

**Minutes of the Audit and Risk Management Advisory Committee held at
the Council Chambers, Hampton Road, Northampton, on Friday 15th
December 2023.**

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AC1. OPENING

The President Cr Sudlow welcomed attendees and thanked everyone for their attendance.

There being no elected Chairperson the President declared the meeting open at 9.03am.

AC2. PRESENT

Cr L Sudlow (President)
Cr T Hay

Mr Grant Middleton (minutes)	Executive Manager Corporate Services
Mr Andrew Campbell (observer)	Chief Executive Officer

AC3. APOLOGIES

Cr R Suckling, Cr R Burges

AC4. ELECTION OF CHAIRPERSON

Due to Council election process and subsequent new Councillor appointments to the Audit and Risk Management Advisory Committee the Chairperson position is vacant. Accordingly, the President called for nominations for the position of Chairperson.

Cr Sudlow nominated Cr Suckling for the position of Chairperson pending Cr Suckling's acceptance of the appointment.

Moved Cr Sudlow, seconded Cr Hay

That Cr Suckling be appointed to the position of Chair of the Audit and Risk Management Advisory Committee.

CARRIED 2/0

For: Cr Sudlow, Cr Hay

Against: Nil.

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AC5. QUESTION TIME

Nil

AC6. CONFIRMATION OF MINUTES

Moved Cr Hay, seconded Cr Sudlow

That the minutes of the Audit Committee Meeting held on the 17th February
2023 be received as a true and correct record.

CARRIED 2/0

For: Cr Sudlow, Cr Hay

Against: Nil.

AC7. BUSINESS ARISING FROM MINUTES

Nil

SHIRE OF NORTHAMPTON

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AC8. 2022/2023 ANNUAL FINANCIAL REPORT

PROPONENT:	Shire of Northampton
OWNER:	N/A
LOCATION / ADDRESS:	Whole of Shire
ZONE:	All
BUSINESS AREA:	Corporate and Financial Services
FILE REFERENCE:	1.1.1
LEGISLATION:	<i>Local Government Act 1995, Regulation 14 Local Government (Audit) Regulations 1996</i>
AUTHOR:	Grant Middleton
APPROVING OFFICER:	Grant Middleton
DATE OF REPORT:	11 December 2023
DECLARATION OF INTEREST:	Nil

BACKGROUND:

Formal receipt of the Annual Financial Report by the Audit and Risk Management Advisory Committee.

The Independent Auditors Report 2023 is presented below. The Audit Committee Meeting Minutes from 17th February 2023 Appendix AC8(3) and the "Annual Financial Report" have been provided under separate cover AC8(1).

COMMENT:

The President, Cr Sudlow, Cr Suckling, Chief Executive Officer, Andrew Campbell, Executive Manager Corporate Services, Grant Middleton attended the Audit Exit Meeting with Steven Hoar from the Office of Auditor General (OAG) Western Australia and Robert Hall from Dry Kirkness on Thursday 7th December 2023.

This meeting concluded the audit process and provided the opportunity for Mr Hall (Dry Kirkness) and Mr Hoar (OAG) to discuss key audit matters and audit findings with staff and the Audit and Risk Management Committee.

Members have been provided with a copy of the Annual Report 2022/2023 via Councils dropbox format.

The Annual Report is to be formally adopted by Council and once adopted an electors meeting can be held but no more than 56 days after the adoption of the report as per section 5.27 of the Local Government Act 1995.

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Independent Auditors Report

Whilst the Auditor General has issued an unqualified opinion the following matters (Audit Findings) were raised in the Management Letter (Report).

Management Report (Letter) - Audit Findings

There 2022/2023 Management Letter refers to two significant findings, ten moderate findings and three minor finding identified during the current years audit process. Of the items one significant finding, two moderate findings and one minor finding was from the prior year audit process.

The significant findings from this year's audit process relates to "Journal entries not independently approved" and "Inadequate purchasing procedures".

ATTACHMENT

**SHIRE OF NORTHAMPTON
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023
FINDINGS IDENTIFIED DURING THE AUDIT**

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Journal Entries not independently approved	No	✓			
2. Inadequate purchasing procedures	No	✓			✓
3. Timesheets not completed and reviewed	No		✓		
4. Lack of Strategic IT Plan or IT risk register	No		✓		
5. Lack of Asset Management Policy	No		✓		
6. IT service level agreements not aligned with IT and cybersecurity policies	No		✓		
7. Fair value of Land and Building Assets	No		✓		
8. Casual Employment Letters not Signed	No		✓		
9. Leave forms not completed for sick leave	No		✓		✓
10. Lack of Authorisation of PO and Invoice for Expenditure	No		✓		
11. Supplier Masterfile Amendments	No		✓		✓
12. Risk Register not maintained.	No		✓		
13. Excessive annual leave	No			✓	✓

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Journal Entries Not Independently Approved

Recommendation

To help maintain the integrity of the accounting information a senior staff member should authorise all journal entries to be processed in the system and review the correctness of posting after being processed by the preparer. The authoriser/reviewer should sign and date the journals as evidence of approval and review.

Management's Comments

The majority of the items in the sample relate to Rates Journal's which are now signed off by the EMCS or another senior staff member as appropriate.

Responsible Person: Grant Middleton - EMCS

Completion Date: Immediate

Inadequate Purchasing Procedures

Recommendation

We recommend:

- The Finance policy be communicated to all employees to ensure the required minimum number of quotations are obtained prior to purchase.
- Where there is no other supplier who can fulfill the required works, supporting evidence be obtained by way of an email by alternate suppliers asked to quote or by way of notation on the purchase order documentation; and
- That the Purchasing Policy be amended to include a preferred local supplier list with details of conditions where the requirement to obtain quotes or a purchase order up to a predetermined dollar value limit is not required for those suppliers. We further recommend that the preferred local supplier list be endorsed by the Council and reviewed annually to ensure that the Shire continues to receive value for money from the local suppliers.

Management Comment

- Purchasing Policy 2.3.6 was updated on 16/12/2022 to change the requirement for quotes.
- "No quotations required prior to purchase if expenditure is approved in Council Budget" for purchases up to \$20,000.
- The Shire has implemented a new Purchase Order system and staff have been working diligently to improve our purchasing process.

Responsible Person: Grant Middleton - EMCS

Completion Date: Immediate

All actions to address the moderate and minor findings have been provided in the "Management Comments" detailed in the Management Report (Letter).

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The information provided in Attachment AC8(2) (Audit Findings) lists the steps to be taken to resolve the identified issues.

STATUTORY ENVIRONMENT:

*Local Government Act 1995 – Regulation 14 Local Government (Audit)
Regulations 1996*

SUSTAINABILITY:

Environmental: Nil

Economic: Nil

Social: Nil

VOTING REQUIREMENTS:

SIMPLE MAJORITY

OFFICER RECOMMENDATION:

That the Audit and Risk Management Advisory Committee recommends to Council that the 2022-2023 Annual Financial Report as presented be received.

COMMITTEE RESOLUTION

MOVED: Cr Hay, SECONDED: Cr Sudlow

That the Audit and Risk Management Advisory Committee recommends to Council that the 2022-2023 Annual Financial Report as presented be received.

CARRIED: 2/0

For: Cr Sudlow, Cr Hay

Against: Nil.

ATTACHMENTS

- 1. Annual Financial Report 2022-2023**
- 2. Management Report (Letter) - Audit Findings**

APPENDICIES

- 1. Audit Committee Meeting Minutes from 17th February 2023**

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Auditor General

**INDEPENDENT AUDITOR'S REPORT
2023
Shire of Northampton**

To the Council of the Shire of Northampton

Opinion

I have audited the financial report of the Shire of Northampton (Shire) which comprises:

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity 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 2023 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, the Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2023, but not the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (CEO) of the Shire is responsible for:

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for:

- assessing the Shire's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

My independence and quality management relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Northampton for the year ended 30 June 2023 included in the annual report on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.

A handwritten signature in blue ink, appearing to read "Tim Sanya".

Tim Sanya
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
8 December 2023

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AC9. RISK MANAGEMENT COMPLIANCE CALENDAR

PROPONENT:	Shire of Northampton
OWNER:	N/A
LOCATION / ADDRESS:	Whole of Shire
ZONE:	All
BUSINESS AREA:	Corporate and Financial Services
FILE REFERENCE:	1.1.1
LEGISLATION:	Local Government (Audit) Regulations 1996
AUTHOR:	Grant Middleton
APPROVING OFFICER:	Grant Middleton
DATE OF REPORT:	11 December 2023
DECLARATION OF INTEREST:	Nil

BACKGROUND:

The Risk Management Compliance Calendar is presented to the Audit and Risk Management Advisory Committee bi-annually. The calendar lists key actions for identified risks and the planned treatment and status of the identified risks.

The “Risk Management Compliance Calendar” has been provided under separate cover.

ATTACHMENT AC9(1)

The Risk Management Compliance Calendar has been provided as a tool to help address this identified control weakness and engage the audit committee in relation to risk management, internal control and legislative compliance

According to “The appointment, function and responsibilities of Audit Committees” Local Government Operational Guidelines number 09 the Audit Committee is to consider the CEO's biennial reviews (refer Regulation 17.) of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

The review of the Compliance Calendar is undertaken by the Audit Committee upon receipt of the Interim Audit Report and in November or December when the Annual Report is received.

COMMENT:

The review of financial management, risk management, legislative compliance and internal controls helps an organisation accomplish its objectives by

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bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance.

The Audit Committee has the opportunity to question staff in relation to the risk framework and compliance calendar plus recommend any other relevant changes that can be implemented to improve governance standards.

STATUTORY ENVIRONMENT:

Local Government (Audit) Regulations 1996

17. CEO to review certain systems and procedures

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

- (a) risk management; and (b) internal control; and
- (c) legislative compliance.

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.

SUSTAINABILITY:

Environmental: Nil

Economic: Nil

Social: Nil

VOTING REQUIREMENTS:

SIMPLE MAJORITY

OFFICER RECOMMENDATION:

That the Audit and Risk Management Advisory Committee recommends that Council receive the Risk Management Compliance Calendar as presented.

COMMITTEE RESOLUTION

MOVED: Cr Sudlow, SECONDED: Cr Hay

That the Audit and Risk Management Advisory Committee recommends that Council receive the Risk Management Compliance Calendar as presented.

CARRIED: 2/0

For: Cr Sudlow, Cr Hay.

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Against: Nil.

ATTACHMENTS

1. Risk Management Compliance Calendar

APPENDICES

1. Nil

AC10. CLOSURE

There being no further business, the President thanked all present for their attendance and declared the meeting closed at 9.38am.