



SHIRE OF JERRAMUNGUP

MEETING OF THE AUDIT COMMITTEE

Held at the Council Chamber,
Jerramungup, on
Tuesday, 12 November 2024

MINUTES

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Shire of Jerramungup
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Tuesday, 12 November 2024

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MEETING OF THE AUDIT COMMITTEE MINUTES

1.0 DECLARATION OF OPENING, ANNOUNCEMENT OF VISITORS

The meeting was opened at 10.01am by the Presiding Member.

2.0 RECORD OF ATTENDANCE

2.1 ATTENDANCE

ELECTED MEMBERS:

Cr Joanne Iffla	Shire President (Chair)
Cr Julie Leenhouders	Deputy Shire President
Cr Paul Barrett	Councillor
Cr Nathan Brown	Councillor
Cr Neil Foreman	Councillor
Cr Raegan Zacher (10.11am)	Councillor

STAFF:

Martin Cuthbert	Chief Executive Officer
Charmaine Solomon	Deputy Chief Executive Officer
Noel Myers	Manager of Development
Tamara Pike	Finance Manager

VISITORS:

David Delvalle	Office of Auditor General (via TEAMS)
Chris Martain	Lincolns Accounts and Business Advisors (via TEAMS)
Thomas Warner	Lincolns Accounts and Business Advisors (via TEAMS)

GALLERY:

Nil

2.2 APOLOGIES

Cr Gavin Mair	Councillor
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3.0 PUBLIC TIME

3.1 PUBLIC QUESTION TIME

Nil

3.2 PETITIONS, DEPUTATIONS, PRESENTATIONS AND SUBMISSIONS

10.00am Audit Committee and Executive Staff met with Lincolns Accounts and Business Advisors Auditors Chris Martain and Thomas Warner and Office of the Auditor General Assistant Director, Financial Audit David Delvalle (via TEAMS) to brief the Audit Committee on the audit results for the year ended 30 June 2024.

4.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**4.1 AUDIT COMMITTEE MEETING HELD 25 SEPTEMBER 2024**

That the Minutes of the Meeting of the Audit Committee held on 25 September 2024 be CONFIRMED.

AC241101**MOVED: Cr Barrett****SECONDED: Cr Foreman**

That the Minutes of the meeting of the Audit Committee held on 25 September 2024 be CONFIRMED.

CARRIED: 5/0**FOR: Cr Iffla, Cr Leenhouders, Cr Foreman, Cr Barrett, Cr Brown****AGAINST: Nil**

5.0 REPORTS

5.1 AUDIT EXIT MEETING

Location/Address:	N/A
Name of Applicant:	N/A
File Reference:	
Author:	Charmaine Solomon, Deputy Chief Executive Officer
Responsible Officer:	Martin Cuthbert, Chief Executive Officer
Disclosure of any Interest:	Nil
Date of Report:	8 November 2024
Attachments:	a) Office of the Auditor General/Lincolns Accountants and Business Advisors Report to the Audit Committee for the year ended 30 June 2024
Authority/Discretion:	Legislative

SUMMARY:

For the Audit Committee to have a closed-door session with Auditors from Lincolns Accountants and Business Advisors and Office of Auditor General Assistant Director to discuss the audit findings and matters which have come to the Auditors attention during their audit of the financial statements of the Shire of Jerramungup for the financial year ended 30 June 2024.

BACKGROUND:

The *Local Government Act 1995* does not require the Audit Committee to meet with the Auditor, however the WA Auditor General's Report – WA Public Sector Audit Committee – Better Practice Guide suggests that the Audit Committee should meet with the Office of the Auditor General in a closed-door session.

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

CONSULTATION:

Senior Staff

Lincolns Accountants and Business Advisors

Office of the Auditor General

COMMENT:

The audit exit meeting allows an opportunity for the Auditors to discuss the outcomes of the audit for the year ended 30 June 2024 with the Audit Committee and Executive Staff.

During this financial audit exit meeting with the OAG and Lincolns the Audit Committee will have a closed-door session with the Auditors without management present. This provides a frank opportunity for the Auditors to discuss how the audit went, whether they received the information they needed and whether there are any concerns with management behaviour that the committee should be aware of.

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

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.*
- (2) The financial report is to*
 - (a) be prepared and presented in the manner and form prescribed; and*
 - (b) contain the prescribed information.*
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor –*
 - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and*
 - (b) the annual financial report of the local government for the preceding financial year.*

7.12AD. Reporting on a financial audit

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

Division 4 – General***7.12A. Duties of local government with respect to audits***

- (1) A local government is to do everything in its power to –*
 - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*
 - (b) ensure that audits are conducted successfully and expeditiously.*
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) A local government must –*
 - (aa) examine an audit report received by the local government; and*
 - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and*
 - (b) ensure that appropriate action is taken in respect of those matters.*

(4) A local government must —

- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
- (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

(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.

STRATEGIC IMPLICATIONS:

This item relates to the following component from the Shire of Jerramungup Community Plan 2021 – 2031:

Governance and Leadership

Provide informed and transparent decision making that meets our legal obligations, and the needs of our diverse community.

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

FINANCIAL IMPLICATIONS:

There are no financial implications for this report.

WORKFORCE IMPLICATIONS:

There are no workforce implications for this report.

POLICY IMPLICATIONS:

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

VOTING REQUIREMENT:

Simple majority

OFFICER RECOMMENDATION:

OFFICER RECOMMENDATION 1:

THAT, a closed-door session between the Audit Committee, Office of Auditor General and Lincolns Accountants and Business Advisors is held by electronic means on 12 November 2024 to ensure Best Practice.

OFFICER RECOMMENDATION 2:

THAT, the Audit Committee NOTES the outcomes of the exit meeting between the Audit Committee, Office of Auditor General and Lincolns Accountants and Business Advisors held by electronic means on 12 November 2024 and determines that the meeting satisfies the requirement of Section 7.12A(2) of the Local Government Act 1995.

Cr Zacher entered the meeting at 10.11am.

AC241102**MOVED: Cr Leenhouders****SECONDED: Cr Foreman**

- 1. THAT, a closed-door session between the Audit Committee, Office of Auditor General and Lincolns Accountants and Business Advisors is held by electronic means on 12 November 2024 to ensure Best Practice.**

- 2. THAT, the Audit Committee NOTES the outcomes of the exit meeting between the Audit Committee, Office of Auditor General and Lincolns Accountants and Business Advisors held by electronic means on 12 November 2024 and determines that the meeting satisfies the requirement of Section 7.12A(2) of the Local Government Act 1995.**

CARRIED: 6/0**FOR: Cr Iffla, Cr Leenhouders, Cr Foreman, Cr Barrett, Cr Brown, Cr Zacher****AGAINST: Nil**

Martin Cuthbert, Charmaine Solomon, Noel Myers, Tamara Pike left the meeting at 10.18am.

David Delvalle, Chris Martin and Thomas Warner left the meeting at 10.25am.

Martin Cuthbert, Charmaine Solomon, Noel Myers, Tamara Pike returned to the meeting at 10.26am.

5.2 REPORT TO THE AUDIT COMMITTEE FOR THE YEAR ENDED 30 JUNE 2024

Location/Address:	N/A
Name of Applicant:	N/A
File Reference:	
Author:	Charmaine Solomon, Deputy Chief Executive Officer
Responsible Officer:	Martin Cuthbert, Chief Executive Officer
Disclosure of any Interest:	Nil
Date of Report:	8 November 2024
Attachments:	a) Office of the Auditor General/Lincolns Accountants and Business Advisors Report to the Audit Committee for the year ended 30 June 2024
Authority/Discretion:	Legislative

SUMMARY:

For the Audit Committee to accept the Office of the Auditor General (OAG)/Lincolns Accountants and Business Advisors Report to the Audit Committee for the year ended 30 June 2024.

BACKGROUND:

One of the principal objectives of the Audit Committee is to accept responsibility for the annual external audit and to liaise with the Auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

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

CONSULTATION:

Senior Staff

Lincolns Accountants and Business Advisors

Office of the Auditor General

COMMENT:

Lincolns Accountants and Business Advisors conducted an independent audit on behalf of the OAG in order to enable the Auditor General to express an opinion to the Council on the financial report of the Shire of Jerramungup for the year ended 30 June 2024.

The date entities provided their annual financial report to the Office of Auditor General has been recorded for the purposes of reporting to Parliament. The date recorded for the receipt of the Shire of Jerramungup financial statements was 30 September 2024. The financial statements received on this date were deemed to be audit ready.

The following presents Lincolns Accountants and Business Advisors Audit Findings for the year ended 30 June 2024.

Area of Risk	Audit Outcomes
<p>Grant Funding and Other Revenue</p> <ul style="list-style-type: none"> - Grant expenditure manipulation of cost allocations to avoid refunding grant funds unspent. - Fees and invoices not being raised or accurately reflecting full charged. 	<ul style="list-style-type: none"> • Significant grant revenue was agreed to third party documentation. • Audit included additional analysis of revenue allocation in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not For Profit Entities. • Risk of fraud in the revenue cycle was also considered including testing of key controls and analytical review. Audit procedures undertaken rebutted the risk of fraud to an acceptable level. • We also reviewed related party transactions. The financial statements adequately disclose related party transactions for Councillors and Key Management Personnel. <p>Grant Funding and Other Revenue as disclosed in the financial statements is materially correct.</p>
<p>Rates</p> <ul style="list-style-type: none"> - Rates revenue incorrectly raised on all rateable properties and differential rates not applied correctly. - Rates invoices raised and not receipted when paid. 	<p>Audit work included the following:</p> <ul style="list-style-type: none"> • Rateable values agreed to the Valuer General rates. • We checked control procedures for the transfer of rates from Valuer General to Internal Software system. • Testing of rates notices was undertaken both on a sample basis and analytically. <p>Results supported the rate revenue and financial statements disclosures.</p>
<p>Expenses</p> <ul style="list-style-type: none"> - Payments are made on non-Shire expenses. Collusion with Suppliers for personal benefit. - Employee/Councillor/relative given preferential supplier status and price above market. - Creditors Bank accounts are changed to related parties or other third parties. 	<p>Our audit of expenses included testing of key financial controls over the recognition of expenses, vouching significant expenses and analytical reviews.</p> <p>Expenditure as disclosed in the financial statements is materially correct.</p>

<p>Payroll/Provisions</p> <ul style="list-style-type: none"> - Employees not paid in accordance with employment agreements or award. - Errors in calculation of superannuation entitlements and PAYG Withholding either known or unknowingly. - Employees that have been terminated not correctly removed from systems, or entitlements still paid. - Fake employees created and paid in pay runs. - Change employees bank account details to pay officer or related party bank account. - Falsify hours worked (including leave). - Unauthorised change to pay rate. 	<p>Audit sampling tested payroll records to the following:</p> <ul style="list-style-type: none"> • Employee awards • Employee contracts • Check calculation of superannuation and tax • Check authority to deduct salary sacrifice • Check the control procedures in payroll department in line with internal policies • Our audit of provisions included reviewing the reasonableness of assumptions used to calculate annual leave and long service leave • Analytical review <p>Results of audit procedures indicate employee costs are materially correct and disclosed correctly in the financial statements.</p>
<p>Management’s monitoring of the control environment</p>	<p>We reviewed council minutes for the following:</p> <ul style="list-style-type: none"> • Process for reviewing internal control procedures including evidence of periodic review of policy manual. • Management’s implementation and monitoring of new control procedures. • Management’s implementation and monitoring for amending current control procedures. <p>We are satisfied that management is applying effective controls and that Council are aware of the control environment.</p>
<p>Management Override of Controls</p> <ul style="list-style-type: none"> - General journals being posted when not authorised or without sufficient supporting information. 	<p>Audit processes were undertaken to:</p> <ul style="list-style-type: none"> • Sample test and judgementally review general journals • Understand and test the adequacy and effectiveness of division of duties • Controls testing • Substantive procedures <p>Sufficient audit evidence was obtained to support the view that controls are operating effectively.</p>

<p>Fixed Assets</p> <ul style="list-style-type: none"> - Assets not being capitalised and recorded as repairs or expensed instead. - Assets purchased or disposed of without council approval or authority. - Management not appropriately assessing impairment of assets. 	<p>Council undertook revaluation process in the 2022 financial year for land and buildings. Council also undertook revaluation processes in the 2023 financial year for infrastructure assets.</p> <p>Audit Processes were undertaken to:</p> <ul style="list-style-type: none"> • Sample test additions and disposals • Check profit/loss on sale of assets • Confirm ownership and existence of assets • Recalculate Depreciation <p>Results of audit procedures indicate fixed assets are materially correct and disclosed correctly in the financial statements.</p>
<p>Accounting Estimates</p> <ul style="list-style-type: none"> - Provisions being overstated due to errors in estimates and assumptions. - Depreciation rates not being appropriately applied to minimise the depreciation expense for the year and achieve a better financial result. - Staff who have been terminated still having leave entitlements accruing. 	<ul style="list-style-type: none"> • We reviewed the method and underlying data that management use when determining critical accounting estimates. This included considering the reasonableness of assumptions and corroborating representations. • For infrastructure, property, plant and equipment we reviewed Management’s assessment of the useful lives and existence of assets. We reviewed management’s monitoring of impairment and determined that adequate processes exist. <p>Audit review determined that estimates are reasonable and supported by appropriate data.</p>
<p>Restricted Reserve Accounts</p> <ul style="list-style-type: none"> - Reserved funds used for purposes other than the approved purpose. - Funds transferred in and out of reserves throughout years to provide cashflow funding to the Shire. 	<ul style="list-style-type: none"> • We will review movements within the restricted reserve accounts to ensure they are approved by Council and that transfers out are used in accordance with the intended purpose of the respective reserve.

Uncorrected Audit Misstatements

	Financial Statements Accounts Impacted	Statement of Financial Position Adjustment	Effect on Operating Surplus	Effect on Other Comprehensive Income	Comment
1.	Land & Buildings Depreciation Expense	(\$63,265) CR	\$63,265 DR		Impairment of Roderick Street properties from fire damage.

2.	Materials & Contracts Expense		(\$68,780) CR		Amounts not recovered from WANDRA flood claim in 2024 from 2023, reclassifying to other expense.
	Other Expenses		\$68,780 DR		

Corrected Audit Misstatements

	Financial Statements Accounts Impacted	Statement of Financial Position Adjustment	Effect on Operating Surplus	Effect on Other Comprehensive Income	Comment
1.	Asset Revaluation Reserve Pool Asset – Decommissioning Costs Provision Pool Decommissioning Costs Interest Expense	\$62,799 DR \$134,578 DR (\$134,578) CR	 (\$62,799) CR		Correction to Pool Asset – Decommissioning costs and asset reval reserve for changes in inflation and discount rates on provision.
2.	Contract Assets Non Operating Grants, Contributions & Subsidies	\$241,286 DR	 (\$241,286) CR		Recognition of Contract Assets for completed LRCI projects where funds not received.
3.	Finance Cost Asset Revaluation Reserve Provision Waste Rehab Landfill Land Fill Asset – Rehab Costs Accumulated Depreciation – Land Fill Asset	\$87,558 DR (\$5,690) CR (\$31,616) CR (\$55,272) CR	\$5,020 DR 		Adjustments to treatment of changes in accounting estimate for inflation and discount in waste rehabilitation provisions.

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

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 - (a) be prepared and presented in the manner and form prescribed; and*
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- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor –*
 - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and*
 - (b) the annual financial report of the local government for the preceding financial year.*

7.12AD. Reporting on a financial audit

- (1) The auditor must prepare and sign a report on a financial audit.*
- (2) The auditor must give the report to –*
 - (a) the mayor, president or chairperson of the local government; and*
 - (b) the CEO of the local government; and*
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Division 4 – General***7.12A. Duties of local government with respect to audits***

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 - (aa) examine an audit report received by the local government; and*
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(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.

STRATEGIC IMPLICATIONS:

Nil

FINANCIAL IMPLICATIONS:

Nil

WORKFORCE IMPLICATIONS:

There are no workforce implications for this report.

POLICY IMPLICATIONS:

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

VOTING REQUIREMENT:

Simple majority

OFFICER RECOMMENDATION:

That the Audit Committee:

1. **DETERMINES** that the Report to the Audit Committee satisfies the requirement of Section 7.12A(3) of the Local Government Act 1995;
2. **ACCEPTS**, the Report to the Audit Committee as attached to this report, for the year ended 30 June 2024 prepared by Lincolns Accountants and Business Advisors and Office of the Auditor General.

AC241103

MOVED: Cr Barrett

SECONDED: Cr Brown

That the Audit Committee:

1. **DETERMINES** that the Report to the Audit Committee satisfies the requirement of Section 7.12A(3) of the Local Government Act 1995;
2. **ACCEPTS**, the Report to the Audit Committee as attached to this report, for the year ended 30 June 2024 prepared by Lincolns Accountants and Business Advisors and Office of the Auditor General.

CARRIED: 6/0

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

AGAINST: Nil

6.0 GENERAL BUSINESS

Nil.

7.0 CLOSURE OF MEETING

The Presiding Member closed the meeting at 10.30am.

These minutes were confirmed at a meeting held

.....

Signed:

Presiding Person at the meeting at which these minutes were confirmed

Date: