



MINUTES

SPECIAL AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

Monday 23 December 2024

9:00am

Council Chambers

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TERMS OF REFERENCE

Regulation 16 of the *Local Government (Audit) Regulations 1996* states that:

An audit committee —

- a) is to provide guidance and assistance to the local government —
 - i. as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
 - ii. as to the development of a process to be used to select and appoint a person to be an auditor; and
- b) may provide guidance and assistance to the local government as to —
 - i. matters to be audited; and
 - ii. the scope of audits; and
 - iii. its functions under Part 6 of the Act; and
 - iv. the carrying out of its functions relating to other audits and other matters related to financial management; and
- c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - i. report to the council the results of that review; and
 - ii. give a copy of the CEO's report to the council.

1.0 INTRODUCTION

The Council of the Shire of Corrigin (hereinafter called the Council) hereby establishes a committee under the powers given in *Section 5.8* and *Section 7.1 A* of the *Local Government Act 1995*, *Local Government Amendment Act 2004* and *Audit Regulations*, such committee to be known as the Audit and Risk Management Committee, (hereinafter called the Committee). The Council appoints to the Committee those persons whose names appear in Section 5.0 below.

Membership of the Committee shall, unless otherwise specified, be for a term ceasing at the date of the Local Government election in the year the Shire's local government elections are held, after which time the Council may appoint members for a further term. The Committee shall act for and on behalf of Council in accordance with provisions of the *Local Government Act 1995*, and associated regulations, local laws and policies of the Shire of Corrigin and this Instrument.

2.0 NAME

The name of the Committee shall be the Audit and Risk Management Committee.

3.0 ROLE

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its objectives in order to facilitate decision-making by Council in relation to the discharge of its responsibilities.

4.0 OBJECTIVES OF THE COMMITTEE

- 4.1 To provide guidance and assistance to the Council in:
- a) carrying out its audit functions under Part 7 of the *Local Government Act*.
 - b) the development of a process to be used to select and appoint an auditor.
 - c) determining the scope and content of the external and internal audit and advising on the general financial management of the Shire.
 - d) overseeing the audit process and meeting with the external auditor after each visit to discuss management issues and monitoring administration's actions on, and responses to, any significant matters raised by the auditor.
 - e) evaluating and making recommendations to Council on internal and external audit reports prior to them being presented to Council.

- f) receiving and verifying the annual Local Government Statutory Compliance Return.
- g) review reports provided by the CEO on the Shire's systems and procedures in relation to:
 - i. risk management;
 - ii. internal control; and
 - iii. legislative compliance;

at least once every two years and report to Council the results of that review. Ref: *Functions of Audit Committees (Audit Regulations)*.

- 4.2 To advise Council on significant high level strategic risk management issues related to the Shire of Corrigin including issues involving:
- a) the community;
 - b) the workforce;
 - c) vehicles and plant;
 - d) buildings and similar property;
 - e) revenue streams;
 - f) legal liability;
 - g) electronically stored information;
 - h) environmental impact;
 - i) fraud; and
 - j) reputation.

5.0 MEMBERSHIP

The Committee shall consist of all Councillors. Additionally up to two independent consultants with expertise in financial or legal matters will be called upon as required to provide additional independent external advice to the Committee. The external independent persons will have senior business, legal or financial management/reporting knowledge and experience, and be conversant with the financial and other reporting requirements.

Appointments of external consultants shall be made by the CEO following a decision of Council and the allocation of sufficient funds to provide consultation fees using relevant professional fee schedules. No member of staff including the CEO is to be a member of the Committee, but the CEO may participate as Council's principal advisor, unless expressly excluded by resolution of the Committee.

6.0 PRESIDING MEMBER

The President will take the role of Presiding Member and Deputy President the role of Deputy Presiding Member to conduct its business.

The Presiding Member shall ensure that minutes of the proceedings are kept and that business is conducted in accordance with the Shire of Corrigin Standing Orders (Local Law).

The *Local Government Act 1995* places responsibility for speaking on behalf of Council with the President, or the CEO if the President agrees. The Presiding Member if different from the President is to refrain from speaking publicly on behalf of the committee or Council, or to issue any form of written material purporting to speak on behalf of the committee or Council without the prior approval of the President.

7.0 CONDUCT OF MEETINGS

The Committee shall meet at least three times per year. A schedule of meetings will be developed and agreed to by the members. As an indicative guide, meetings would be arranged to coincide with relevant Council reporting deadlines, for example in February to discuss the Statutory Compliance Return, in July to discuss the year's financial performance and to discuss the annual audit program and in November to discuss the Annual Financial

Report. Additional meetings shall be convened at the discretion of the Presiding Member.

Any three members of the Committee collectively or the internal or external auditor themselves may request the Presiding Member to convene a meeting. Urgent matters which may arise should be referred directly to Council through the monthly meetings or to a Special Council meeting.

- 7.1 Notice of meetings shall be given to members at least three days prior to each meeting.
- 7.2 The Presiding Member shall ensure that detailed minutes of all meetings are kept and shall, not later than five days after each meeting, provide Council with a copy of such minutes. Council shall provide secretarial and administrative support to the Committee.
- 7.3 All members of the Committee shall have one vote. If the vote of the members present is equally divided, the person presiding must cast a second vote.
- 7.4 The Chief Executive Officer should attend all meetings, except when the Committee chooses to meet in camera with the exclusion of the CEO.
- 7.5 Representatives of the external auditor should be invited to attend at the discretion of the Committee but must attend meetings either in person or by telephone link up considering the draft annual financial report and results of the external audit.
- 7.6 The internal auditor or representative shall be invited to attend meetings, at the discretion of the Committee, to consider internal audit matters.

8.0 QUORUM

A quorum for a meeting shall be at least 50 percent of the number of members, whether vacant or not. A decision of the Committee does not have effect unless a simple majority has made it.

9.0 DELEGATED POWERS

The Committee has no delegated powers under the *Local Government Act 1995* and is to advise and make recommendations to Council only.

The Audit and Risk Management Committee is a formally appointed committee of Council and is responsible to that body.

The Audit and Risk Management Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The following guidelines are to provide further direction from Council for the operation of the Committee:

9.1 External Audit

The Committee shall:

- Liaise with the Office of the Auditor General regarding the appointment of a suitable Auditor.
- Prior to appointment, discuss the scope of the audit and any additional procedures required from the external auditor. Invite the external auditor to attend audit committee meetings to discuss the audit results and consider the implications of the external audit findings.
- Inquire of the auditor if there have been any significant disagreements with management and whether they have been resolved.
- Monitor management responses to the auditor's findings and recommendations.
- Review the progress by management in implementing audit recommendations and

provide assistance on matters of conflict.

- Provide a report and recommendations to Council on the outcome of the external audit.

9.2 Co-ordination of Auditors

The Committee shall:

- Oversee the work of the internal audit function to facilitate co-ordination with the external auditor.
- Meet periodically with the Chief Executive Officer, senior management staff and internal and external auditors to understand the organisation's control environment and processes.

9.3 Duties and Responsibilities

The following duties and responsibilities of the Committee will include:

- To review the scope of the internal audit plan and program and the effectiveness of the function. This review should consider whether, over a period of years the internal audit plan systematically addresses:
 - internal controls over significant areas of risk, including non-financial management control systems.
 - internal controls over revenue, expenditure, assets and liability processes;
 - the efficiency, effectiveness and economy of significant Council programs; and
 - compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or Chief Executive Officer.
- Review the level of resources allocated to internal audit and the scope of its authority.
- Review reports of internal audit and the extent to which Council and management react to matters raised by internal audit, by monitoring the implementation of recommendations made by internal audit.
- Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs.
- Critically analyse and follow up any internal or external audit report that raises significant issues relating to risk management, internal control, financial reporting and other accountability or governance issues, and any other matters relevant under the Committee's terms of reference.
- Review management's response to, and actions taken as a result of the issues raised.
- Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- Monitor ethical standards and related party transactions by determining whether the systems of control are adequate.
- Review Council's draft annual financial report, focusing on:
 - accounting policies and practices.
 - changes to accounting policies and practices.
 - the process used in making significant accounting estimates.
 - significant adjustments to the financial report (if any) arising from the audit process.
 - compliance with accounting standards and other reporting requirements.
 - significant variances from prior years.
- Recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the financial report is signed.
- Discuss with the external auditor the scope of the audit and the planning of the audit.
- Discuss with the external auditor issues arising from the audit, including any management letter issued by the auditor and the resolution of such matters.

- xiv. Review tendering arrangements and advise Council.
- xv. Review the annual performance statement and recommend its adoption to Council.
- xvi. Review issues relating to national competition policy, financial reporting by Council business units and comparative performance indicators.
- xvii. Identify and refer specific projects or investigations deemed necessary through the Chief Executive Officer, the internal auditor and the Council if appropriate. Oversee any subsequent investigation, including overseeing of the investigation of any suspected cases of fraud within the organisation.
- xviii. Monitor the progress of any major lawsuits facing the Council.
- xix. Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference.
- xx. Report to Council after each meeting, in the form of minutes or otherwise, and as necessary and provide an annual report to Council summarising the activities undertaken during the year.
- xxi. The Committee in conjunction with Council and the Chief Executive Officer should develop the Committee's performance indicators.
- xxii. The Committee, through the Chief Executive Officer and following authorisation from the Council, and within the scope of its responsibilities, may seek information or obtain expert advice on matters of concern.
- xxiii. Advise Council on significant risk management issues related to the Shire of Corrigin including major issues involving:
 - The Community;
 - The Workforce;
 - Vehicles and Plant;
 - Buildings and Similar Property;
 - Revenue Streams;
 - Legal Liability;
 - Electronically Stored Information;
 - Environmental Impact;
 - Fraud; and
 - Reputation.
- xxiv. Review reports on the appropriateness and effectiveness of the Shire's systems and procedures in relation to:
 - risk management;
 - internal control; and
 - legislative complianceand report to Council.

9.4 Reporting Powers

The Committee:

- Shall report to Council and provide recommendations on matters pertaining to its terms of reference by assisting elected members in the discharge of their responsibilities for oversight and corporate governance of the local government.
- Does not have executive powers or authority to implement actions in areas that management has responsibility.
- Is independent of the roles of the Chief Executive Officer and his senior staff as it does not have any management functions.
- Does not have any role pertaining to matters normally addressed by the Local Emergency Management Committee and Council in relation to financial management responsibilities in relation to budgets, financial decisions and expenditure priorities.
- Is a separate activity and does not have any role in relation to day-to-day financial management issues or any executive role or power.
- Shall after every meeting forward the minutes of that meeting to the next Ordinary

meeting of the Council, including a report explaining any specific recommendations and key outcomes.

- Shall report annually to the Council summarising the activities of the Committee during the previous financial year.

10.0 TERMINATION OF COMMITTEE

Termination of the Committee shall be:

- a) in accordance with the *Local Government Act 1995*; or
- b) at the direction of the Council.

11.0 AMENDMENT TO THE INSTRUMENT OF APPOINTMENT AND DELEGATION

This document may be altered at any time by the Council.

12.0 COMMITTEE DECISIONS

The Committee recommendations are advisory only and shall not be binding on Council.

1 DECLARATION OF OPENING

The President, Cr. D Hickey opened the meeting at 9:04am

2 ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

Shire President	Cr. D Hickey (Via Teams)
Shire Deputy President	Cr. S Jacobs
	Cr. B Filinski (Via Teams)
	Cr. M Weguelin
	Cr. M Leach

Chief Executive Officer	N A Manton
Acting Deputy Chief Executive Officer	K L Wilkinson
Executive Support Officer	J M Filinski

Director AMD	M Cavallo
Assistant Director Office of the Auditor General	C McGowan

APOLOGIES

Cr. B Fare

3 DECLARATIONS OF INTEREST

NIL

Deputy President Cr. Sharon Jacobs took over the chair due to technical difficulties.

CONFIRMATION OF MINUTES

4. AUDIT AND RISK MANAGEMENT COMMITTEE

COMMITTEE'S RESOLUTION

Minutes of the Audit and Risk Management Committee Meeting held on Tuesday 17 December 2024.

COUNCIL RESOLUTION

/2024 Moved: Cr. Weguelin

Seconded: Cr. Leach

That the Audit and Risk Management Committee confirm the minutes of the Audit and Risk Management Committee Meeting held on Tuesday 17 December 2024 be a true and correct record.

Carried 5/0

4 MATTERS REQUIRING A COMMITTEE DECISION

4.1 ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDING 30 JUNE 2024

Applicant:	Shire of Corrigin
Date:	12 December 2024
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	CM.0001
Attachment Ref:	Attachment 4.1 - Annual Financial Statement 2023/24

SUMMARY

The Shire of Corrigin Audit and Risk Management Committee is requested to review and recommend that Council endorse the 2023/2024 Annual Report and Financial Statements for the period ending 30 June 2024.

BACKGROUND

The Shire of Corrigin is required to prepare an Annual Report and Audited Financial Statement each year including the following information:

- President's Report.
- CEO Report.
- Overview of the plan for the future including major initiatives that are proposed to commence or to continue in the next financial year.
- Financial report for the financial year.
- Information in relation to the payments made to employees.
- Auditor's report for the financial year.
- Report on the *Disability Services Act 1993*.
- Details of complaints made during the year.

The *Local Government (Audit) Regulations 1996* sets out the requirements for the preparation of a report by Council's auditor. An auditor's report is to be forwarded to the President, CEO and the Minister within 30 days of completing the audit. The report is to give the auditor's opinion on:

- the financial position of the local government, and
- the results of the operations of the local government.

The report is to include:

- any material matters that indicate significant adverse trends in the financial position of the local government;
- any matters indicating non-compliance with Part 6 of *the Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls in any other written law;
- details of whether information and explanations were obtained by the auditor;
- a report on the conduct of the report;
- the opinion of the auditor as to whether or not certain financial ratios are supported by verifiable information and reasonable assumptions.

Where it is considered by the auditor 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 President, CEO and Minister.

Representatives from AMD on behalf of the Office of the Auditor General, conducted an interim audit onsite in May 2024 and conducted the final audit also onsite in October 2024.

In accordance with s5.53 of the *Local Government Act 1995* a local government is required to prepare and accept an annual report for each financial year, no later than 31 December after that financial year.

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 two months after the auditor's report becomes available.

COMMENT

The Shire of Corrigin auditor, appointed Office of the Auditor General, completed the final audit of the Shire of Corrigin finances and operations in December 2024. A copy of the Auditor's Report and Financial Statements for the 2023/2024 financial year is included as an attachment to this item.

The CEO is required 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. The annual report along with the Auditor's Report for 2023/2024, is required to be adopted by Council prior to advertising a date for the annual meeting of electors.

A general electors 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. To comply with this requirement an annual meeting of electors would need to be held prior to 11 February 2025. It is proposed that the Electors Meeting be held on Tuesday 4 February 2025 commencing at 6.00pm.

Ms Maria Cavallo Director AMD and Ms Caitlyn McGowan Assistant Director from Office of the Auditor General, in their capacity as the Shire of Corrigin Auditors met with Cr. Des Hickey Shire President, Natalie Manton CEO and Karen Wilkinson DCEO on 13 December 2024 to provide an overview of the 2023/2024 annual financial report and address issues raised in the audit and management reports.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Audit Regulations) 1996

Local Government (Administration Regulations) 1996

Local Government (Financial Management) Regulations 1996

Local Government Act 1995

5.27. *Electors' general meetings*

- (1) *A general meeting of the electors of a district is to be held once every financial year.*
- (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.*
- (3) *The matters to be discussed at general electors' meetings are to be those prescribed.*

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

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 his or her 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.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

POLICY IMPLICATIONS

3.1 Risk Management Policy

FINANCIAL IMPLICATIONS

The costs associated with providing the 2023/2024 audit were provided in the 2023/2024 and 2024/2025 budget.

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2021-2031 and Corporate Business Plan 2021-2025:

Objective: Governance and Leadership
Strong Governance and Leadership

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.4	Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community	4.4.3	Regular reviews of Council's Long Term Financial Plan to ensure the long term financial stability of the Shire
		4.4.4	Provide Council adequate and appropriate financial information on a timely basis
4.5	Implement systems and processes that meet legislative and audit obligations	4.5.1	Continual improvement in governance and operational policies, processes and implementation.

VOTING REQUIREMENT

Absolute Majority

COMMITTEE'S RESOLUTION

Moved: Cr. Weguelin

Seconded: Cr. Leach

That the Audit and Risk Management Committee recommend to Council to:

- 1) Accept the Annual Audited Financial Statement; auditors report and management report for the 2023/2024 financial year as presented in the attachment.*
- 2) Hold a General Meeting of Electors on Tuesday 4 February 2025 commencing at 6.00pm in the Council Chambers.*

Carried by Absolute Majority 5/0

4.2 REPORT OF AUDIT FINDINGS

Applicant:	Shire of Corrigin
Date:	16 December 2024
Reporting Officer:	Natalie Manton, Chief Executive Officer
Disclosure of Interest:	NIL
File Ref:	FM.0362
Attachment Ref:	Attachment 4.2 – Report on Significant Findings 2023-24

SUMMARY

The Audit and Risk Management Committee is asked to consider the Audit Management letter for the year 30 June 2024 together with management comments in response to significant findings.

BACKGROUND

AMD conducted an onsite interim audit in May 2024 on behalf of the Office of the Auditor General followed up by an onsite final audit in October 2024.

The outcome of the interim audit resulted in findings in one area that required management to take necessary steps to ensure processes were in place prior to the final audit.

The management report has concluded that the interim findings have been resolved and five findings were identified during the final audit including two significant findings.

Management included comment on the actions taken in relation to the interim audit findings at the audit committee meeting held in July 2024 and the final audit findings below:

Final Audit

1. Unapproved Change in Accounting Policy – Depreciation rate Finding - Significant

During substantive analytical procedures, our testing identified that the Infrastructure – Roads (Unsealed) asset group depreciation rate was inappropriately adjusted during the year, resulting in an approximate 8% increase to 15% in 2024, with no fundamental basis nor Council approval supporting the change. This resulted in an overstatement of depreciation and understatement of infrastructure balances of \$1,386k, which was subsequently adjusted by the Shire.

Recommendation

AMD recommend that the Shire implement internal controls for the management and approval of depreciation rates. This may include formal policies and procedures, including an approval process. Additionally, all changes to depreciation rates should be appropriately documented, reviewed and approved to ensure compliance with the Shire's accounting policies.

Management comment

Accept finding and will implement better internal controls for the management and approval of depreciations rates for 2024/25 financial year.

Previously established process was not followed and changes to depreciation rates that differed from the Significant Accounting Policy were not approved by management before changes were made.

2. Land for resale revalued at 30 June 2024

Finding - Significant

During our review of the financial statements provided at the commencement of the audit, we noted that land held for sale had been inappropriately revalued during the current year. *AASB 102 Inventories* specifies the requirement that land held for resale is to be measured at the lower of cost and market or net realisable value. This resulted in the overstatement of land held for sale and change in asset revaluation surplus by \$495k, which was subsequently adjusted by the Shire.

Recommendation

We recommend that management ensure all properties held for re-sale are assessed in accordance with *AASB 102 Inventories* annually. Additionally, management should prepare a position paper that supports their assessment of the fair value of these properties. This position paper should be thoroughly reviewed to ensure accuracy and completeness.

Management Comment

The Shire of Corrigin accepts that land held for resale was inappropriately revalued during the 2023/24 and a correction was made to rectify the calculations in accordance with *AASB 102 Inventories* along with working papers.

Management will ensure that all land held for sale is assessed in accordance with *AASB 102 Inventories* annually and prepare a position paper with supporting calculations to ensure accuracy and completeness.

3. Audit readiness

Finding - Moderate

At the commencement of our audit, a number of year end transactions had not been posted and general ledger supporting documentation was not readily available, causing delays in the audit process – impacting the timeline and overall efficiency of the audit. Additionally, the financials provided at the commencement of the audit required in excess of 5 revisions to ensure that financial statements were appropriately presented.

The ultimate responsibility for the integrity and preparation of the financial statements rests with Council, CEO and CFO (or equivalent). We found management oversight of the financials prepared by the external contractor was not adequate which also contributed to the errors arising in the financials.

This issue was initially raised in 2023.

Recommendation

AMD recommend the Shire prepare an end of year checklist to ensure all transactions have been entered into the accounting system prior to 30 June 2024 and all supporting documentation be ready and available at the commencement of the year end audit.

We also recommend the Shire ensures the financials are certified, correct and complete at the commencement of the audit, and that management ensure appropriate oversight is provided to appointed contractors and a detailed review is performed over any work to ensure the accuracy and completeness of the information reported.

Management Comment

Audits are extremely comprehensive and consume enormous amount of time for a small finance team. Recognising the importance of the Annual Financial Statements and limitations in staff accounting experience the Shire of Corrigin engaged a consultant to assist with the preparation of the report. The finding that management oversight could have been more thorough is accepted.

Auditors were previously on site for three whole days and many of the issues that caused problems with the audit report this year and last year were likely to have been identified and corrected during the site visit. Any issues raised could be addressed in October and not left until late November or early December to respond or correct at short notice which can lead to mistakes being made as was the case this year.

Historically the Local Government Accounting Manual provided specific guidance on accounting standards along with worked examples and commentary. This manual was highly valuable and useful particularly for Band 4 local governments.

4. Unrecorded liabilities

Finding - Moderate

During the search for unrecorded liabilities testing, AMD subjected 11 samples to testing and identified one invoice (totalling \$35,623) received in July that related to services received during the year ended 30 June 2024 and was not appropriately recognised as a liability at year end. An unadjusted misstatement has been included for this error.

Additionally, AMD noted direct debits of \$14,065 processed in the bank account in July 2024 were incorrectly recorded as unrepresented items in the bank reconciliation for the period ended 30 June 2024. The direct debits were for expenses incurred prior to 30 June 2024.

Recommendation

AMD recommend invoices be recognised in the period they were incurred, and invoices received subsequent to year end but relating to year ended should be recognised as a liability at year end.

Additionally, we recommend that activity processed in the bank account subsequent to year end for expenses relating to the period ending 30 June be recognised as accrued expenses at year end rather than unrepresented items in the bank reconciliation.

Management Comment

The Shire of Corrigin accepts the finding and acknowledges that it was a one off error that has been remedied.

The finance team have already commenced improving the end of year process notes to ensure that correct procedures are followed including when staff are covering positions of leave.

5. Depreciation Disclosure

Finding - Moderate

Management undertakes a yearly review of depreciation rates as part of the Budget Process to determine if the rates reflect the most recent assessment of useful lives of the Shire of Corrigin's assets. However, audit testing identified that the Shire's depreciation policy has not been updated since 2020 and does not appropriately reflect the varying useful lives applied to the following asset classes:

- Furniture and equipment
- Buildings
- Footpaths
- Parks and ovals
- Other Infrastructure.

This issue was initially raised in 2022-23. However, the depreciation policy relating to "Water supply piping and drainage assets" was appropriately updated to reflect the varying useful lives applied to this asset class during the current year.

Recommendation

AMD recommend the useful lives of all fixed assets be reviewed to ensure all assets are being depreciated in accordance with the Shire's accounting policy, and where changes are made, appropriate support is retained.

Management Comment

Significant Accounting Policy including useful life of asset classes is updated annually and most recently in December 2023.

The depreciation rates in the Significant Accounting Policy are realistic and a review of the depreciation rates will be conducted for the 2024/25 financial year to ensure the actual depreciation matches the policy.

COMMENT

The Audit and Risk Management Committee is required to examine the report of the Auditor and prepare a report responding to the findings and the actions the Shire of Corrigin have taken or intend to undertake in relation to the matters raised.

STATUTORY ENVIRONMENT

Local Government Act 1995, Part 7 Audit s7.12A – Duties of a Local Government with respect to audits.

(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.

(5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

POLICY IMPLICATIONS

3.1 Risk Management Policy

FINANCIAL IMPLICATIONS

NIL

COMMUNITY AND STRATEGIC OBJECTIVES

Shire of Corrigin Strategic Community Plan 2021-2031 and Corporate Business Plan 2021-2025:

Objective: Governance and Leadership
Strong Governance and Leadership

Strategic Community Plan		Corporate Business Plan	
Outcome	Strategies	Action No.	Actions
4.4	Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community	4.4.3	Regular reviews of Council's Long Term Financial Plan to ensure the long term financial stability of the Shire
		4.4.4	Provide Council adequate and appropriate financial information on a timely basis
4.5	Implement systems and processes that meet legislative and audit obligations	4.5.1	Continual improvement in governance and operational policies, processes and implementation.

VOTING REQUIREMENT

Simple Majority

COMMITTEE'S RESOLUTION

Moved: Cr. Leach

Seconded: Cr. Weguelin

That the Audit and Risk Management Committee recommend that Council:

- 1. Receives the report on Audit Management Letter for the year ended 30 June 2024 and*
- 2. Forward a copy of the report on the findings from the audit to the Minister for Local Government, Sport and Cultural Industries.*

Carried 5/0

5 NEXT MEETING

Audit and Risk Management Committee meeting to be held on 11 March 2025 at 6.00pm

6 MEETING CLOSURE

The Chairperson, Deputy President Cr. Jacobs thanked M Cavallo and C McGowan for their time and efforts in completing the Shire of Corrigin audit.

Meeting was closed at 9:23am.