



# Minutes

## Finance and Audit Committee

### Meeting

Wednesday 18<sup>th</sup> December 2024

Commenced at 3:01PM

Held in the Council Chambers,  
Railway Avenue Nungarin



**FINANCE AND AUDIT COMMITTEE MEETING**  
**HELD ON**  
**WEDNESDAY 18 DECEMBER 2024**  
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## SHIRE MINUTES FINANCE AND AUDIT COMMITTEE MEETING

### 1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 3:01pm.

#### **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 A Eksanow

##### **Council Officers**

Chief Executive Officer	Mr David Nayda
Manager Works & Services	Mr Aaron Wootton
Manager of Corporate Services	Ms Selina Sergeant

**Observers / Visitors**

Nil

**2.2 APOLOGIES**

Elected Member

Cr M Caughey

Elected Member

Cr W Lee

**3. DECLARATIONS OF INTEREST****3.1 FINANCIAL AND PROXIMITY INTEREST**

Nil

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

Nil

**4. PREVIOUS COMMITTEE MEETING MINUTES****4.1 FINANCE AND AUDIT COMMITTEE MEETING – MARCH 2024****COUNCIL RESOLUTION****FAC05/12/24****Moved: Cr RE O'Connell****Seconded:****Cr K Dayman**

**That the Minutes of the Finance and Audit Committee Meeting held on 20 March 2024 be confirmed as being a true and accurate record (Attachment 4.1A).**

**Carried by Simple Majority: 5/0**

**5. AUDITOR'S REPORT AND MANAGEMENT LETTER**

<b>5.1 OFFICE OF THE AUDITOR GENERAL – AUDITOR'S REPORT AND MANAGEMENT LETTER</b>	
<b>File Ref:</b>	
<b>Previous Items:</b>	Nil
<b>Responsible Officer:</b>	David Nayda Chief Executive Officer
<b>Author and Title:</b>	David Nayda Chief Executive Officer
<b>Declaration of Interest:</b>	Nil
<b>Voting Requirements:</b>	Simple Majority
<b>Attachment Number</b>	5.1A – OAG Annual Audit Completion Report 2024 5.1B – Opinion Report - Shire of Nungarin 5.1C – Stamped Financial Statements – 30 June 2024

**COUNCIL RESOLUTION****FAC06/12/24****Moved: Cr G Coumbe****Seconded: Cr A Eksanow****That the Finance & Audit Committee recommend to council to:**

- **Receive the 2023/24 Auditor General’s Completion Report Attachment 5.1A;**
- **Adopt the findings identified during the OAG audit and the Shire’s processes moving forward Attachment 5.1B;**
- **Receive the management responses as outlined in the Management Letter Attachment 5.1C;**
- **Adopt the Audited Annual Financial Report for the year ended 30 June 2024 Attachment 5.1D;**

**Carried by Simple Majority: 5/0****IN BRIEF**

The Finance and audit committee is being requested to receive and note the above attachments for council recommendation.

The Council is obliged to conduct a thorough review of the Annual Financial Report, encompassing the Audit Report and Management Letter for the fiscal year concluded on 2023/2024. Furthermore, the Council is requested to acknowledge the auditor's recommendations and formulate a plan of action addressing the issues highlighted within the audit findings.

Overall, the Shire obtained a ‘satisfactory’ audit and received fourteen notices for improvement.

**BACKGROUND**

Under the stipulations of Section 7.12 (3) of the Local Government Act 1995, it is incumbent upon the local government to:

1. Conduct a detailed examination of any audit reports it receives;
2. Ascertain whether the audit report highlights any issues that necessitate action from the local government; and

3. Guarantee that suitable measures are implemented to address those issues.

The Annual Financial Statements for the fiscal year concluding on 30 June 2024 have been finalised. The financial statements have undergone an annual audit conducted by the Shire's appointed auditors, Dry Kirkness, as well as by the Office of the Auditor General. The Auditor General has issued an "Independent Auditor's Report" that provides the auditor's opinion on the financial statements. Additionally, a "Management Letter" has been issued by the Auditor General, which details the findings discovered during the audit process.

### **REPORT DETAIL**

The Council's annual audit for the fiscal year 2023/2024 has been completed by the appointed auditing firm Dry Kirkness and has received formal approval from the Auditor General's Office.

In compliance with Section 7.9 of the *Local Government Act 1995*, auditors are mandated to scrutinize the accounts and Annual Financial Report submitted by a local government. Additionally, by the 31<sup>st</sup> of December 2024, subsequent to the financial year of the accounts and report, auditors are required to:

1. Compile a report based on their examination,
2. Distribute a copy of this report to the President, the Chief Executive Officer, and the Minister for Local Government.

Moreover, under regulation 10(4) of the *Local Government (Audit) Regulations 1996*, auditors may, if deemed necessary, prepare a supplementary Management Report to accompany the Auditor's Report. This report should also be provided to the individuals outlined in Section 7.9 of the Act. The Management Report is intended to summarize the audit process and its results, highlighting any issues that are not materially significant to the audit of the financial report but are relevant to the Council's routine operations.

According to Section 7.12 (4), a local government is obligated to:

- a) Develop a report that addresses significant issues noted by the auditor in their report, detailing actions that have been or will be taken in response to each issue; and
- b) Submit this report to the Minister within three months of receiving the audit report.

### **Audit findings**

For the financial year 2023/2024, the Shire of Nungarin identified 7 issues as detailed in Management Letter Attachment 5.1C. The findings and their corresponding ratings are presented in the subsequent table.

Attention is drawn to the fact that the Office of the Auditor General (OAG) has prioritised information technology (IT) in their audit assessments for the 2023/2024 period, a focus that was not present in prior years.

For a detailed account, as well as the strategic plan for continuous improvement, please refer to Attachments

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
<b>Financial Statement Related Findings</b>					
1. Fees collected on behalf of Department of Transport (DoT)	No		v		
<b>IT Related Findings</b>					
2. Excessive Superuser Access	No	v			v
3. Lack of IT Governance	No		v		
4. Outdated Business Continuity Plan	No		v		v
5. Lack of IT Risk register and periodic meetings for managing cybersecurity risks	No		v		v
6. No change management process in place	No		v		v
7. Absence of IT and Security Related Training	No			v	v

#### Key actions by the Shire

- 1) A new Liability Account for the Department of Transport Transactions has been created and all future transactions will be allocated to this account.  
A desktop review has been conducted of all potential agency related arrangements. Only the Department of Transport was identified as the only agency arrangement that is not being managed in accordance with AASB 15.
- 2) PCS, our IT provider, will set up specific user accounts for each user. The access review will be completed prior to Christmas and account alterations will be completed throughout January.
- 3) The Shire's integral IT strategic plan will be finalised over December and discussed by management prior to the site visit of the Shire's IT services provider, PCS, at the end of January 2025.  
Access management for SynergySoft, the primary ERP of the Shire, will be changed to reflect more stringent controls.  
Access management for the Shire's network is already in place on the Windows system and will be outlined in the document

- 4) The shire has recently added an offsite cloud backup, which has been active for over a month, and the business continuity and DR plans will be changed to reflect this and overall plans updated by the end of January by the IT services provider, PCS.
- 5) Staff are being reminded of potential Cyber Security Risks by the Manager of Corporate Services whenever a new risk is brought to the attention i.e. fake phone calls that mimic Executive Manager’s voices, links in untrustworthy emails, emails with fake invoices that don’t match bank details on record etc.  
The IT risk register will be updated by the end of January 2025, as there will be a meeting between the Shire and PCS in late January about the risk register and cyber security.
- 6) The system for change management for user access has been implemented, for some time, that management of the Shire submit a request to the IT services provider, PCS, and PCS notify management if something is being changed in the IT systems that is initiated by PCS. This is logged in PCS ticketing system so there is a record.
- 7) IT Training is done in-house and if required, depending on experience and relevance, staff are booked into relevant courses.  
The initial IT Security related training will be conducted by the Shire’s IT services provider, PCS, on-site visit in late January 2025, where a document will be left with the Shire to provide to new employees upon induction.

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

<b>Focus Area</b>	Our Organisation
<b>Aspiration</b>	Effective forward planning, and engagement with our community
<b>Objective</b>	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.

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

Nil

7. **CLOSURE**

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

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

\_\_\_\_\_  
 Date