Heart of North Midlands

MINUTES
FOR THE
AUDIT AND RISK COMMITTEE
OF COUNCIL MEETING
HELD ON
WEDNESDAY
14 DECEMBER 2022 @ 4.45PM

WILDFLOWER COUNTRY

Shire of Three Springs
PO Box 117, Three Springs
WA 6519

Disclosure of Interest Form

(Elected Members/Committee Members/Employees/Contractors)

Local Government Act 1995 (Section 5.65, 5.70 & 5.71)

To: Chief Executive Officer

- ☐ **Ordinary Council Meeting held on** ______________________
- ☐ **Special Council Meeting held on** ______________________
- ☐ **Committee Meeting held on** ______________________
- ☐ **Other** ______________________

Report No ______________________

Report Title ______________________

Name ______________________

☐ **Elected Member** ☐ **Committee** ☐ **Employee** ☐ **Contractor**

Type of Interest *(*see overleaf for further information)*

☐ **Proximity** ☐ **Financial** ☐ **Impartiality**

Nature of Interest

____

____

____

Extent of Interest (if intending to seek Council approval to be involved with debate and/or vote)

____

____

Name:______________________ **Signed:**______________________ **Date:** ______________________

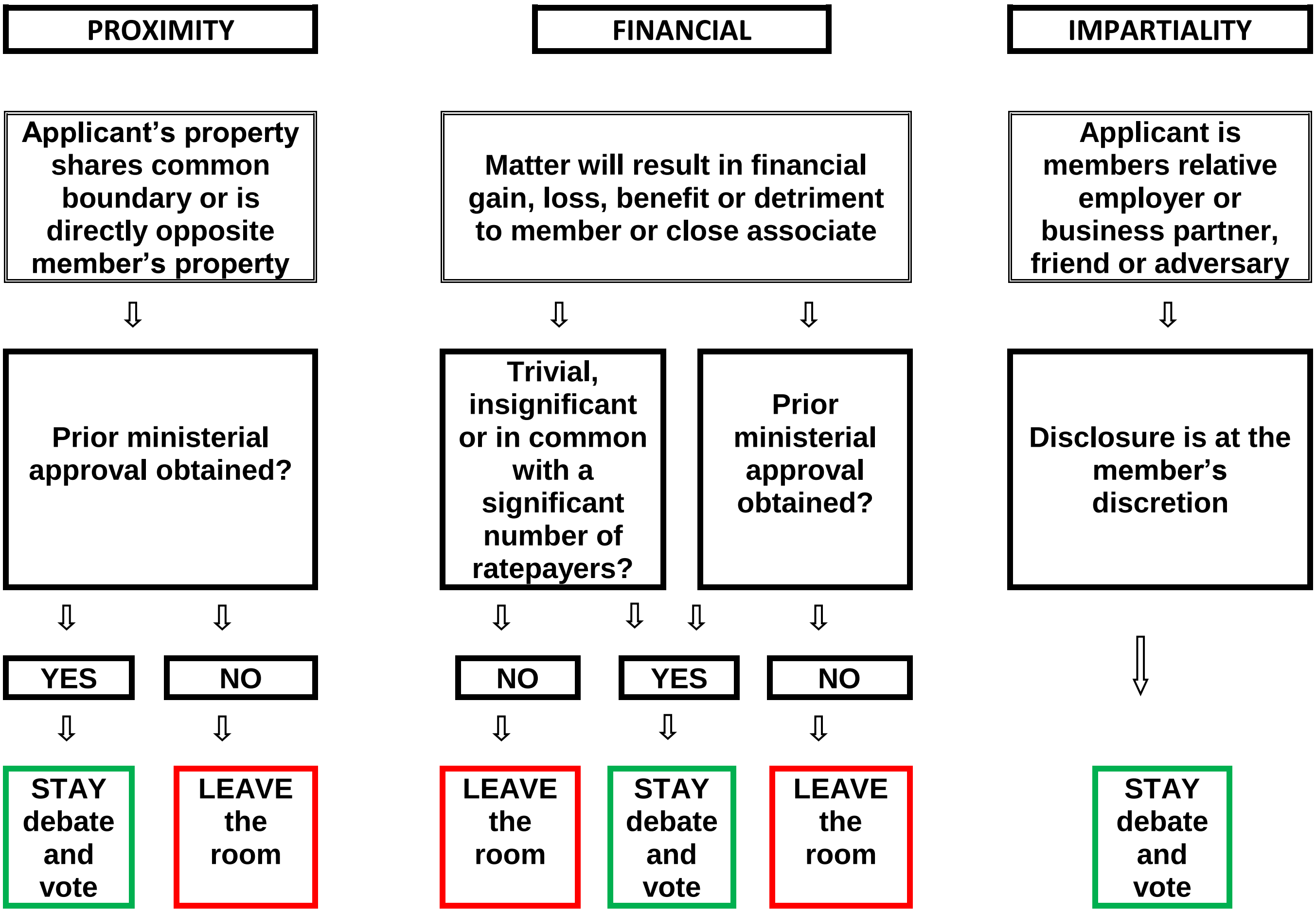
Note 1: For Ordinary meetings of Council, elected members and employees are requested to submit this completed form to the Chief Executive Officer prior to the meeting. Where this is not practicable, disclosure(s) must be given to the Chief Executive Officer prior to the matter being discussed.

Note 2: Employees or Contractors disclosing an interest in any matter apart from at meetings, where there is a conflict of interest including disclosures required by s5.71 are required to submit this form to the CEO as soon as practicable.

OFFICE USE ONLY

CEO: ______________________ **Signed:** ______________________ **Date:** ______________________

* Declaring an Interest



Local Government Act 1995 **- Extract**

5.65 - Members' interests in matters to be discussed at meetings to be disclosed.

(1) A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest:

(a) in a written notice given to the CEO before the meeting; or (b) at the meeting immediately before the matter is discussed. (Penalties apply).

(2) It is a defence to a prosecution under this section if the member proves that he or she did not know:

(a) that he or she had an interest in the matter; or (b) that the matter in which he or she had an interest would be discussed at the meeting.

(3)This section does not apply to a person who is a member of a committee referred to in section 5.9(2)(f).

5.70 - Employees to disclose interests relating to advice or reports.

(1) In this section: 'employee' includes a person who, under a contract for services with the local government, provides advice or a report on a matter.

(2) An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report.

(3) An employee who discloses an interest under this section must, if required to do so by the council or committee, as the case may be, disclose the extent of the interest. (Penalties apply).

5.71 - Employees to disclose interests relating to delegated functions.

If, under Division 4, an employee has been delegated a power or duty relating to a matter and the employee has an interest in the matter, the employee must not exercise the power or discharge the duty and:

(a) in the case of the CEO, must disclose to the mayor or president the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter; and (b) in the case of any other employee, must disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter. (Penalties apply)

'Local Government (Administration) Regulations 1996 **– Extract**

In this clause and in accordance with Regulation 34C of the Local Government (Administration) Regulations 1996:

"Interest" means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.

SHIRE OF THREE SPRINGS
MINUTES OF THE AUDIT and RISK COMMITTEE MEETING
HELD IN THE COUNCIL CHAMBERS, THREE SPRINGS
ON WEDNESDAY 14 December 2022

MINUTES

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Shire President declared the meeting open at 4.52pm

Acknowledgement of Country:-

The Shire of Three Springs acknowledges the traditional owners of this land – the Yamatji people, and their continuing connection to land, water and community. We pay our respects to them and their cultures, and to elders both past, present and emerging.

2. RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE

	Attendance	**Apologies**	**Approved Leave of Absences**
Councillor Lane	Present		
Councillor Connaughton	Present		
Councillor Heal	Present		
Councillor Mutter	Present		
Councillor Mills		Apology	
Councillor Ennor			Approved Leave
Councillor Eva	Present		
Chief Executive Officer	Present		
Deputy Chief Executive Officer	Present		
Executive Secretary	Present		

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

Nil

5. APPLICATIONS FOR LEAVE OF ABSENCE

Nil

		OCM Month	**Moved**	**Seconded**	**Vote**	**Date**
5.1	Cr.		Cr.	Cr.		
5.2	Cr.		Cr.	Cr.		
5.3	Cr.		Cr.	Cr.		

6. CONFIRMATION OF PREVIOUS MEETING MINUTES

That the Minutes of the Audit Committee Meeting are confirmed as true and accurate record of proceedings.					
		Date	**Moved**	**Seconded**	**Vote**
6.1					

7. ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION

Nil

8. ANNOUNCEMENTS/REPORTS OF ELECTED MEMBERS

Councillor	Activity
Cr. Lane	
Cr. Connaughton	
Cr. Heal	
Cr. Mutter	
Cr. Mills	
Cr. Ennor	
Cr. Eva	

9. PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

Nil

10. REPORTS OF OFFICERS

Corporate Services	
10.1. Annual Financial Report 2021-22	
Agenda Reference:	DCEO
Location/Address:	Shire of Three Springs
Name of Applicant:	Shire of Three Springs
File Reference:	ADM0081
Disclosure of Interest:	Nil
Date:	14 December 2022
Author:	Krys East - Deputy Chief Executive Officer
Attachment (s):	10.1.1 Audited Annual Financial Report 2021-2022 10.1.2 Auditors Opinion 10.1.3 Transmittance Letters

Council Role:

☐	Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
■	Executive	The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
■	Legislative	Includes adopting local laws, local planning schemes and policies.
☐	Review	When Council reviews decisions made by Officers.
☐	Quasi-judicial	When Council determines an application/matter that directly affects a person's rights and interests. The judicial character arises from the obligation to abide by the principles of natural justice e.g. local planning applications, building permits, other permits/licences (e.g. under Health Act, Dog Act or local laws) and other decisions that may be appealable to the State Administrative Tribunal (SAT).

Report Purpose:

1. That the Audit and Risk Committee receive the Audit Finding.
2. The Audit and Risk Committee recommends that the Council accepts the Annual Financial Statements, Audit Report and Management Report for 2021-2022 and set the date for the Annual Electors Meeting.

Background:

Section 5.54 "Acceptance of Annual Reports" of the Local Government Act 1995, requires an Annual Report to be accepted by Council by 31 December in each year unless the Auditors Report is not available in time. The Local Government Act 1995 Section 5.54(2) requires that if the Annual Report is not accepted by the Local Government by 31 December then it must be presented within two (2) months of the Auditors Report becoming available.

Following the proclamation of the Local Government Amendment (Auditing) Act 2017, the Auditor General was made responsible for the financial and performance auditing of local governments.

Officer's Comment:
On the 8th of December 2022, Dry Kirkness (formerly Butler Settineri) and the Office of the Auditor General for Western Australia conducted an audit exit meeting with the Shire President, Chief Executive Officer and Deputy Chief Executive Officer.

As per the Local Government Act 1995 Council is required to accept the Audit Report, Management Report and set the date for the Annual Electors Meeting.

The audit report raised concerns with Supplier Masterfile changes, IT Control Environment, Credit Card Transactions, Authorisation of invoice payments, Procurement Practices and Accuracy of employee timesheets.

The impact of the 2020/21 Annual Financial Report Audit being completed late, in March 2022, has meant that issues raised in that audit continued into the 2021/22 financial year. The auditors and OAG acknowledge that the instances in the current audit were identified as occurring during the July 2021 to November 2021 period. Management has implemented a suite of control improvements since March 2022 to remediate the legacy control weaknesses identified. They have not identified any further instances of these controls weaknesses since the improvements were fully implemented.

The auditor comments are clearly identified below (the black text being the findings from the audit, and the blue text being the Shire's Management comment).

1. Supplier Masterfile changes

Finding:
From our review of changes to the supplier Masterfile, we noted 1 instance where the Supplier Masterfile Amendments Form did not contain any evidence of review before the change was processed.

Management Comment:
Procedures have been put in place whereby:

- *the Supplier Masterfile Amendments Form is reviewed by DCEO;*
- *implemented EFTSure to check BSB and Account Details to further reduce risk; and*
- *an audit trail showing changes to the Creditor module, is presented to the DCEO for review during each pay run.*

This amended process was implemented in April/May 2022

2. IT Security Control Environment

Finding:
We noted that the Shire does not have Cyber Security Response Plan in place and no documented process to follow in the event of a cyber-attack.

We also noted that the Shire's Data Recovery Plan has not been reviewed since it was adopted in 2015.

Management Comment:
Noted and in 2022/23 the Shire staff will commence developing a Cyber Security Response Plan aiming to have this completed in the 2023/24 year.

The current Data Recovery Plan will be reviewed in 2022/23.

3. Credit Card Transactions

Finding:
From a sample of 11 credit card transactions, we noted 1 instance where the supplier invoice for the purchase was not able to be provided.

After the matter was communicated to management, the cardholder signed a statutory declaration noting that the purchase was for business purposes, however the supplier invoice could not be obtained.

Management Comment:
The instance identified was for the purchase of bread for $34 in Morawa, which was urgently needed for Australia Day celebrations as the local supplier, at the last minute, advised that they could not provide it. The staff member failed to retain a receipt due to the stress of ensuring a successful event. The Staff member did sign the credit card statement acknowledging a legitimate purchase.

Forms have been created for staff to complete if the purchase process deviates from the procurement policy e.g., an emergency situation where no purchase order was raised prior to purchase.

4. Authorisation of invoice payments

Finding:
We note 1 instance out of a sample of 15 procurement payments from 1 April 2022 to June 2022 where the payment was not authorised by an appropriate officer in-line with the Shire's invoice approval delegations.

Management Comment:
Staff have been made aware of the importance of ensuring invoices are approved only by those with delegated authority. Management signs off on all invoices. In the absence of an appropriate Manager, only those with delegated authority will sign off. This will be the exception, not the standard practice.

5. Procurement practices

Initial Finding - 2021
During our sample testing of payments made throughout the year we noted:

- 11 instances where the required number of quotes was not obtained prior to engaging a supplier for goods/services
- 3 instances where verbal quotes were obtained, but not documented on the purchase order
- 5 invoices without purchase orders;
- 2 purchase orders were raised after the invoice date.

Finding status - 2022
During our sample testing of payments made throughout the year we noted:

- 3 instances where the required number of quotes was not obtained prior to engaging a supplier for goods/services
- 1 purchase order that was raised after the invoice date.

We acknowledge that the instances identified occurred during the July 2021 to November 2021 period. Management have implemented a suite of control improvements in March 2022 to remediate the legacy control weaknesses identified, we have not identified any further instances of these controls weaknesses since the improvements were fully implemented.

On 4 May 2022, the Shire, in accordance with section 7.12A (4) (a) of the Local Government Act 1995, advised the Minister for Housing, Lands, Homelessness, Department of Local Government of the Significant Finding associated with the aforementioned Procurement Practices.

Management Comment:

The Policy was amended in May 2022, immediately after this issue was reported in the 2022 Management Letter in March 2022, to allow purchases from local Suppliers with Monthly accounts without the need to seek a verbal quote. We believe that during the review it was noted that all instances identified were prior to this date. After the adoption of the Policy, testing revealed no instances that did not conform to the amended Policy.

A form has been created for staff to complete if the purchase process deviates from the procurement policy eg reason for no purchase order raised prior to purchase.

Due to the action that has been taken to rectify these issues and prevent them from occurring in the future, we believe this finding is not significant and should be reduced to Moderate.

6. Accuracy of employee timesheets

Finding:

We noted 1 instance where the hours paid to an employee as recorded in the payroll report exceeded the hours recorded in the employee's approved timesheet.

Management Comment:

Management thoroughly reviews timecard entries at various stages of the payroll process prior to payment.

Consultation:

Bob Waddell & Associates, Finance Officer and Admin Officer, Dry Kirkness audit staff and OAG Director Financial Audit.

Statutory Environment:

Local Government Act 1995 sections 5.27 (2), 5.53 (1), 5.54, 5.55, 5.55A and 6.4

"5.27. Electors' general meetings

(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."

"5.53. Annual reports

(1) The local government is to prepare an annual report for each financial year."

"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."

"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) Regs 1996, regulation 51

"51. Annual financial report to be signed etc. by CEO and given to Department

(1) After the annual financial report has been audited in accordance with the Act the CEO is to sign and append to the report a declaration in the form of Form 1.

(2) A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report."

Local Government Act 1995 Section 7.9(1)

"7.9. Audit to be conducted

(1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —

(a) the mayor or president; and

(b) the CEO of the local government; and

(c) the Minister."

Local Government Financial Management Regulation 1996 Part 2
Local Government (Audit) Regulations 1996 – Reg 10

"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."

Policy Implications:
Nil

Financial/Resources Implications:
Nil

Strategic Implications:
This item is relevant to the Council's approved 'Strategic Community Plan 2018-2028'

Strategic Community Plan 2018-2028	
Council Objectives:	**Outcome:**
Nil	Nil

This item is relevant to the Council's approved 'Corporate Business Plan 2020 – 2024'.

Corporate Business Plan 2020– 2024	
Scope Statement:	**Project Outputs:**
Nil	Nil

Voting Requirements:
Absolute Majority

Officer's Recommendation:

099/2022 AUDIT AND RISK COMMITTEE RECOMMENDATION AND COUNCIL RESOLUTION 10.1

MOVED: Cr. Eva
SECONDED: Cr. Mutter

That the Audit and Risk Committee recommends that Council:

1. accepts the 2021/2022 Annual Report incorporating the audited Financial Statements and auditors report;

2. acknowledges receipt of the Management letter;

3. instruct the CEO to give local public notice as soon as practicable that the 2021/2022 Annual Report is available for public inspection;

4. instruct the CEO to publish the 2021/2022 Annual Report on the Shire of Three Spring's official website within 14 days;

5. schedule the Annual Electors meeting for Monday 6 February 2023 commencing at 5:00 pm in Council Chambers. Local public notice to be given at least 14 days prior to the meeting date;

6. authorise that the 2021/2022 Annual Report is sent to the Department of Local Government within 30 days of acceptance by the CEO.

CARRIED:
VOTED: 5/0
(By Absolute Majority)

11. TIME AND DATE OF NEXT MEETING

The date and time of the next Audit and Risk Committee are to be confirmed.

MEETING CLOSURE

There being no further business the Presiding Officer closed the meeting at 5.04pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: ______________________________

Presiding Officer

Date: 22 February 2023