



UNCONFIRMED MINUTES

OF THE

AUDIT AND RISK COMMITTEE MEETING

28 AUGUST 2024

These minutes were confirmed at a meeting held and signed below by the Presiding Person, at the meeting these minutes were confirmed.

Signed:

SHIRE OF BROOME
AUDIT AND RISK COMMITTEE MEETING
WEDNESDAY 28 AUGUST 2024
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**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING OF THE SHIRE OF BROOME,
HELD IN THE COUNCIL CHAMBERS, CORNER WELD AND HAAS STREETS, BROOME,
ON WEDNESDAY 28 AUGUST 2024, COMMENCING AT 9.30AM.**

1. OFFICIAL OPENING

The Chairman welcomed Councillors and Officers and declared the meeting open at 9.39 am.

2. ATTENDANCE AND APOLOGIES

ATTENDANCE

Members:	Cr. D Male C Mitchell Cr M Virgo	Chair, Deputy Shire President Shire President Councillor
Apologies:	Nil.	
Leave of Absence:	Nil.	
Officers:	Mr S Mastrolembo Mr. J Hall Ms. K MacClure Ms. K Wood Ms. R Doyle Ms. E French Ms. M Martin	Chief Executive Officer Director Corporate Services Director Infrastructure Acting Director Corporate Services Manager Information Services Manager Financial Services Senior Administration Governance Officer
Office of Auditor General (9.39am – 9.58am)	Ms. Aloha Morrissey Mr. Paul Tilbrook	Assistant Auditor General Associate Director

3. DECLARATIONS OF FINANCIAL INTEREST / IMPARTIALITY

Nil.

4. CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION:

Minute No. AR/0824/001

Moved: Shire President C Mitchell

Seconded: Cr M Virgo

That the Minutes of the Audit and Risk Committee held on 22 April 2024, as published and circulated, be confirmed as a true and accurate record of that meeting.

For: Shire President C Mitchell, Cr. D Male, Cr. M Virgo.

CARRIED UNANIMOUSLY 3/0

5. REPORTS OF OFFICERS

5.1 PERFORMANCE AUDIT - PHYSICAL SECURITY OF SERVER ROOM ASSETS 2024

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	COA01
AUTHOR:	Project Officer
CONTRIBUTOR/S:	Manager Information Services
RESPONSIBLE OFFICER:	Acting Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

The Audit and Risk Committee is presented to examine the:

- a) 2024 Performance Audit – Local Government Physical Security of Server Room Assets Emerging Findings Letter; and
- b) Office of Auditor General Local Government Physical Security of Server Assets Performance Audit Report.

BACKGROUND

Previous Considerations

Nil.

The Office of the Auditor General (OAG) conduct performance audits to assess the efficiency and effectiveness of public sector activities, services and programs. These audits highlight issues surrounding regulatory, financial and administrative processes and can also highlight best practice approaches for all entities to consider implementing.

Topics for audit are selected by the Auditor General, and may include request for audit from Parliament, the government or broader community.

Results of the audit are tabled in Parliament and published on the OAG website.

COMMENT

A Performance Audit of 16 non-metropolitan local government entities was undertaken by the OAG to assess whether each local government effectively managed their server assets to protect them from physical and environmental hazards.

OAG officers attended the Shire of Broome on 23 April 2024 to inspect the Shire's physical server room assets. Each local government received an Emerging Findings Letter which contained specific findings to the local government and a draft of the Summary of Findings Report summarising all of the 16 local government findings.

A copy of the Emerging Findings Letter and draft Summary of Findings Report delivered to the Shire of Broome is presented in Confidential Attachment 1 for the Audit and Risk Committee to examine. Details contained within the Emerging Findings Letter are considered confidential as releasing them publicly would increase the likelihood that identified risks could be the target of fraudulent or illegal activities.

The Summary of Findings Report was tabled in State Parliament under sections 24 and 25 of the *Auditor General Act 2006* and a copy of the final OAG Performance Audit Report - Local Government Physical Security of Server Assets is presented in Attachment 2 of this report.

CONSULTATION

Office of the Auditor General

STATUTORY ENVIRONMENT

Local Government Act 1995

7.12A (3) Duties of local government with respect to audits

- (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

POLICY IMPLICATIONS

Nil.

FINANCIAL IMPLICATIONS

No Audit fees were payable to the OAG for the audit. Unlike financial audits, performance audits are funded by the OAG via parliamentary appropriation.

Remediation of issues raised within the report may require budget allocations to resolve. Where this requires funding outside of the existing 2024/2025 adopted annual budget, Responsible officers would request budget allocations either through the Shire's Finance and Costing Review process, or as part of the 2025/2026 annual budget process.

RISK

The audit findings provide management with recommendations particularly to strengthen internal controls and reduce the likelihood of certain risks. Delays in progressing and completing the audit findings can be unfavourable to the organisation, but are also weighed against other demands on Shire resources, and the costs to the community.

STRATEGIC ASPIRATIONS

Performance **We will deliver excellent governance, service & value for everyone.**

Outcome 14 **Excellence in organisational performance and service delivery**

Objective 14.1 Embrace best practice approaches and new innovations to improve business efficiencies and the customer experience.

Objective 14.2 Deliver fit for purpose facilities and equipment.

Objective 14.3 Monitor and continuously improve performance levels.

VOTING REQUIREMENTS*Simple Majority***COMMITTEE RESOLUTION:****(REPORT RECOMMENDATION)****Minute No. AR/0824/002****Moved: Cr D Male****Seconded: Cr M Virgo****That the Audit and Risk Committee recommends that Council:**

- 1. Receive the 2024 Performance Audit – Local Government Physical Security Server Room Assets Emerging Findings Letter as per Confidential Attachment 1;**
- 2. Receive the Office of Auditor General - Local Government Physical Security of Assets Performance Audit Report; and**
- 3. Requests the Chief Executive Officer to progress the finalisation of outstanding Emerging Findings as soon as practicable.**

For: Shire President C Mitchell, Cr. D Male, Cr. M Virgo.**CARRIED UNANIMOUSLY 3/0****Attachments**

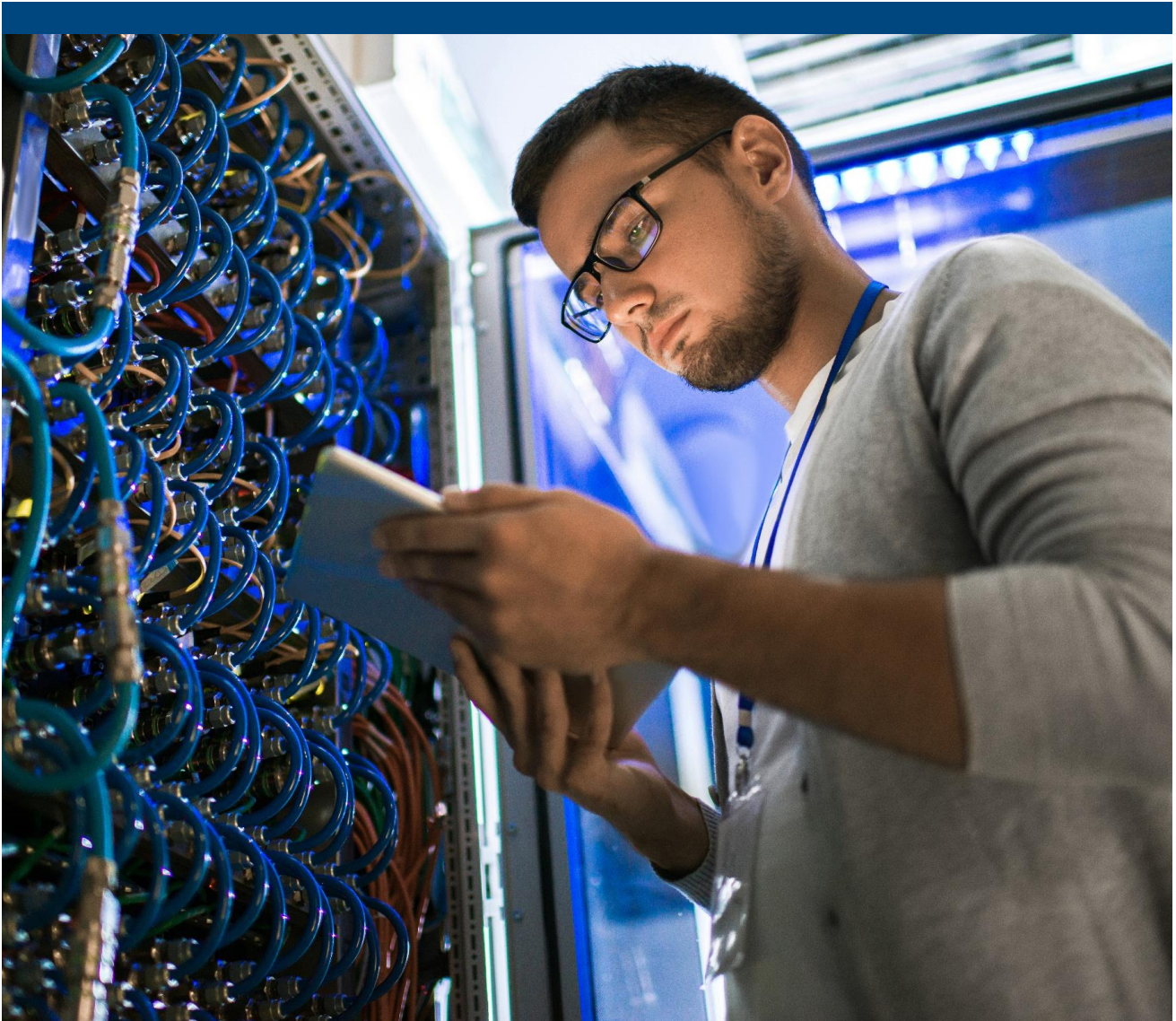
1. 2024 Performance Audit Local Government Physical Server Room Assets (Emerging Findings Letter and Summary of Findings Report) (*Confidential to Councillors and Directors Only*)
This attachment is confidential in accordance with section 5.23(2) of the Local Government Act 1995 section 5.23(2)(f)(ii) as it contains “a matter that if disclosed, could be reasonably expected to endanger the security of the local governments property”.
2. OAG Performance Audit Report - Local Government Physical Security of Server Assets



Report 20: 2023-24 | 24 June 2024

PERFORMANCE AUDIT

Local Government Physical Security of Server Assets



**Office of the Auditor General
Western Australia**

Audit team:

Aloha Morrissey
Adam Dias
Paul Tilbrook
Talia Channer
Lyndsay Fairclough
Information Systems Audit team

National Relay Service TTY: 133 677
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with visual impairment.

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The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.

Image credit: shutterstock.com/SeventyFour

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

**Local Government Physical Security
of Server Assets**

Report 20: 2023-24
24 June 2024

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**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

LOCAL GOVERNMENT PHYSICAL SECURITY OF SERVER ASSETS

This report has been prepared for submission to Parliament under the provisions of sections 24 and 25 of the *Auditor General Act 2006*.

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed whether 16 non-metropolitan local government entities of varying sizes effectively manage access to server assets and protect them from environmental hazards.

I wish to acknowledge the entities' staff for their cooperation with this audit.

A handwritten signature in black ink, appearing to read 'Caroline Spencer'.

Caroline Spencer
Auditor General
24 June 2024

5.2 INTERIM AUDIT 2023/2024

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	COA01
AUTHOR:	Project Officer
CONTRIBUTOR/S:	Manager Financial Services
RESPONSIBLE OFFICER:	Acting Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

The Audit and Risk Committee is presented the Interim Audit Management Report for year ended 30 June 2024.

BACKGROUNDPrevious Considerations

Nil.

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 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 Auditors may in accordance with their audit plan prepare an interim audit to consider relevant components of the annual financial report.

In accordance with section 7.12A (3) of the Act, the Audit and Risk Committee (the Committee) is required to examine the reports of the Auditor after receiving a report from the CEO on the matters reported and:

- Determine if any matters raised require action to be taken by the local government; and
- Ensure that appropriate action is taken in respect of those matters.

COMMENT

The Shire's Interim Audit was conducted by RSM Australia (RSM) on behalf of the Office of the Auditor General (OAG) on 15 - 19 April 2024 and duplicate copies of the Interim

Management Letter and Interim Audit Management Report were forwarded to the Chief Executive Officer and Shire President on the 23 July 2024.

A copy of the transmittal letter to the Chief Executive Officer is presented and included as Attachment 1 to this report.

The interim audit focus for the OAG was to primarily evaluate the Shire's financial control environment, and to obtain an understanding of the key business processes, risks and control relevant to the audit of the annual financial report.

The Interim Management Report for the year ending 30 June 2024 is presented and included as Confidential Attachment 2 to this report. The Interim Report details risks relating to operational controls within the Shire and includes comments from management on each issue, inclusive of details on how these matters will be mitigated. Details contained within the report are considered confidential as releasing them publicly would increase the likelihood that identified risks could be the target of fraudulent or illegal activities.

The final audit for the 2023/2024 financial year is due to commence in October, and the Auditors will issue a final year Management Report in due course. This report will reflect the status of the existing findings list as well as any newly identified findings.

CONSULTATION

Office of the Auditor General
RSM Australia

STATUTORY ENVIRONMENT

Local Government Act 1995

7.9 Audit to be conducted

In accordance with 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 by 31 December following the relevant financial year and send a copy of that report to:

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

Additionally, under Regulation 10(4) of the *Local Government (Audit) Regulations 1996 (Audit Regulations)*, the Auditor may, when deemed appropriate, prepare a Management Report to accompany the Auditor's Report. This Management Report is also to be forwarded to the individuals specified in section 7.9 of *the Act*.

7.12A (3) Duties of local government with respect to audits

- (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

Local Government (Audit) Regulations 1996**10 (4) Report by Auditor**

- (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.*

Local Government (Financial Management) Regulations 1996**POLICY IMPLICATIONS**

Nil.

FINANCIAL IMPLICATIONS

Remediation of any of the issues raised within the Audit Management Report may require budget allocations to resolve. Where this requires funding outside of the existing 2024/2025 adopted annual budget, Responsible Officers would request budget allocations either through the Shire's Finance and Costing Review process, or as part of the 2025/2026 annual budget process.

Interim audit fees form part of the annual (lump sum) audit fee issued by the OAG. The Shire CEO received notice from the OAG via Letter dated 9 July 2024 (presented in Attachment 3 of this report) of an estimated increase in Audit fees for the 2023-2024 financial year to \$150,200 (exclusive of GST) this is an increase of \$8,160 from the prior year fees of \$142,040.

A summary of the indicative median fee increases from the OAG across all local governments is also presented to the Audit and Risk Committee for its reference in Attachment 4 of this report, the Shire of Broome being a Band 2 local government has been allocated at the top end of that band. Responsible Officers will request budget allocations through the Shire's Finance and Costing Review process.

RISK

The audit findings provide management with recommendations particularly to strengthen internal controls and reduce the likelihood of certain risks. Delays in progressing and completing the audit findings can be unfavourable to the organisation, but are also weighed against other demands on Shire resources, and the costs to the community.

STRATEGIC ASPIRATIONS

Performance **We will deliver excellent governance, service & value for everyone.**

Outcome 13 **Value for money from rates and long term financial sustainability**

Objective 13.1 Plan effectively for short- and long-term financial sustainability

Outcome 14 **Excellence in organisational performance and service delivery**

Objective 14.3 Monitor and continuously improve performance levels.

VOTING REQUIREMENTS*Simple Majority***COMMITTEE RESOLUTION:****(REPORT RECOMMENDATION)****Minute No. AR/0824/003****Moved: Shire President C Mitchell****Seconded: Cr M Virgo****That the Audit and Risk Committee recommends that Council:**

- 1. Receive the Interim Audit Management Report for year ended 30 June 2024 as per Confidential Attachment 2; and**
- 2. Requests the Chief Executive Officer to progress the finalisation of all outstanding findings as soon as practicable.**

For: Shire President C Mitchell, Cr. D Male, Cr. M Virgo.**CARRIED UNANIMOUSLY 3/0****Attachments**

1. Letter from OAG to Chief Executive Officer regarding 2023-2024 Interim Audit
2. Letter from OAG to CEO Attachment - Interim Audit 2023-2024 Management Report (*Confidential to Councillors and Directors Only*)
This attachment is confidential in accordance with section 5.23(2) of the Local Government Act 1995 section 5.23(2)(f)(ii) as it contains “a matter that if disclosed, could be reasonably expected to endanger the security of the local governments property”.
3. Letter to Chief Executive Officer regarding OAG Audit Fee Changes 9 July 2024
4. Summary of OAG Amended Fee Increases Opinion Delivery Year 2024/2025

5.3 PROGRESS UPDATE - AUDIT REPORTS

LOCATION/ADDRESS:	Nil
APPLICANT:	Nil
FILE:	COA01
AUTHOR:	Project Officer
CONTRIBUTOR/S:	Manager Financial Services
RESPONSIBLE OFFICER:	Acting Director Corporate Services
DISCLOSURE OF INTEREST:	Nil

SUMMARY:

The Audit and Risk Committee are presented a progress update of the findings identified in the:

- a) 2022/2023 Final Audit Management Report;
- b) Interim Audit Management Report for year ended 30 June 2024; and
- c) Performance Audit 2024 – Local Government Physical Security Server Room Assets (Emerging Findings).

BACKGROUND**2022/2023 Final Audit Management Report**

SMC 21 December 2023	Item 5.4.1
ARC 22 April 2024	Item 6.2

The Shire's Final Audit Management Report for the 2022/2023 financial year was received by Council at the SMC 21 December 2023, in Confidential Attachment 3 of the Audit and Risk Committee Minutes of 19 December 2023.

An update of the progress of audit findings contained in the Shire's 2023 Final Audit Management Report was received by the Audit and Risk Committee at ARC 22 April 2024 and the following was resolved:

COMMITTEE RESOLUTION:

(REPORT RECOMMENDATION) **Minute No. AR/0424/003**

Moved: Shire President C Mitchell Seconded: Cr M Virgo That the Audit and Risk Committee recommends that Council:

- 1. Receive the progress update of findings as per Confidential Attachment 1; and**
- 2. Requests the Chief Executive Officer to progress the finalisation of all outstanding findings as soon as practicable.**

CARRIED UNANIMOUSLY 3/0

2023/2024 Interim Audit Management Report

The Shire's Interim Audit was conducted by RSM Australia (RSM) on behalf of the Office of the Auditor General (OAG) on 15-19 April 2024. A copy of the Interim Audit Management Report has been tabled in a separate item of this Audit Risk Committee meeting.

2024 Performance Audit – Local Government Physical Security of Server Room Assets (Emerging Findings)

A Performance Audit of 16 non-metropolitan local government entities was undertaken by the OAG to assess whether each local government effectively managed their physical server assets to protect them from physical and environmental hazards. Each local government received an Emerging Findings Letter which contained specific findings to the local government and a Summary of Findings Report which was tabled in State Parliament under sections 24 and 25 of the *Auditor General Act 2006*.

A copy of the Emerging Findings Letter and Summary of Findings Report has been tabled in a separate item of this Audit Risk Committee meeting.

COMMENT

A progress update of audit findings identified in:

- a) 2022/2023 Final Audit Management Report;
- b) 2023/2024 Interim Audit Management Report; and
- c) 2024 Performance Audit – Local Government Physical Security Server Room Assets (Emerging Findings),

is presented in **Confidential Attachment 1** for the Audit and Risk Committee to receive. Details contained within the report are considered confidential as releasing them publicly would increase the likelihood that identified risks could be the target of fraudulent or illegal activities.

Officers are actively addressing the issues highlighted in external audits. Each finding is categorised as completed, in progress, or overdue. Each audit finding is assigned a risk rating, facilitating the administration in prioritising and scheduling tasks for completion.

Efforts to manage overdue actions have been undertaken. Accountable Officers have provided updates regarding the tasks and progress to bring the actions to completion. In cases where feasible and reasonably foreseeable, new target completion dates are to be presented to OAG for mutual agreement.

A summary of the status of agreed management actions is found in the tables below:

OAG Audit Findings

Audit Type	Completed	In Progress – Not Due	Overdue	Total Findings
Final Audit 23/24	7	1	6	14
Interim Audit 23/24	2	4		6
2024 Performance Audit – Server Rooms	1	1		2
	10	6	6	22

CONSULTATION

Office of the Auditor General
RSM Australia

STATUTORY ENVIRONMENT

Local Government Act 1995

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- (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

POLICY IMPLICATIONS

Nil.

FINANCIAL IMPLICATIONS

No specific financial implications are associated with this item. Remediation of any of the issues raised within the Audit Management Reports or Emerging Finding Letter may require budget allocations to resolve. Where this requires funding outside of the existing 2024/2025 adopted annual budget, Responsible Officers would request budget allocations either through the Shire's Finance and Costing Review process, or as part of the 2025/2026 annual budget process.

RISK

The audit findings provide management with recommendations particularly to strengthen internal controls and reduce the likelihood of certain risks. Delays in progressing and completing the audit findings can be unfavourable to the organisation, but are also weighed against other demands on Shire resources, and the costs to the community.

STRATEGIC ASPIRATIONS

Performance **We will deliver excellent governance, service & value for everyone.**

Outcome 13 **Value for money from rates and long term financial sustainability**

Objective 13.1 Plan effectively for short- and long-term financial sustainability

Outcome 14 **Excellence in organisational performance and service delivery**

Objective 14.3 Monitor and continuously improve performance levels.

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RESOLUTION:**(REPORT RECOMMENDATION)****Minute No. AR/0824/004****Moved: Cr D Male****Seconded: Shire President C Mitchell****That the Audit and Risk Committee recommends that Council:**

- 1. Receive the progress update of findings as per Confidential Attachment 1; and**
- 2. Requests the Chief Executive Officer to progress the finalisation of all outstanding findings as soon as practicable.**

For: Shire President C Mitchell, Cr. D Male, Cr. M Virgo.**CARRIED UNANIMOUSLY 3/0****Attachments**

1. Audit Progress Review Update (*Confidential to Councillors and Directors Only*)
This attachment is confidential in accordance with section 5.23(2) of the Local Government Act 1995 section 5.23(2)((f)(ii)) as it contains “a matter that if disclosed, could be reasonably expected to endanger the security of the local governments property”.

6. MATTERS BEHIND CLOSED DOORS

Nil.

7. MEETING CLOSURE

There being no further business the Chairman declared the meeting closed at 10:10am.