



**SHIRE**  
*of*  
**DANDARAGAN**

**MINUTES**

**for**

**AUDIT COMMITTEE MEETING**

**held**

**CERVANTES COMMUNITY CENTRE**

**on**

**THURSDAY 24 NOVEMBER 2022**

**COMMENCING AT 12.00 PM**

<b>MINUTES OF AUDIT COMMITTEE MEETING HELD THURSDAY 24 NOVEMBER 2022</b>
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## 1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 12.00pm and welcomed those present

## 2. RECORD OF ATTENDANCE / APOLOGIES LEAVE OF ABSENCE

### Members

Councillor L Holmes  
 Councillor A Eyre  
 Councillor J Clarke  
 Councillor R Shanhun

### Staff

Mr B Bailey (Chief Executive Officer)  
 Mr S Clayton (Executive Manager Corporate & Community Services)

### Apologies

Nil

### Leave of Absence

Nil

## 3 CONFIRMATION OF MINUTES

**MINUTES OF THE AUDIT COMMITTEE MEETING HELD 9 MARCH 2022**

### **AUDIT COMMITTEE DECISION**

Moved Cr Shanhun, seconded Cr Clarke  
 That the Minutes of the Audit Committee Meeting held on 9 March 2022 be confirmed.

**CARRIED 4 / 0**

## 4 MATTERS FOR DISCUSSION

### 4.1 AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2022

Location:	N/A
Applicant:	N/A
File Ref:	SODR-2042075298-47854
Disclosure of Interest:	None
Date:	22 December 2022
Author:	Scott Clayton, Executive Manager Corporate & Community Services
Senior Officer:	Brent Bailey, Chief Executive Officer

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PROPOSAL

That the Independent Audit Report for the 2021 / 2022 financial year be received.

BACKGROUND

Circulated with the agenda is a copy of the Office of the Auditor General Independent Audit Reports. The opinion of Jordan Langford-Smith, Senior Director Financial Audit as to delegate of the Auditor General for Western Australia, is as follows;

*"I have audited the financial report of the Shire of Dandaragan (Shire) which comprises:*

- *the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, and Statement of Cash Flows and Rate Setting Statement for the year then ended*
- *Notes comprising a summary of significant accounting policies and other explanatory information.*

*In my opinion, the financial report is:*

- *based on proper accounts and records*
- *presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period*
- *in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards."*

COMMENT

The "Independent Auditor's Report" as attached is unqualified. There are no matters that in the auditor's opinion would indicate any significant adverse trends. Therefore, no further action is required in relation to the financial audit of the Shire of Dandaragan for the financial year 30 June 2022.

In addition to the audit report, the transmittal letter from the Office of the Auditor General does identify Management Control Issues. An extract from the letter states;

*"While the result of the audit was generally satisfactory, I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.*

*Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control."*

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The control issues identified and the “risk rating” assessed by the auditors are as follows;

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Independent Review of Journals	✓		
2. Dating of Journals and Reconciliations		✓	
<b><i>Findings Identified in the Prior Year:</i></b>			
3. User Access to Financial Management System	✓		

Segregation of duties is a basic building block of effective risk management and internal controls for business processes. In the context of financial management of the Shire it aims to disperse critical functions across multiple employees to ensure that no one person has control of a financial function from start to finish.

This is always an important consideration for developing systems and process within the Shire, however, in a Shire the size of Dandaragan there may not be enough employees available physically or with the required skill set to implement complete segregation of duties to satisfy the auditor that no risks exist within the financial systems of the organisation.

Whilst these risks may reduce the Shire’s effectiveness to prevent all possible attempts at fraud, sabotage or theft, the Shire of Dandaragan has implemented multiple layers of detection controls to promptly identify any malicious act should it occur to help mitigate the risk.

The appropriateness and effectiveness of the financial management systems and procedures of the Shire of Dandaragan are the duties of the Chief Executive Officer, therefore, there is no direct responsibility on the audit committee to act on these findings.

They are included here, and in more detail within the attachments of this item, for the committee to review and discuss further should they wish to.

#### CONSULTATION

- Chief Executive Officer
- Office of the Auditor General

#### STATUTORY ENVIRONMENT

Local Government Act 1995

#### **7.12A. Duties of local government with respect to audits**

(1) A local government is to do everything in its power to —

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- (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.*

Local Government (Financial Management) Regulations 1996  
Part 2 — General financial management — s. 6.10

CEO's duties as to financial management (1) Efficient systems and procedures are to be established by the CEO of a local government — (a) for the proper collection of all money owing to the local government; and (b) for the safe custody and security of all money collected or held by the local government; and (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and (d) to ensure proper accounting for municipal or trust — (i) revenue received or receivable; and (ii) expenses paid or payable; and (iii) assets and liabilities; and (e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and (f) for the maintenance of payroll, stock control and costing records; and (g) to assist in the preparation of

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budgets, budget reviews, accounts and reports required by the Act or these regulations.

The CEO is to — (a) ensure that the resources of the local government are effectively and efficiently managed; and (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews

POLICY IMPLICATIONS

There are no policy implications relevant to this item.

FINANCIAL IMPLICATIONS

There are no financial implications relevant to this item.

STRATEGIC IMPLICATIONS

There are no strategic implications relevant to this item.

ATTACHMENTS

Circulated with the agenda are the following items relevant to this report:

- Annual Financial Statements (Doc Id: SODR-2042075298-47862)
- Independent Audit Report (Doc Id: SODR-2042075298-47858)
- Transmittal letter from Office of Auditor General for final audit (Doc Id: SODR-2042075298-47860)
- Management Letter (Doc Id: SODR-2042075298-47857)

***(Marked 4.1)***

VOTING REQUIREMENT

Simple majority

<b>OFFICER RECOMMENDATION / AUDIT COMMITTEE DECISION</b>
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**Moved Cr Shanhun, seconded Cr Eyre**

- 1. That the Independent Audit Report and the audited financial statements for the year ended 30 June 2022 be received and the recommendation of the Auditor be noted.**
- 2. That the Officer's comments in regard to the Auditor's recommendation be noted and accepted as an adequate response.**

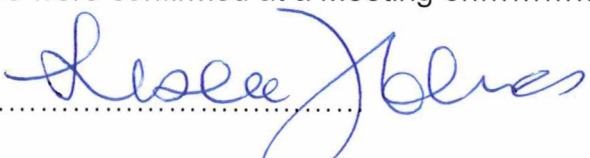
**CARRIED 4 / 0**

**5 CLOSURE OF MEETING**

The Presiding Member declared the Meeting closed at 12.38pm.

MINUTES OF AUDIT COMMITTEE MEETING HELD THURSDAY 24 NOVEMBER 2022

These Minutes were confirmed at a Meeting on... 23 February 2023

Signed..... 

Presiding Person at the Meeting at which the Minutes were confirmed

Date... 23 February 2023.....