



AGENDA

FOR THE

AUDIT AND RISK COMMITTEE MEETING

17 FEBRUARY 2022

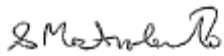
Please Note that this meeting was originally scheduled to occur on 15 February 2022, however was rescheduled to 17 February 2022 after the Agenda was first published.

NOTICE OF MEETING

Dear Council Member,

The next Audit and Risk Committee of Council will be held on Thursday, 17 February 2022 in the Council Chambers, Corner Weld and Haas Streets, Broome, commencing at 12:00PM.

Regards,



S MASTROLEMBO
Chief Executive Officer

11/02/2022

Our Mission

"To deliver affordable and quality Local Government services."

DISCLAIMER

The purpose of Council Meetings is to discuss, and where possible, make resolutions about items appearing on the agenda. Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on the basis of such decision or on any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

Persons should be aware that the provisions in section 5.25 of the *Local Government Act 1995* establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person. The Shire of Broome expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a Member or Officer, or the content of any discussion occurring, during the course of the Council meeting.

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SHIRE OF BROOME
AUDIT AND RISK COMMITTEE MEETING
THURSDAY 17 FEBRUARY 2022

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1. OFFICIAL OPENING

2. ATTENDANCE AND APOLOGIES

3. DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY

4. CONFIRMATION OF MINUTES

RECOMMENDATION:

That the Minutes of the Audit and Risk Committee held on 13 December 2021, as published and circulated, be confirmed as a true and accurate record of that meeting.

5. REPORT OF OFFICERS

5.1 COMPLIANCE AUDIT RETURN 2021

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	LCR02
AUTHOR:	Senior Governance & Administration Officer
CONTRIBUTOR/S:	Manager Governance, Strategy & Risk
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

The purpose of this report is to present to the Audit and Risk Committee (ARC) the 2021 Compliance Audit Return (CAR) for review, and to request that the ARC recommend that Council adopt the 2021 CAR for submission to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March 2022.

BACKGROUND

Previous Considerations

Local governments are required to complete a compliance audit for the previous calendar year by the 31 March. The DLGSC provides the questions each year with the compliance audit being an in-house self audit that is undertaken by the appropriate responsible officer.

In accordance with Regulation 14 of the *Local Government (Audit) Regulations 1996* the ARC is to review the CAR and is to report to Council the results of that review. The CAR is to be:

1. presented to an Ordinary Meeting of Council
2. adopted by Council; and
3. recorded in the minutes of the meeting at which it is adopted.

Following the adoption by Council of the CAR, a certified copy of the return, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGSC by 31 March 2022.

The return requires the Shire President and the Chief Executive Officer to certify that the statutory obligations of the Shire of Broome have been complied with.

COMMENT

The DLGSC continues to focus on high risk areas of compliance and statutory reporting as prescribed in Regulation 13 of the *Local Government (Audit) Regulations 1996*.

The CAR for the period 1 January to 31 December 2021 comprises a total of 98 questions, down from 102 questions the previous year. Whilst the number of questions is similar, the DLGSC has combined questions of a similar nature. New questions have appeared for the first time to reflect the legislative changes that are occurring, and this trend is expected to continue.

The key focus areas covered in the CAR are as follows:

Focus Area	2020 Q's	2021 Q's	Comments
Commercial Enterprises by Local Governments	5	5	No change.
Delegation of Power/Duty	13	13	No change.
Disclosure of Interest	21	25	Several questions only applicable up until 2 Feb 2021 prior to mandatory code of conduct for council members, committee members and candidates being implemented. New questions relating to the provisions of the adopted code of conduct for council members, committee members and candidates and separate code of conduct for employees.
Disposal of Property	2	2	No change.
Elections	3	3	No change.
Finance	11	7	Questions relating to the appointment of the auditor removed as Office of the Auditor General has taken on this role. Question relating to Audit Reg 7 – Agreements with auditors removed. Amalgamation of questions relating to significant audit matters, s7.12A(4)(a) & (4)(b) into one question.
Integrated Planning and Reporting	7	3	No change.
Local Government Employees	5	6	No change.
Official Conduct	4	3	Amalgamation of questions relating to the complaints register into one question.
Optional Questions	10	9	Amalgamation of questions relating to gift disclosures into one question., Amalgamation of questions relating to the attendance of elected members and the CEO at events policy into one question. New question relating to adopting the budget.
Tenders for Providing Goods and Services	24	22	Amalgamation of questions relating to purchases for \$250,000 or less into one question.

			Amalgamation of questions relating to expression of interests F&G Reg 23(3) & (4) into one question.
Total	102	98	

During 2021, responsible officers monitored compliance in each of the focus areas through the Shire's cloud-based compliance system, RelianSys. This has continued to increase the awareness of compliance obligations and allowed the capture of compliance evidence in one central repository throughout the year. This compliance system reduces the risk of noncompliance and streamlines compilation of the annual return.

A compliance rating of 98% has been achieved for 2021 with 2 minor non compliances identified as follows:

Focus Area	Question	Comments
Disclosure of Interest	(25) – Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?	Code of Conduct for Employees was approved by the CEO on 17 September 2021 however not placed on the Shire website until 9 February 2022.
Local Government Employees	(2) - Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	<p>There were 2 senior employee vacancies filled during 2021. These were extensively advertised on the Shire's website, Facebook page, as well as Seek and LG Assist.</p> <p>Under Admin Regulation 18A, CEO or senior employee vacancies require Statewide public notice.</p> <p>One of the requirements for Statewide public notice is publication in a newspaper circulating generally in the State (The West Australian), that was not completed for these appointments.</p>

The CAR result continues the Shire's strong history of compliance with the requirements of the *Local Government Act (1995)*, with minimal non compliances reported over the last 5 years and none of a significant risk nature.

It is important to emphasise that the CAR is limited in scope.

Local Governments are also required to comply with upwards of 200 other pieces of legislation. The use of the RelianSys Compliance system during 2021 provided the ability to continually improve the monitoring and assurance of other significant pieces of legislation on a prioritised basis.

CONSULTATION

Department of Local Government, Sport and Cultural Industries

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

15. Compliance audit return, certified copy of etc. to be given to Departmental CEO

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit,

is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.

POLICY IMPLICATIONS

Nil.

FINANCIAL IMPLICATIONS

Nil.

RISK

There is a reputational risk with the DLGSC should the CAR not be completed on time or if significant non compliances are reported.

The likelihood of this occurring is rare.

STRATEGIC ASPIRATIONS

Performance – We will deliver excellent governance, service and value, for everyone.

Outcome Eleven – Effective leadership, advocacy and governance:

11.2 Deliver best practice governance and risk management.

VOTING REQUIREMENTS

Simple Majority

REPORT RECOMMENDATION:

That the Audit and Risk Committee recommends that Council:

- 1. Adopt the attached 2021 Compliance Audit Return as the official return for the Shire of Broome; and*
- 2. Requests the Chief Executive Officer to submit the certified return and a copy of the minutes relative to this report to the Department of Local Government, Sport and Cultural Industries prior to 31 March 2022.*

Attachments

1. Compliance Audit Return 2021

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

Broome - Compliance Audit Return 2021

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of the relevant minutes.

Commercial Enterprises by Local Governments						
No	Reference	Question	Response	Comments	Respondent	
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2021?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson	
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2021?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson	
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2021?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson	
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2021?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson	
5	s3.59(5)	During 2021, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A	No major land or trading undertakings considered during 2021. SAGO on behalf of MGSR.	Kristen Cookson	
Delegation of Power/Duty						
No	Reference	Question	Response	Comments	Respondent	
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes	New Behavioural Complaints Committee established. Provided with delegated authority by Absolute Majority. No other committees of Council have authority. SAGO on behalf of MGSR.	Kristen Cookson	
2	s5.16	Were all delegations to committees in writing?	Yes	Provided at OMC 29 July 2021. SAGO on behalf of MGSR.	Kristen Cookson	

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes	Behavioural Complaints Committee was given delegated authority under Clause 12 and 13 of the Code of Conduct to Deal with and / or dismiss a complaint. SAGO on behalf of MGRS.	Kristen Cookson
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes	Behavioural Complaints Committee delegated authority added to delegations register. SAGO on behalf of MGRS.	Kristen Cookson
5	s5.18	Has council reviewed delegations to its committees in the 2020/2021 financial year?	Yes	Delegations review for 2020/21 was approved by Council at March 2021 OMC. SAGO on behalf of MGRS.	Kristen Cookson
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes	Completed a detailed delegations review during 20/21 and adopted the WALGA Delegations Template Register at the March OMC. No delegations in breach of s5.43 of LGA or s214 of Planning and Development Act 2005 provided. SAGO on behalf of MGRS.	Kristen Cookson
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes	Annual Delegation Review was presented to Council at the 25 March 2021 OMC and resolved by Absolute Majority. SAGO on behalf of MGRS.	Kristen Cookson
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes	New delegation register in the format provided by WALGA adopted at the March 2021 OMC. SAGO on behalf of MGRS.	Kristen Cookson
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes	Sub delegations approved by CEO and adopted by Council at March OMC 2021. Delegation register now in Attain system for future maintenance and electronic delivery to each officer with delegation. SAGO on behalf of MGRS.	Kristen Cookson

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes	Item 9.4.3 - Annual Review of Delegations of Authority Register 25 March 2021 adopted by Absolute Majority. SAGO on behalf of MGSR.	Kristen Cookson
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes	Delegation register converted to WALGA format and has now been entered into the Attain system for ongoing maintenance. SAGO on behalf of MGSR.	Kristen Cookson
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2020/2021 financial year?	Yes	Council reviewed and approved delegation register at the March 2021 OMC. SAGO on behalf of MGSR.	Kristen Cookson
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes	As far as can be ascertained. All delegations require delegate and sub-delegates to maintain appropriate records in the Shire's Records Management System. SAGO on behalf of MGSR.	Kristen Cookson

Disclosure of Interest

No	Reference	Question	Response	Comments	Respondent
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes	Participation approval was obtained for Councillor Taylor on several occasions and Cr Matsumoto on one occasion. All other times members left the chamber. Recorded in the minutes accordingly. SAGO on behalf of MGSR.	Kristen Cookson
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	Yes	Participation approval obtained for Cr Peter Taylor and Cr Philip Matsumoto Item 9.2.3 27/5/2021 OMC, Cr Peter Taylor Item 9.3.2 and reduced quorum for item 9.1.1. Cr Peter Taylor Item 9.2.1 29/4/2021 OMC. Recorded in the minutes accordingly.	Kristen Cookson
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes	All interest disclosures recorded in minutes and Synergy.	Kristen Cookson

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5.2 2ND QUARTER FINANCE AND COSTING REVIEW 2021-22

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	FRE02
AUTHOR:	Director Corporate Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

The Audit and Risk Committee is requested to consider results of the 2nd Quarter Finance and Costing Review (FACR) of the Shire's budget for the period ended 31 December 2021, including forecast estimates and budget recommendations to 30 June 2022.

BACKGROUNDPrevious Considerations

OMC 24 June 2021	Item 9.3.1
OMC 18 November 2021	Item 9.4.7

Quarter 1 Finance and Costing Review

The Shire of Broome has carried out its 2nd Quarter Finance and Costing Review (FACR) for the 2021-22 financial year. This review of the 2021-22 Annual Budget is based on actuals and commitments for the first 6 months of the year from 1 July 2021 to 31 December 2021, and forecasts for the remainder of the financial year.

This process aims to highlight over and under expenditure of funds and over and under achievement of income targets for the benefit of Executive and Responsible Officers to ensure good fiscal management of their projects and programs.

Once this process is completed, a report is compiled identifying budgets requiring amendments to be adopted by Council. Additionally, a summary provides the financial impact of all proposed budget amendments to the Shire of Broome's adopted end-of-year forecast, to assist Council to make an informed decision.

It should be noted that the 2021-22 annual budget was adopted at the Ordinary Meeting of Council on 24 June 2021 as a balanced budget.

COMMENT

The Quarter 2 FACR commenced on 2 February 2022. At the start of the Q2 FACR, a net deficit of \$815,946 was forecast arising from past budget amendments adopted by Council, including Q1 FACR. The Q2 FACR identifies net savings of \$764,275 resulting in a cumulative net deficit forecast of \$53,691.

The overall Q2 FACR result indicates a deficit forecast financial position of **\$53,691** should Council approve the proposed budget amendments.

There were a total of 71 budget amendments proposed at the Q2 FACR which made up the \$764,275 net surplus for the quarter. There is no single transaction to which this net surplus is attributed. While officers make every effort to ensure the net impact of each FACR is minimal, the net deficit forecast mainly relates to the following proposed amendments:

- \$708,000 Building Better Regions Funding received for the Cable Beach project
- \$390,000 recognition of the increased Self-Supporting Loan for the Broome Surf Life Saving Club
- \$350,000 recognition of the increased Lotterywest contribution towards the Broome Surf Life Saving Club
- \$84,000 amendment for increased 2020-21 Audit Fees

The significant amendments from Q1 FACR included:

- a \$185,000 increase in revenue from anticipated Rates interest and admin fees
- a \$227,000 reduction in budgeted Western Australian Local Government Grant Commission Road Grants (Local Roads component of FAGS)
- a \$172,000 increase in commercial lease rental income
- a \$238,000 amendment required to address budget upload errors identified through the process.

The above figure represents a budget forecast should all expenditure and income occur as expected. It does not represent the actual end-of-year position which can only be determined as part of the normal annual financial processes at the end of the financial year.

A comprehensive list of accounts (refer to Attachment 1) has been included for perusal by the committee, summarised by Directorate.

A summary of the results is as follows:

SHIRE OF BROOME SUMMARY REPORT						
BUDGET IMPACT						
	2021/22 Adopted Budget (Inc) / Exp	YTD Adopted Budget Amendments (Inc) / Exp	FACR Q2 Overall (Inc) / Exp (excl Org Savings)	FACR Q2 Org. Exp/(Sav) (by Dept)	FACR Q2 Impact (Inc) / Exp (excl Org Savings)	YTD Impact (excl Org Savings)
Executive	0	40,000	106,892	10,000	96,892	136,892
Corporate	0	15,000	(48,520)	(19,520)	(29,000)	(14,000)
Development	0	0	(10,000)	20,000	(30,000)	(30,000)
Infrastructure	0	(48,444)	(812,647)	(12,500)	(800,147)	(848,591)
Impact of Council approved budget amendments	0	809,390	0	0	0	809,390
	0,000*	815,946	(764,275)	(2,020)	(762,255)	53,691

CONSULTATION

All amendments have been proposed after consultation with Executive and responsible officers at the Shire.

STATUTORY ENVIRONMENT

Local Government (Financial Management) Regulation 1996

r33A. Review of Budget

- (1) *Between 1 January and 31 March 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.*
- (2) *Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.*
- (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 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.*

Local Government Act 1995

6.8. Expenditure from municipal fund not included in annual budget

- 1) *A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —*
 - (a) *is incurred in a financial year before the adoption of the annual budget by the local government;*
 - (b) *is authorised in advance by resolution*; or*
 - (c) *is authorised in advance by the mayor or president in an emergency.*
- (1a) *In subsection (1) —*

“additional purpose” means a purpose for which no expenditure estimate is included in the local government's annual budget.

POLICY IMPLICATIONS

Nil.

It should be noted that according to the materiality threshold set at the budget adoption, should a deficit achieve 1% of Shire's operating revenue (\$395,334) the Shire must formulate an action plan to remedy the over expenditure.

FINANCIAL IMPLICATIONS

The **net result** of the Quarter 2 FACR estimates is a budget deficit position of **\$53,691** to 30 June 2022.

RISK

The Finance and Costing Review (FACR) seeks to provide a best estimate of the end-of-year position for the Shire of Broome at 30 June 2022. Contained within the report are recommendations of amendments to budgets which have financial implications on the estimate of the end-of-year position.

The review does not, however, seek to make amendments below the materiality threshold unless strictly necessary. The materiality thresholds are set at \$10,000 for operating budgets and \$20,000 for capital budgets. Should a number of accounts exceed their budget within these thresholds, it poses a risk that the predicted final end-of-year position may be understated.

In order to mitigate this risk, the CEO enacted the FACRs to run quarterly and Executive examine each job and account to ensure compliance. In addition, the monthly report provides variance reporting highlighting any discrepancies against budget.

It should also be noted that should Council decide not to adopt the recommendations, it could lead to some initiatives being delayed or cancelled in order to offset the additional expenditure associated with running the Shire's operations.

STRATEGIC ASPIRATIONS

Performance – We will deliver excellent governance, service and value, for everyone.

Outcome Eleven – Effective leadership, advocacy and governance:

11.2 Deliver best practice governance and risk management.

Outcome Thirteen - Value for money from rates and long term financial sustainability:

13.1 Plan effectively for short and long term financial sustainability.

VOTING REQUIREMENTS

Absolute Majority

REPORT RECOMMENDATION:

That the Audit and Risk Committee recommends that Council:

- 1. Receives the Quarter 2 Finance and Costing Review Report for the period ended 31 December 2021;*
- 2. Adopts the operating and capital budget amendment recommendations for the year ended 30 June 2022 as attached;*
- 3. Notes a forecast net end-of-year deficit position to 30 June 2022 of **\$53,691**.*

Attachments

1. 2021-22 Q2 FACR Review

5.3 REPORT ON SIGNIFICANT AUDIT MATTERS 2020-2021

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	FIN006
AUTHOR:	Director Corporate Services
CONTRIBUTOR/S:	Nil
RESPONSIBLE OFFICER:	Chief Executive Officer
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

Section 7.12A(4)(a) of the *Local Government Act 1995* (the Act) requires that a local government must 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. The report is required to be provided to the Minister within 3 months after the audit report is received by the local government.

The purpose of this item is to seek the Audit and Risk Committee's endorsement of the attached report addressing the Significant Matters raised in the Office of the Auditor General's (OAG) 2020-21 Audit Report.

BACKGROUNDPrevious Considerations

OMC 16 December 2021

Item 13.1

Under section 7.9 of the *Local Government Act 1995* (the Act), an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is required to prepare a report thereon by 31 December following the financial year to which the accounts and report relate and forward a copy of that report to:

- (a) The Mayor or President;
- (b) The Chief Executive Officer (CEO); and
- (c) The Minister.

Furthermore, under Regulation 10(4) of the *Local Government (Audit) Regulations 1996* (Audit Regulations), where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in section 7.9 of the Act.

The Audit Report's were presented to the Audit and Risk Committee (the Committee) on 13 December 2021. The Auditor's Management Report provided an overview of the approach undertaken in respect of the annual Audit process and the associated outcomes of the audit. The Management Report identified 10 Significant Matters that, whilst generally not material in relation to the overall audit of the financial report, are considered relevant to the day-to-day operations of the Shire. Of the 10 Significant Matters, 3 were identified as new issues during the 2020-21 Audit, and 7 minor or moderate matters previously identified in the 2019-20 audit were escalated to significant.

The Committee recommended that Council receive the Auditor's reports along with the Chief Executive Officer's (CEO) report relating to the Audit. The Audit Report's were subsequently received and adopted by Council at its Ordinary Meeting held 16 December 2021.

Under section 7.12A of the Act, Council must prepare a report addressing any matters identified as significant by the auditor in the Audit Report, and state what action Council has taken or intends to take with respect to each of those matters. The report is to be provided to the Audit and Risk Committee and Council for endorsement, with a copy provided to the Minister within 3 months of the audit report being received by Council.

A report is required to be tabled with the Minister for Local Government by 16 March 2021.

COMMENT

Following the December OMC officer's have drafted a report addressing the Significant Matters identified during the OAG 2020-21 Audit (Attachment 1). The report outlines the actions undertaken, or planned to be undertaken, in response to the issues identified and includes comment on the timing of any proposed actions.

It is noted that due to the Audit Report being received by Council in December 2021 that there have been limited improvements enacted due to the impact of the Christmas leave period.

CONSULTATION

Office of the Auditor General

STATUTORY ENVIRONMENT

Local Government Act 1995

s5.53	<i>Annual reports</i>
s5.54	<i>Acceptance of Annual Reports</i>
s6.4	<i>Financial Report</i>
s7.9	<i>Audit to be conducted</i>
s7.12A	<i>Duties of a local government with respect to audits</i>

POLICY IMPLICATIONS

Nil.

FINANCIAL IMPLICATIONS

Nil, noting there may be minor operational cost implications relating the implementation of procedures and controls required to address the matters raised.

RISK

The audited Annual Financial Report is a key control measure used to report to Council and its stakeholders that Council's financial position, result of operations, cash flows, changes in equity and rate setting statement are free from any material misstatement caused by fraud

or error. The audit findings have identified areas requiring improvement and this item presents a report detailing the actions proposed to address these issues. Should the Committee or Council not support the item recommendation, there is a risk that the 3 month deadline for submission of the report to the Minister will not be met, resulting in a compliance risk.

STRATEGIC ASPIRATIONS

Performance – We will deliver excellent governance, service and value, for everyone.

Outcome Eleven – Effective leadership, advocacy and governance:

11.2 Deliver best practice governance and risk management.

Outcome Fourteen – Excellence in organisational performance and service delivery:

14.3 Monitor and continuously improve performance levels.

VOTING REQUIREMENTS

Simple Majority

REPORT RECOMMENDATION:

That the Audit and Risk Committee recommends that Council:

- 1. Receive and endorse the report addressing the Significant Matters identified by the Office of the Auditor General during the 2020-21 Audit as attached; and*
- 2. Authorises the report to be forwarded to the Minister for Local Government and be published on the Shire website.*

Attachments

1. REPORT ON SIGNIFICANT AUDIT MATTERS 2020-2021

6. MEETING CLOSURE

These minutes were confirmed at a meeting held (DD Month Year),
and signed below by the Presiding Person, at the meeting these minutes were confirmed.

Signed: