



SHIRE OF JERRAMUNGUP

MEETING OF THE AUDIT COMMITTEE

**Held at the Town Hall,
Bremer Bay,
Wednesday, 20 December 2023**

MINUTES

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Shire of Jerramungup
Table of Contents
Meeting of the Audit Committee
Wednesday 20 December 2023

1.0	DECLARATION OF OPENING, ANNOUNCEMENT OF VISITORS	4
2.0	RECORD OF ATTENDANCE	4
2.1	ATTENDANCE.....	4
2.2	APOLOGIES	4
3.0	PUBLIC TIME.....	4
3.1	PUBLIC QUESTION TIME	4
3.2	PETITIONS, DEPUTATIONS, PRESENTATIONS AND SUBMISSIONS	4
4.0	CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS	5
AC231201.....	5
5.0	REPORTS	6
5.1	AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2023	6
5.2	ACCEPTANCE OF 2022/2023 ANNUAL FINANCIAL REPORT	9
6.0	GENERAL BUSINESS	16
7.0	CLOSURE OF MEETING	16

MEETING OF THE AUDIT COMMITTEE MINUTES

1.0 DECLARATION OF OPENING, ANNOUNCEMENT OF VISITORS

The meeting was opened at 7.55am by the Presiding Member.

2.0 RECORD OF ATTENDANCE

2.1 ATTENDANCE

ELECTED MEMBERS:

Cr Joanne Iffla	Shire President (Chair)
Cr Julie Leenhouders	Deputy Shire President
Cr Neil Foreman	Councillor
Cr Paul Barrett	Councillor
Cr Nathan Brown	Councillor
Cr Gavin Mair	Councillor

STAFF:

Martin Cuthbert	Chief Executive Officer
Charmaine Solomon	Deputy Chief Executive Officer
Gordon Capelli	Works Supervisor
Tamara Pike	Finance Manager

VISITORS:

Nil.

GALLERY:

Nil.

2.2 APOLOGIES

Nil.

2.3 APPROVED LEAVE OF ABSENCE

Cr Raegan Zacher

3.0 PUBLIC TIME

3.1 PUBLIC QUESTION TIME

Nil.

3.2 PETITIONS, DEPUTATIONS, PRESENTATIONS AND SUBMISSIONS

8.05am Chris Martain, Lincolns Auditors (via Zoom) to brief the Audit Committee on the audit results for the year ended 30 June 2023.

4.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

Meeting of the Audit Committee held 26 July 2023.

That the Minutes of the Meeting of the Audit Committee held 26 July 2023 be CONFIRMED.

AC231201

MOVED: Cr Leenhouders

SECONDED: Cr Foreman

That the Minutes of the meeting of the Audit Committee held 26 July 2023 be CONFIRMED.

CARRIED: 6/0

FOR: Cr Iffla, Cr Leenhouders, Cr Foreman, Cr Barrett, Cr Brown, Cr Mair

AGAINST: Nil.

5.0 REPORTS

5.1 AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2023

Location/Address:	N/A
Name of Applicant:	N/A
File Reference:	
Author:	Charmaine Solomon, Deputy Chief Executive Officer
Responsible Officer:	Martin Cuthbert, Chief Executive Officer
Disclosure of any Interest:	Nil
Date of Report:	7 December 2023
Attachments:	a) Office of the Auditor General Management Letter and Finding for year ending 30 June 2023
Authority/Discretion:	Legislative

SUMMARY:

For the Audit Committee to accept the Audit Findings for the year ended 30 June 2023.

BACKGROUND:

The Committee's duties and responsibilities in relation to the Audit Findings are to consider and recommend acceptance of the findings identified during the audit. The focus of the audit was to evaluate the organisations overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls.

The audit this year was undertaken by Lincolns Accountants and Business Advisors under direction of the Office of the Auditor General.

CONSULTATION:

Senior Staff

Lincolns Accountants and Business Advisors

Office of the Auditor General

COMMENT:

The following findings were highlighted by Lincolns Accountants and Business Advisors in the Audit Findings for the year ended 30 June 2023:

Reconciliation of Creditors Ledgers

Finding

During testing of creditors reconciliation, our audit procedures found that the June 2023 creditors reconciliation was not completed until 11 September 2023. We note it appears that this was completed in a timely manner in July and a subsequent reconciliation was required to be completed for year end after this date, however the original reconciliation is not evident in the file.

Rating: Minor

Implication

Timely reconciliation of subledgers to control accounts is a vital control to ensure information is being entered into the correct periods and balances are being reviewed periodically. Without these timely reconciliations errors can occur and not get picked up.

Recommendation:

All monthly reconciliation should be completed as soon as practicable after the end of the month and any subsequent adjustments to reconciliation should be filed with the original month end reports.

Management Comment:

To ensure timely reconciliation the Accounts Officer has added a calendar reminder for the second week of the following month. Staff will ensure all reconciliations are kept on file, if for some reason an updated version is printed at a later date.

STATUTORY ENVIRONMENT:**Local Government Act 1995****Division 3 – Reporting on activities and finance****6.4. Financial report**

- (1) *A local government is to prepare an annual 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.*

7.12AD. Reporting on a financial audit

- (1) *The auditor must prepare and sign a report on a financial audit.*
- (2) *The auditor must give the report to –*
 - (a) *the mayor, president or chairperson of the local government; and*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*

Division 4 – 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.*
- (3) *A local government must –*
 - (aa) *examine an audit report received by the local government; and*
 - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*

(b) ensure that appropriate action is taken in respect of those matters.

(4) A local government must —

(a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and

(b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

STRATEGIC IMPLICATIONS:

This item relates to the following component from the Shire of Jerramungup Community Plan 2021 – 2031; *Governance and Leadership – Provide informed and transparent decision making that meets our legal obligations, and the needs of our diverse community.*

Implement systems and processes that meet our legal and audit obligations.

FINANCIAL IMPLICATIONS:

There are no financial implications for this report.

WORKFORCE IMPLICATIONS:

There are no workforce implications for this report.

POLICY IMPLICATIONS:

Policy implications do not apply to this report and it is the opinion of the author that policy development is not required.

VOTING REQUIREMENT:

Simple majority

OFFICER RECOMMENDATION:

That the Audit Committee RECEIVE the findings identified during the Audit for the year ended 30 June 2023 and recommend to Council that:

- 1. The Office of the Auditor General Management Letter and Findings for the year ended 30 June 2023 be received.**

AC231202

MOVED: Cr Leenhouders

SECONDED: Cr Barrett

That the Audit Committee RECEIVE the findings identified during the Audit for the year ended 30 June 2023 and recommend to Council that:

- 1. The Office of the Auditor General Management Letter and Findings for the year ended 30 June 2023 be received.**

CARRIED: 6/0

FOR: Cr Iffla, Cr Leenhouders, Cr Foreman, Cr Barrett, Cr Brown, Cr Mair

AGAINST: Nil.

5.2 ACCEPTANCE OF 2022/2023 ANNUAL FINANCIAL REPORT

Location/Address:	N/A
Name of Applicant:	N/A
File Reference:	
Author:	Charmaine Solomon, Deputy Chief Executive Officer
Responsible Officer:	Martin Cuthbert, Chief Executive Officer
Disclosure of any Interest:	Nil
Date of Report:	7 December 2023
Attachments:	a) 2022/2023 Annual Financial Report b) 2022/2023 Auditors Report – Office of the Auditor General/Lincolns c) Auditors Opinion – Office of the Auditor General
Authority/Discretion:	Legislative

SUMMARY:

For the Audit Committee to accept the 2022/2023 Annual Financial Report and recommend to Council to adopt the Report.

BACKGROUND:

One of the principal objectives of the Audit Committee is to accept responsibility for the annual external audit and to liaise with the Auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs. The Committee's duties and responsibilities in relation to the Annual Financial Report and the external audit are to consider and recommend adoption of the Annual Financial Report to Council.

The Annual Financial Report for the period ending 30 June 2023 has been prepared in accordance with the *Local Government Act 1995* and *Local Government Financial Management Regulations 1996* and is now presented to the Audit Committee for consideration and recommends adoption by Council. The audit this year was undertaken by Lincolns Accountants and Business Advisors under direction of the Office of the Auditor General.

CONSULTATION:

Senior Staff

Lincolns Accountants and Business Advisors

Office of the Auditor General

COMMENT:

The following presents Lincolns Accountants and Business Advisors Audit Findings for the year ended 30 June 2023:

Area of Risk	Audit Outcomes
Grant Funding and Other Revenue	<ul style="list-style-type: none"> • Significant grant revenue was agreed to third party documentation. • Audit included additional analysis of revenue allocation in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not For Profit Entities. • Risk of fraud in the revenue cycle was also considered including testing of key controls and analytical review Audit procedures undertaken rebutted the risk of fraud to an acceptable level. • We also reviewed related party transactions. The financial statements adequately disclose related party transactions for Councillors and Key Management Personnel. <p>Grant Funding and Other Revenue as disclosed in the financial statements is materially correct.</p>
Rates	<p>Audit work included the following:</p> <ul style="list-style-type: none"> • Rateable values agreed to the Valuer General rates. • We checked control procedures for the transfer of rates from Valuer General to Internal Software system. • Testing of rates notices was undertaken both on a sample basis and analytically. <p>Results supported the rate revenue and financial statement disclosures.</p>
Expenses	<p>Our audit of expenses included testing of key financial controls over the recognition of expenses, vouching significant expenses and analytical reviews.</p> <p>Expenditure as disclosed in the financial statements is materially correct.</p>
Payroll/Provisions	<p>Audit sampling tested payroll records to the following:</p> <ul style="list-style-type: none"> • Employee awards • Employee contracts • Check calculation of superannuation and tax • Check authority to deduct salary sacrifice • Check the control procedures in payroll department in line with internal policies • Our audit of provisions included reviewing the reasonableness of assumptions used to calculate annual leave and long service leave • Analytical review <p>Results of audit procedures indicate employee costs are materially correct and disclosed correctly in the financial statements.</p>

Area of Risk	Audit Outcomes
Management’s monitoring of the control environment	<p>We reviewed council minutes for the following:</p> <ul style="list-style-type: none"> • Process for reviewing internal control procedures including evidence of periodic review of policy manual. • Management’s implementation and monitoring of new control procedures. • Management’s implementation and monitoring for amending current control procedures. • Impact of COVID 19 on the control environment <p>We are satisfied that management is applying effective controls and that Council are aware of the control environment.</p>
Management Override of Controls	<p>Audit processes were undertaken to:</p> <ul style="list-style-type: none"> • Sample test and judgementally review general journals • Understand and test the adequacy and effectiveness of division of duties • Controls testing • Substantive procedures <p>Sufficient audit evidence was obtained to support the view that controls are operating effectively.</p>
Fixed Assets	<p>Council undertook revaluation process in the 2023 financial year for infrastructure assets.</p> <p>Audit Processes were undertaken to:</p> <ul style="list-style-type: none"> • Sample test additions and disposals • Check profit/loss on sale of assets • Confirm ownership and existence of assets • Recalculate Depreciation <p>Results of audit procedures indicate fixed assets are materially correct and disclosed correctly in the financial statements.</p>

Accounting Estimates	<ul style="list-style-type: none"> We reviewed the method and underlying data that management use when determining critical accounting estimates. This included considering the reasonableness of assumptions and corroborating representations. For infrastructure, property, plant and equipment we reviewed Management’s assessment of the useful lives and existence of assets. We reviewed managements monitoring of impairment and determined that adequate processes exist. For provisions relating to waste site rehabilitation costs and the pool asset decommissioning costs we reviewed the method and underlying data that management use when determining critical accounting estimates. This included considering the reasonableness of assumptions and corroborating representations. <p>Audit review determined that estimates are reasonable and supported by appropriate data.</p>
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Uncorrected Audit Misstatements

	Financial Statements Accounts Impacted	Statement of Financial Position Adjustment	Effect on Operating Surplus	Effect on Other Comprehensive Income	Comment
1.	Provisions Annual Leave Gross Wages	\$5,423 CR			Variance in provisions for annual leave
			\$5,423 DR		

Corrected Audit Misstatements

	Financial Statements Accounts Impacted	Statement of Financial Position Adjustment	Effect on Operating Surplus	Effect on Other Comprehensive Income	Comment
1.	Provision Pool Decommissioning Pool Decommissioning Asset Pool Decommissioning Asset Accumulated Depreciation Interest Expense Depreciation	\$890,712 DR (\$911,962 CR) \$30,398 DR	 \$21,249 DR (\$30,398 CR)		Adjustment to Initial Recognition of Pool Decommissioning Costs and amortisation and interest cost for year
2.	Provision Waste Rehab Landfill Rehab Asset Landfill Rehab Asset Accumulated Depreciation Interest Expense Depreciation	(\$137,585 CR) \$127,795 DR (\$6,024 CR)	 \$9,791 DR \$6,023 DR		Adjustments to CPI and Discount rate estimate for waste rehab provision current year and adjusting current year interest expense and amortisation

Once the Council has accepted the Annual Financial Report, the Chief Executive Officer is to give local public notice of its availability and send a copy to the Department of Local Government, Sport and Cultural Industries.

STATUTORY ENVIRONMENT:***Local Government (Financial Management) Regulations 1996***

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 Form1.*
- (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***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*

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.*

Division 3 – Reporting on activities and finance***6.4. Financial report***

- (1) A local government is to prepare an annual 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.*

STRATEGIC IMPLICATIONS:

Nil

FINANCIAL IMPLICATIONS:

The Annual Financial Statements set out the operating results for the Shire for the year ended 30 June 2023 and the assets and liabilities as at that date, together with other relevant financial information.

WORKFORCE IMPLICATIONS:

There are no workforce implications for this report.

POLICY IMPLICATIONS:

Policy implications do not apply to this report and it is the opinion of the author that policy development is not required.

VOTING REQUIREMENT:

Absolute majority

OFFICER RECOMMENDATION:

That the Audit Committee, BY AN ABSOLUTE MAJORITY:

1. **RECOMMENDS** that Council **ADOPTS** the **2022/2023 Annual Financial Report** for the Shire of Jerramungup and the accompanying **2022/2023 Audit Report-Opinion**, as attached to this report;
2. **ACCEPTS** the Auditor's "Report to the Audit Committee", as attached to this report, for the year ended 30 June 2023 supplied by Council's Auditors, Lincolns Accountants and Business Advisors and Office of the Auditor General.

AC231203

MOVED: Cr Leenhouders

SECONDED: Cr Mair

That the Audit Committee, BY AN ABSOLUTE MAJORITY:

1. **RECOMMENDS** that Council **ADOPTS** the **2022/2023 Annual Financial Report** for the Shire of Jerramungup and the accompanying **2022/2023 Audit Report-Opinion**, as attached to this report;
2. **ACCEPTS** the Auditor's "Report to the Audit Committee", as attached to this report, for the year ended 30 June 2023 supplied by Council's Auditors, Lincolns Accountants and Business Advisors and Office of the Auditor General.

CARRIED BY ABSOLUTE MAJORITY: 6/0

FOR: Cr Iffla, Cr Leenhouders, Cr Foreman, Cr Barrett, Cr Brown, Cr Mair

AGAINST: Nil.

6.0 GENERAL BUSINESS

Cr Iffla acknowledged the performance of Tamara Pike for her timely preparation of audits, high quality financial reporting and maintenance of good financial management controls. Tamara Pike was also congratulated for her promotion to Finance Manager this year and her role in financial reporting for the past 12 years on the Regional Waste Project which included overseeing project deliverables and finances for the Shires of Kent, Gnowangerup, Katanning, Ravensthorpe as well as Jerramungup. The overall management of the finance team is to be commended.

7.0 CLOSURE OF MEETING

The Presiding Member closed the meeting at 8.35am.

<p>These minutes were confirmed at a meeting held</p> <p>.....</p> <p>Signed:</p> <p>Presiding Person at the meeting at which these minutes were confirmed</p> <p>Date:</p>
