus reduction of \$147,317, aligning with actual financial movements.

The budget review adheres to the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996*, and Australian Accounting Standards, ensuring comprehensive transparency and compliance. The review process includes detailed analyses such as the Statement of Financial Activity (SOFA) and a closing statement of funds, both critical for internal and external reporting.

Risk Management

Failing to align ongoing expenditures with income according to budget estimates can put the council's financial stability at risk. However, a significantly high underspend relative to the gross operating funds is not immediately alarming. This is largely because the Shire has operated for nearly half of the financial year without a full-time CEO. Over the next six months, as the Shire balances its planned program of works with the need to fulfil obligations for time-sensitive and non-negotiable projects, careful financial management will be essential.

Conclusion

The audit committee will note the surplus funds of \$178,000 available for expenditure in the remaining part of the financial year which equates to 102 days from the date of this report. Officers have prepared a program detailing a redistribution of the

surplus funds to demonstrate how the expenditure could be achieved within the narrow time available. A summary is offered below. A full breakdown can be reviewed here [Proposed Mid-Year Reallocations](#).

MCCorry's septic tank apparatus
Budget: \$30,000
Adjustment: +\$8,000
Comment: Additional funds might be needed for a low-class trade waste device.
Park ablutions utility connections
Budget: \$80,000
Adjustment: \$0
Comment: Utility connections estimated at \$50-\$55k. Excess funds redirected to the septic tank project, assuming \$25k is used for septic.
Park septic tank apparatus
Budget: \$0
Adjustment: +\$22,000
Comment: Funds from utility services shortfall and additional needs from McCorry's project increase total septic project to \$45k.
Landfill closure plan
Budget: \$7,500
Adjustment: +\$7,500
Comment: Increase due to an incorrect journal entry, doubling the budget for this project.
Post office – in-kind private works
Budget: \$0
Adjustment: +\$15,000
Comment: For completing unfinished post office extension, including labor and materials.
Employee salaries
Budget: \$0
Adjustment: +\$15,500
Comment: Estimated adjustment for proposed changes to salaries.
New position - part-time finance officer
Budget: \$0
Adjustment: +\$17,000
Comment: Funding for the remainder of the fiscal year, with an anticipated annual budget of \$45,000 starting next fiscal year.
CWA Hall
Budget: \$70,000
Adjustment: \$0
Comment: Funded by LCRI for various building works, with costs of structural assessment reports partially allocated to CWA.
Works contractor - Grading Maintenance
Budget: \$0
Adjustment: +\$15,000
Comment: For contracting maintenance grading on priority gravel roads. Considers employing a part-time grader driver next fiscal year based on budget analysis.
Truck trailer modifications
Budget: \$0

Adjustment: +\$30,000
Comment: Additional funds required due to an error in contract specifications for new truck and trailer system.
Market Committee
Budget: \$0
Adjustment: +\$1,000
Comment: Increase to support the Market Committee's insurance costs for train-ride activities.

Legislation

The Local Government Act provides for local governments, including regional local governments, to prepare an annual budget.

6.2. Local government to prepare annual budget

(1) During the period from 1 June in a financial year to 31 August in the next financial year, or such extended time as the Minister allows, each local government is to prepare and adopt*, in the form and manner prescribed, a budget for its municipal fund for the financial year ending on the 30 June next following that 31 August.

*Absolute majority required.

The Local Government (Financial Management) Regulations 1996 require local governments to undertake a review of the Annual Budget.

33A. Review of Budget

(1) Between 1 January and the last day of February in each financial year a local government is to carry out a review of its annual budget for that year.

(2A) The review of an annual budget for a financial year must —

(a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and

(b) consider the local government's financial position as at the date of the review; and

(c) review the outcomes for the end of that financial year that are forecast in the budget; and

(d) Include the following-

- (i) the annual budget adopted by the local government;
- (ii) an update of each of the estimates included in the annual budget;
- (iii) the actual amounts of expenditure, revenue and income as at the date of the review;
- (iv) adjacent to each item in the annual budget adopted by the local government that stated an amount, the estimated end-of-year amount for the item.

(2) The review of an annual budget for a financial year must be submitted to the council on or before 31 March in that financial year.

(3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.

*Absolute majority required.

(4) Within 14 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

SHIRE OF NUNGARIN INTEGRATED STRATEGIC PLAN 2023 – 2033

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

OTHER STRATEGIC LINKS

Nil

SUSTAINABILITY AND RISK CONSIDERATIONS

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

An Integrated Strategic Plan is a fundamental document which informs the preparation of the annual budget.

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

The Integrated Strategic Plan, reflects what the community envisages for the future development within the Shire, and what is considered will improve the quality of life for the community.

Policy Implications

Nil

Risk Management Implications

Risk Level	Comment
High	Failure to manage the Councils ongoing expenditure and income against budget estimates would increase the risk of a negative impact on the end of year financial position, and would not comply with the relevant legislation.

CONSULTATION

Nil

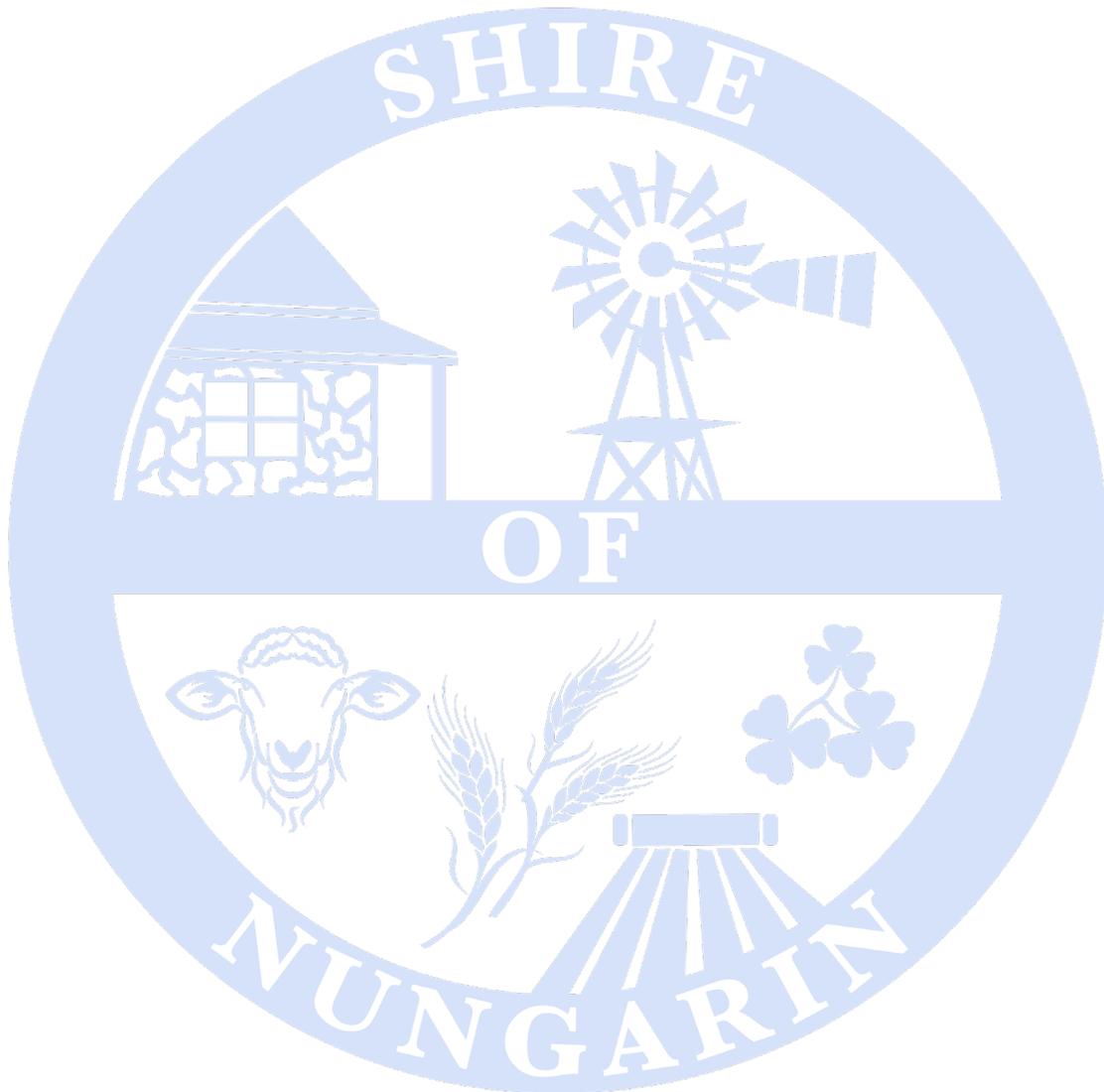
RESOURCE IMPLICATIONS

Nil

Workforce

Nil

End



5.2 COMPLIANCE AUDIT RETURN 2023	
File Ref:	3.8.5
Previous Item Ref:	Nil
Responsible Officer:	Ric Halse, Chief Executive Officer
Author and Title:	Crystal Pearce – Manager Corporate Services
Declaration of Interest:	Nil
Voting Requirements	Simple Majority
Attachment Number:	5.2A – Compliance Audit Return

COUNCIL RESOLUTION 03/03/24

That the Finance & Audit Committee Resolves to recommend Council:

- 1. Adopt the Compliance Audit Return for 2023 attachment as attachment 5.2A**
- 2. Authorise the Shire President and Chief Executive Officer to certify the Compliance Audit Return for 2023.**
- 3. Request the Chief Executive Officer to forward the certified Compliance Audit Return for 2023 along with required documents in accordance with regulation 14(3) and regulation 15 of the Local Government (Audit) Regulations 1996 to the Department of Local Government, Sports and Cultural Industries.**

Moved: Cr M Caughey
Seconded: Cr RE O'Connell

CARRIED

Summary

Under the Local Government (Audit) Regulations 1996, local governments are tasked with the annual duty of conducting a compliance audit for the timeframe of 1 January to 31 December. This involves the preparation and submission of a Compliance Audit Return (CAR) according to a specified template. Post-review by the audit committee, the findings are to be discussed in a Council meeting where the CAR is formally adopted and recorded.

Introduction

Annually, local governments undertake a comprehensive review against the Compliance Audit Return (CAR) for the previous calendar year. This detailed examination culminates in the creation of the CAR, documented as Attachment 5.2A for this year.

Procedure

Upon completion and review by the Audit Committee, the CAR, endorsed by the President and CEO, is to be forwarded to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March. This submission will include the CAR, pertinent minutes from the Council meeting, and any additional documentation necessary to relating to the CAR's findings.

Findings and Implications

The CAR serves a dual purpose; it is a pivotal instrument for the Council to oversee governance and a critical component of the DLGSC's oversight mechanism. This audit tool facilitates the Council's ability to gauge compliance levels, enabling the identification and rectification of discrepancies to mitigate similar issues in the future. This year's CAR revealed no significant concerns, underscoring the efficacy of current practices and the commitment to compliance.

Conclusion

Officers are pleased to advise that the CAR audit did not reveal any significant findings that warrant further scrutiny. The only substantial finding was not meeting timeframes to lodge the Shire's Primary and Annual Returns. However, this was explained by an extended period of not having a full-time Chief Executive Officer.

No further action is required in relation to the CAR.

Compliance Audit Return (CAR) - Shire of Nungarin, 2023-2024

Commercial Enterprises by Local Governments

The Shire has not undertaken any major land or trading transactions.

Delegation of Power/ Duty

No issues or concerns to report.

Disclosure of Interest

Primary and Annual Returns not lodged within the required time frame due to a change in executive management. No other major issues to report.

Disposal of Property

The disposal of properties undertaken by Council during the relevant year have all generally complied with relevant legislation.

Elections

No issues or concerns to report.

Finance

No significant matters found during the 2023 audit, therefore no report needed for the Minister. Audit report received by 31st December 2023 as per section 7.9(1) of the Local Government (Audit) Regulations 1996.

Integrated Planning and Reporting

No issues or concerns to report.

Local Government Employees

No issues or concerns to report.

Official Conduct

No issues or concerns to report.

Optional Questions

No issues or concerns to report.

Tenders for Providing Goods and Services

Tenders for Goods and Services undertaken by Council during the relevant year have all generally complied with relevant legislation.

SHIRE OF NUNGARIN INTEGRATED STRATEGIC PLAN 2023 – 2033

Focus Area	Civic Leadership
Aspiration	A strong local democracy with an actively engaged community and effective partnership.
Objective	Annual review of compliance methods.

OTHER STRATEGIC LINKS

Nil

STATUTORY ENVIRONMENT

- Local Government (Audit) Regulations 1996
- Local Government Act 1995

SUSTAINABILITY AND RISK CONSIDERATIONS

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

Nil

Social – (Quality of life to community and / or affected landowners)

Nil

Policy Implications

Nil

Risk Management Implications

Risk Level	Comment
High	Council would be contravening the Local Government Act 1995 and Local Government (Audit) Regulations 1996 if this item was not presented to the Finance and Audit Committee for recommendation to council.

CONSULTATION

Nil

RESOURCE IMPLICATIONS

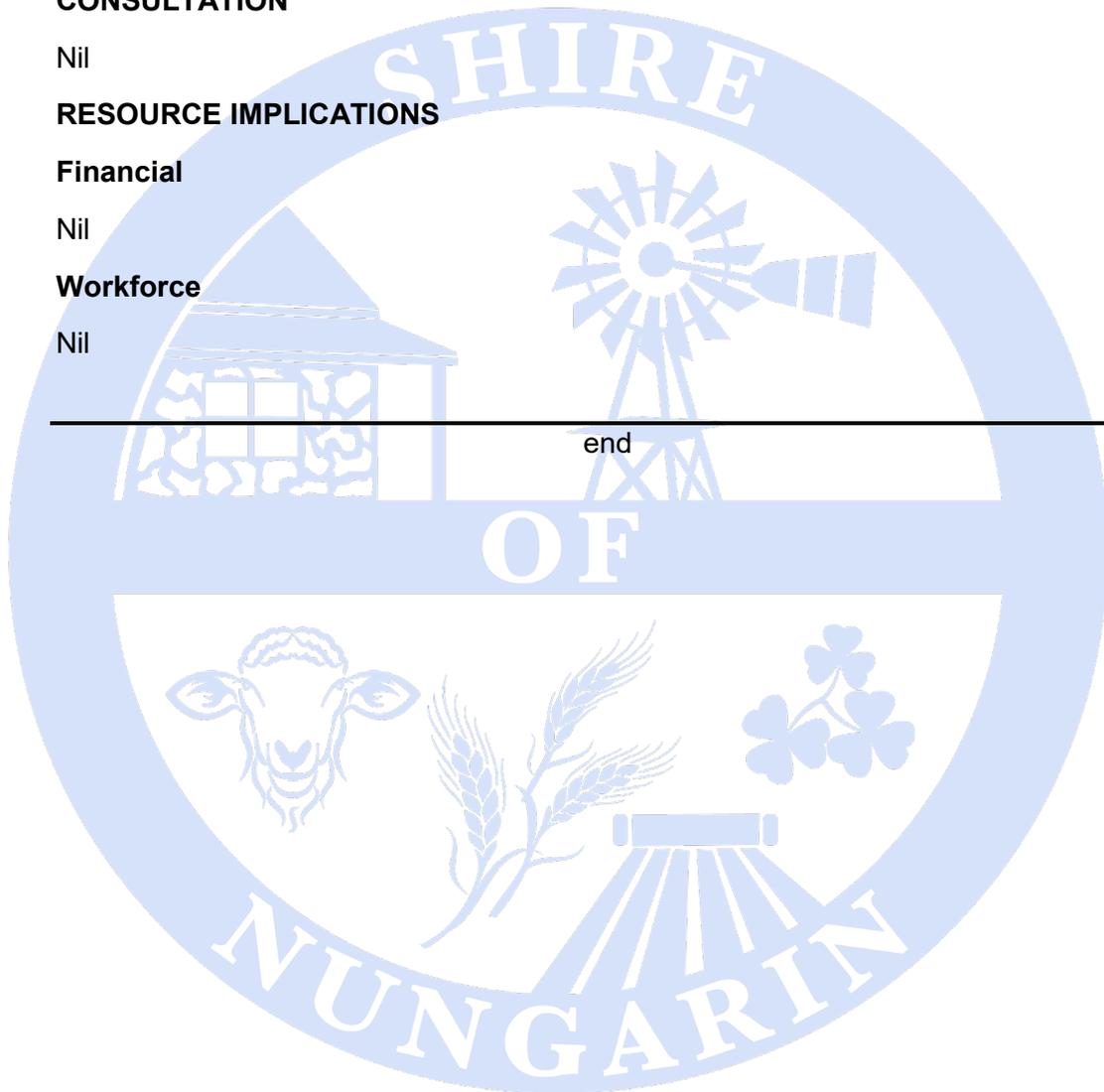
Financial

Nil

Workforce

Nil

end



5.3 OFFICE OF THE AUDITOR GENERAL – AUDITOR’S REPORT AND MANAGEMENT LETTER	
File Ref:	10.24
Previous Items:	Nil
Responsible Officer:	Ric Halse Chief Executive Officer
Author and Title:	Crystal Pearce – Manager Corporate Services
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority
Attachment Number	5.3A – OAG Annual Audit Completion Report 2023 5.3B – Findings identified during OAG Audit - Shire of Nungarin 5.3C – Management Letter 5.3D – OAG Stamped Financial Report – 30 June 2023

COUNCIL RESOLUTION 04/03/24

That the Finance & Audit Committee recommend to council to:

- 1. Receive the 2022/23 Auditor General’s Completion Report Attachment 5.3A**
- 2. Adopt the findings identified during the OAG audit and the Shire’s processes moving forward Attachment 5.3B.**
- 3. Receive the management responses as outlined in the Management Letter Attachment 5.3C**
- 4. Adopt the Audited Annual Financial Report for the year ended 30 June 2023 Attachment 5.3D**

Moved: Cr M Caughey
Seconded: Cr W Lee

CARRIED

IN BRIEF

The Finance and Audit Committee is asked to acknowledge the provided documents for Council's recommendation. The Council must review the Annual Financial Report, including the Audit Report and Management Letter for the 2022/2023 fiscal year, adhere to the auditor's suggestions, and develop a response plan for the audit's findings. The Shire's audit was deemed 'satisfactory,' with fourteen recommendations for enhancement.

BACKGROUND

Under Section 7.12 (3) of the Local Government Act 1995, the local government must:

- Thoroughly review all audit reports received;
- Determine if these reports identify issues requiring action; and
- Ensure appropriate actions are taken to resolve these issues.

REPORT DETAIL

The Annual Financial Statements for the fiscal year ending on 30 June 2023 have been completed and audited by both Dry Kirkness and the Office of the Auditor General. The Auditor General has provided an "Independent Auditor's Report" on the financial statements and a "Management Letter" detailing audit finding.

In the 2022/2023 financial year, the Shire of Nungarin reported 14 issues, as outlined in Management Letter Attachment 8.9C, with their ratings detailed in a subsequent table. The Office of the Auditor General (OAG) emphasized information technology (IT) in their 2022/2023 audits, marking a new focus area. For comprehensive details and the continuous improvement strategic plan, particularly on IT system enhancements, refer to Attachment 8.9D, which covers progress and forthcoming initiatives.

Key actions by the Shire

1. Procurement Practices Conduct regular training sessions on procurement policies and practices. Implement an automated system for purchase orders and batch payment approvals.
2. Excessive Superuser Access Establish a periodic access review schedule. Implement a role-based access control system to restrict privileges based on job roles and responsibilities.
3. Supplier Masterfile Amendments Develop a checklist for supplier amendments and require sign-offs for each step. Implement an automated system for tracking and reviewing supplier master file changes.
4. Fair Value of Assets - Frequency of Valuations - Establish a timeline for regular fair value assessments. Engage external experts for periodic assessments to ensure compliance and accuracy.
5. Payroll Practices Introduce an automated timesheet approval system. Implement an electronic record-keeping system for terminations. Conduct regular training for senior management on reviewing payroll reports.
6. Bank Reconciliations Develop a monthly reconciliation calendar with specific deadlines. Utilize automated reconciliation tools to streamline the process and reduce manual effort
7. Risk Management Policy Establish a dedicated team responsible for continuous monitoring and updating of the risk register. Conduct regular risk assessment workshops to ensure comprehensive coverage.
8. Asset Management Plan Engage with asset management experts to develop a comprehensive plan. Implement a system for continuous monitoring and updating of asset-related data.

9. Lack of IT Governance Collaborate with IT experts to create comprehensive policies aligned with industry best practices. Conduct regular training for IT staff on governance procedures and protocols.
10. No Business Continuity Plan and Disaster Recovery Plan Conduct regular drills and simulations to test the effectiveness of the BCP and DRP. Collaborate with external experts to ensure the plans align with industry standards.
11. Lack of IT Risk Register and Periodic Meetings for Managing Cybersecurity Risks Collaborate with cybersecurity experts to identify and document potential IT risks. Establish a clear framework for ongoing risk assessments and mitigation strategies.
12. No Change Management Process in Place Engage with change management experts to create a customized process aligned with organizational needs. Establish clear communication channels for change notifications and approvals.
13. No Service Level Agreement with IT Service Provider Collaborate with the MSP to create customized SLAs. Establish clear performance metrics and reporting mechanisms. Conduct regular reviews and updates to ensure alignment with organizational goals.
14. Absence of IT and Security Related Training Collaborate with training providers to create a comprehensive curriculum. Implement regular assessments to measure the effectiveness of training programs. Ensure continuous updates to address emerging threats.

SHIRE OF NUNGARIN INTEGRATED STRATEGIC PLAN 2023 - 2033

Focus Area	Our Organisation
Aspiration	Effective forward planning, and engagement with our community
Objective	We deliver sound financial and asset management

OTHER STRATEGIC LINKS

No strategic planning links associated to the proposal.

STATUTORY ENVIRONMENT

Local Government Act 1995;
Local Government (Audit) Regulations 1996;
Local Government (Financial Management) Regulation 1996;

SUSTAINABILITY AND RISK CONSIDERATIONS

Economic

The audit findings do not immediately impact the Council's economic position. However, it is imperative for the Council to recognise that a failure to address critical issues within IT and Financial Systems could lead to a significant escalation in resolution costs over time. It is in the Council's best interest to proactively manage these components to avoid future financial burdens.

Social

No social implications as a result of the report recommendations.

Policy Implications

The audit outcomes reveal that the absence of a Risk Management Policy presents a substantial corporate risk to the Shire. Moreover, the inefficiencies in the current IT and Financial systems, which are now antiquated, pose additional risks. It is crucial for the Shire to address these vulnerabilities to mitigate potential threats to its operations and financial integrity.

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

Pursuant to the regulations, the Shire fulfilled its statutory obligations by consulting with the following: -

- Shire of Nungarin, Finance & Audit Committee
- Councillors (OAG exit meeting)

RESOURCE IMPLICATIONS

Financial

Modifications to the Shire's IT and Finance Systems are anticipated to enhance regulatory compliance assurance and bolster the security of the Shire's administrative and financial operations. Implementing these reforms is a proactive step towards strengthening the Shire's governance and operational frameworks.

Workforce

No workforce implications as a result of the report recommendations.

end

6. **NEW BUSINESS OF AN URGENT NATURE**
(New business of an urgent nature approved by the Presiding Member)

7. **CLOSURE**

The being no further business the meeting closed at 3:35pm

Presiding Member

Date