



Shire of
Peppermint Grove

AUDIT, GOVERNANCE AND RISK MANAGEMENT COMMITTEE MEETING

AGENDA

This meeting is not open to the public. All recommendations of this committee are referred to council.

TO BE HELD ON THE

26th NOVEMBER 2024 AT 4:30PM



Shire of Peppermint Grove

NOTICE OF MEETING

Dear Committee Member

It is advised that the **Audit Committee Meeting** will be held in the Council Chamber of the **Shire of Peppermint Grove**, 1 Leake Street, Peppermint Grove, on 26TH November 2024 at 4:30pm.

MEETING AGENDA ATTACHED

Yours faithfully

A handwritten signature in black ink, appearing to read 'Don Burnett', is placed below the text 'Yours faithfully'.

Mr Don Burnett
CHIEF EXECUTIVE OFFICER

21 November 2024



Shire of Peppermint Grove

AUDIT, GOVERNANCE AND RISK MANAGEMENT COMMITTEE MEETING AGENDA

26 NOVEMBER 2024

1 DECLARATION OF OFFICIAL OPENING

At _____ pm, the Presiding Member declared the meeting open.

2 RECORDING OF ATTENDANCE, APOLOGIES AND LEAVES OF ABSENCE

2.1 ATTENDANCE

Deputy Shire President – Presiding Member	Cr P Dawkins
Elected Member	Cr C Hohnen
Elected Member	Cr P Macintosh
Elected Member	Cr J Mahony

Chief Executive Officer	Mr D Burnett
Manager Corporate and Community Services	Mr J Clapham

2.2 GUESTS

Assistant Director - Office of the Auditor General	Liang Wong
Executive Director - Pitcher Partners	Marius van der Merwe

2.3 APOLOGIES

NIL

2.4 LEAVES OF ABSENCE

3 DECLARATIONS OF INTEREST

3.1 FINANCIAL INTEREST

3.2 PROXIMITY INTEREST

3.3 IMPARTIALITY INTEREST

3.4 INTEREST THAT MAY CAUSE A CONFLICT

3.5 STATEMENT OF GIFTS AND HOSPITALITY

4 ANNOUNCEMENTS BY THE PRESIDING MEMBER (WITHOUT DISCUSSION)

5 CONFIRMATION OF MINUTES

OFFICER RECOMMENDATION – ITEM 5.1

Moved:

Seconded:

That the Minutes of the Audit, Governance and Risk Committee Meeting, of the Shire of Peppermint Grove held in the Council Chambers on 14 May 2024 be confirmed as a true and accurate record.

6 OFFICER REPORTS

6.1 2023/24 Audited Annual Financial Report – Office of Auditor General & Pitcher Partners

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 6.1.1	Audited 2023/24 Annual Financial Statements (to be provided to members under separate cover)
Attachment 6.1.2	Audit Report 2023/24 (to be provided to members under separate cover)

Voting Requirement	Simple Majority
Subject Index	Financial management Audit
Disclosure of any Interest	Nil
Responsible Officer	Jeremy Clapham, Manager Corporate & Community Services

PURPOSE OF REPORT

The purpose of this report is to receive the Audited Annual Financial Statements for the year ended 30 June 2024.

SUMMARY AND KEY ISSUES

The 2023/24 Audited Annual Financial Statements have been completed and the Committee is requested to receive the document. There were no issues identified during the audit for management to address (in 2023 there were 11 issues identified, but all of them have been addressed by management).

BACKGROUND

The financial statements for the year ended the 30 June 2024, were presented to the Auditor for audit purposes and following the required amendments were presented to the Office of the Auditor General (OAG) for signing. An unqualified audit report has been issued and no management issues identified.

CONSULTATION

Pitcher Partners and the Office of the Auditor General.

STRATEGIC IMPLICATIONS

Strategic Priority 5- Governance

Item 5.1- Continue to monitor the financial sustainability of the Shire's resources

POLICY IMPLICATIONS

Financial Management Policies

STATUTORY IMPLICATIONS.

Section 6.4 of the Local Government Act states:

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.

FINANCIAL IMPLICATIONS

There are no Financial Implications in respect to this matter.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time

SOCIAL IMPLICATIONS

There are no Social Implications identified at this time.

OFFICER COMMENT

The audit for the 2023/24 financial year has been completed and provides an overview of the financial activities for the 2023/24 year. There were no issues identified during the audit for management to address (in 2023 there were 11 issues identified, but all of them have been addressed by management).

- The Shire is required to hold an Annual Electors Meeting; and it is recommended that this be held at 5.15pm on Tuesday 11th February 2024 in the Council Chambers. The meeting will be immediately prior to the agenda forum meeting scheduled for 5.30pm.
- The Draft Annual Report, covering operational aspects of the Shire for 2023/24 will be circulated to Councillors under separate cover with the view of being formatted for presentation at the Annual Electors Meeting.

2023/24 Closing Surplus

The estimated closing surplus as at 30 June 2024 was anticipated to be \$821,747, however following the audit, this was reviewed and adjusted to \$717,673.

OFFICER RECOMMENDATION – ITEM 6.2

That Council

- 1. Receives the audited 2023/24 Annual Financial Statements and Audit Report.**
- 2. Holds the Annual Electors Meeting on Tuesday 11th February 2024 at 5.15pm in the Council Chambers.**

6.2 Matters for Information and Noting

ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
Attachment 6.2.1	Local Government 2022-23 Financial Audit Results
Attachment 6.2.2	Staff Exit Controls at Large Local Government Entities
Attachment 6.2.3	Local Government Physical Security of Server Assets
Attachment 6.2.4	Local Government Management of Purchasing Cards
Attachment 6.2.5	Local Government 2022-23 Information Systems Management
Attachment 6.2.6	Audit Fee 2024- Letter from OAG
Attachment 6.2.7	Risk Management and Reporting Tool
Attachment 6.2.8	Management Representation Letter (to be provided under separate cover)

Voting Requirement	Simple Majority
Subject Index	Financial management Audit
Disclosure of any Interest	Nil
Responsible Officer	Jeremy Clapham, Manager Corporate & Community Services

PURPOSE OF REPORT

The Shire of Peppermint Grove regularly receives and produces information for receipt by the Elected Members. The purpose of this item is to keep Elected Members informed on items of information received by the Shire.

The Matters for Information and Noting Report includes the following matters:-

- OAG Reports, including: 2022/23 Financial Audit Results for Local Government, Staff Exit Controls at Large Local Government Entities, Local Government Physical Security of Server Assets, Local Government Management of Purchasing Cards and Local Government 2022-23 Information Systems Audit.
- New legislation requiring independent Chair and Deputy Chair of the Committee and payment to Independent Committee Members.
- Increased Audit Fee for 2023-24.
- Actions addressed from findings of Financial Management and Regulation 17 reviews performed in April 2024.
- Small Rates balances written off under CEO Delegated Authority.
- Management Representation Letter to the auditors; Pitcher Partners and the Office of the Auditor General.

SUMMARY AND KEY ISSUES

- The OAG issues a variety of reports during the year highlighting various performance audits that they carry out. Reports released this year included the following: 2022/23 Financial Audit Results for Local Government, Staff Exit Controls at Large Local Government Entities, Local Government Physical Security of Server Assets, Local Government Management of Purchasing Cards and Local Government 2022-23 Information Systems Audit.
- There is new legislation being proposed requiring independent Chair and Deputy Chair of Audit and Risk Committees, a name change and optional payment to Independent Committee Members.
- A letter from the OAG was received by the Shire in June 2024 stating that the audit fee is to increase from \$27,500 to \$38,500.
- There were a number of findings from the Financial Management and Regulation 17 reviews performed in April 2024 which have now been addressed.
- There were a number of small rates balances written off under CEO delegation in July 2024 amounting to a total of \$204.84.
- A Management Representation Letter has been prepared and signed by the Shire President, the CEO and the Manager of Corporate and Community Services.

CONSULTATION

Consultation with the auditors; Pitcher Partners and the Office of the Auditor General.

STRATEGIC IMPLICATIONS

Strategic Priority 5- Governance

Item 5.1- Continue to monitor the financial sustainability of the Shire's resources

POLICY IMPLICATIONS

Financial Management Policies

STATUTORY IMPLICATIONS.

Local Government (Financial Management) Regulations 1996.

FINANCIAL IMPLICATIONS

Increase in audit fee of \$11,000 and rates written off of \$204.84

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

There are no Social Implications identified at this time.

OFFICER COMMENT

- OAG Reports, including: 2022/23 Financial Audit Results for Local Government, Staff Exit Controls at Large Local Government Entities, Local Government Physical Security of Server Assets, Local Government Management of Purchasing Cards and Local Government 2022-23 Information Systems Audit.

The OAG carries out a variety of Performance Audits during the year and issues reports on them once they are completed. There were a number released this year and all are attached for the Committee's reference. The Shire of Peppermint Grove has not yet been selected to undergo a Performance Audit, but can expect to be selected in due course. The Shire reviews these reports with the aim to improve our systems as they relate to us.

- New legislation requiring independent Chair and Deputy Chair of the Committee and payment to Independent Committee Members.

As part of the Local Government Reform Tranche 2, it is proposed that the name of the Committee is changed to the Audit, Risk and Improvement Committee, and that the Committee is required to have independent Chair's and Deputy Chair's. The implementation date of this change is yet to be confirmed.

Also, per the Salaries and Allowances Tribunal (SAT) Act 1975 Local Government Variation 3 - October 2023, Local Governments are allowed to pay independent members \$0 to \$125 per meeting (Band 4 Local Governments). It will be up to the decision of Council as to whether Independent Members are paid and how much.

- Increased audit fee for 2023-24.

The Shire received a letter from the OAG in June 2024 stating that the audit fee is to increase from \$27,500 to \$38,500 (40%) due to an increase in audit effort (because of changes in systems, staff shortages resulting in poorer financial management, prior year issues and new auditing/accounting standards) and an increase in professional salaries and contract audit firm fees.

- Actions addressed from findings of Financial Management and Regulation 17 reviews performed in April 2024.

Financial Management Review. The following findings have been addressed:

- Monitoring compliance with Procurement Policy for RFT and RFQ. The Shire produces a spend by supplier over \$50,000 report on a monthly basis for review by Management.
- Contract management compliance. The Shire has developed a comprehensive Contract Management Framework.

- Review of Vendor master file access. The Shire has reviewed the access and confirmed that the correct people have access.
- Minor Asset Register. The Shire has introduced a Minor Asset Register.
- Tender Register on the Shires website. The Shire is in the process of updating the Tender Register.

Regulation 17 Review. The following findings have been addressed:

- Risk reporting to the Audit and Risk Committee. Risk Register was updated in October 2024 and is attached for reference. It is a work in progress and some of the Indicators still have to be updated.
 - Fraud Risk Identification and Prevention Policy. The Shire has developed and adopted a Fraud and Corruption Prevention Policy.
 - Business Continuity Plan. The Shire updated the Records Disaster Management Plan in September 2024 and is creating An ICT Disaster Recovery Plan, which will be completed by 30 November 2024.
 - Gifts Policy. The Shire is to update the Induction Manual for Elected Members to include regulations in regard to gifts. The staff Code of Conduct includes regulations related to gifts.
- Small Rates balances written off under CEO Delegated Authority.

The Shire wrote off 90 small balances under \$5 for Rates outstanding totalling \$204.84 in July 2024, under CEO Delegation 2.4 – Authority to Write Off Rates and Service Charges. The CEO is required to Report to the Audit and Risk Committee six monthly on the exercise of this delegation.

- Management Representation Letter

The Management Representation Letter is provided in connection with the audit of the Shire of Peppermint Grove’s annual financial report for the year ended 30 June 2024 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

The following categories of representation have been made:

- General
- Fair value measurements and disclosures
- Contingent liabilities
- Commitments for capital expenditure
- Contaminated sites
- Related entities
- Related parties
- Key management personnel compensation
- Subsequent events
- Internal control
- Insurance
- Risk management
- Accounting misstatements

- Electronic presentation of the audited financial report and auditors report
- Other (unaudited) information in the annual report

OFFICER RECOMMENDATION – ITEM 6.3

That the Committee receives the information in this report.

7. CLOSURE

There being no further business, the meeting closed at