



27 JUNE 2023

**AUDIT & RISK COMMITTEE
MEETING**

MINUTES

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1. OPENING

The Chairperson declared the meeting open at 9:00am in Council Chambers.

2. ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE

2.1 Committee Members

Cr MH Norman	Chairperson
Cr DC White	President
Cr CJ Lawlor	Deputy President

2.2 Councillors Present

Cr PJ Gogol
Cr JR Maxwell

2.3 Staff In Attendance

Mr SP Gollan	Chief Executive Officer
Mr SK Marshall	Deputy Chief Executive Officer
Mrs A Lewis	Executive Assistant

2.4 Observers And Visitors

Mr M Salahat	Assistant Director, OAG, via Teams (Item 5.1)
Mr T Partridge	Director, AMD Chartered Accountants, via Teams (Item 5.1)

2.5 Apologies and Approved Leave of Absence

Cr SW Martin

3. DECLARATIONS OF INTEREST

Nil

4. CONFIRMATION OF MINUTES

4.1 Minutes Audit and Risk Committee Meeting 14 February 2023

OFFICER'S RECOMMENDATION & COMMITTEE RESOLUTION

MAA1/0623

Moved Cr White

Seconded Cr Lawlor

That the Minutes of the Audit and Risk Committee Meeting held 14 February 2023 be confirmed.

CARRIED 3/0

5. REPORTS

5.1 AMD and OAG Entrance Meeting

The Audit Committee, OAG and AMD reviewed the Audit Planning Summary with focus on Fair Value Reporting.

At the end of the summary and prior to item 5.2, Mr Salahat and Mr Partridge left the meeting and did not return.

AUDIT PLANNING SUMMARY

SHIRE OF BEVERLEY

Year ended 30 June 2023

AMD Chartered Accountants on behalf of
Office of the Auditor General for Western
Australia



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1. Purpose of the Audit Planning Summary

The purpose of this Audit Planning Summary is to provide the Shire of Beverley Audit and Risk Committee and Executive Management our proposed approach to the audit of the financial report of the Shire of Beverley for the year ending 30 June 2023.

This Audit Planning Summary will be discussed during the meeting scheduled for **XXXX 2023** and ensures our responsibility to communicate with those charged with governance are satisfied.

Specifically, this Audit Planning Summary includes:

- Introduction
- Terms of Engagement and Appointment
- Our Audit Approach
- Significant Risks and Other Audit Issues
- Audit Emphasis and Significant Account Balances
- Management Representation Letter
- Related Entities
- Reporting Protocols
- Proposed Audit Schedule
- Audit Evidence - Specific Audit Requirements
- Your Audit Team

If there are any matters in the Summary that you would like clarified, please do not hesitate to contact us.

There may be areas where you would like us to increase the audit focus. We would be pleased to discuss these to determine the most efficient and effective approach to performing the Shire of Beverley's audit requirements.

2. Introduction

2.1 Background and General Information

Beverley is a vibrant rural community with a population of 1700. Located in the western central Wheatbelt region of Western Australia, Beverley is less than 140km east of Perth. The Shire is home of a highly productive broad acre farming industry with a smaller diversified agricultural base, such as perennial horticulture, also finding a home here.

First permanently settled by Europeans in the second half of the 19th Century, Beverley has a long and proud history. This pride prevails today as one of only a few rural communities in the state that is growing.

Located on the banks of the famous Avon River, the town of Beverley is an attractive place to visit and live in. All services and facilities expected of a progressive community are available, including high quality educational and medical establishments.

Individual Councillors, including the President, cannot make decisions as individuals. The Council itself does not have any delivery or executive functions, but rather relies on the decisions of the majority of the group which provide direction for the Chief Executive Officer to implement.

The Local Government Act defines the roles of Council and the Councilor's as follows:

Role of Council

1. direct and control the Local Government's affairs and functions;
2. oversee the allocation of the Local Government's finances and resources;
3. determine the Local Government's policies; and
4. ensure that there is an appropriate structure for administering the Local Government.

2.2 Shire Council and Executive Management

The Shire of Beverley Council consists of:

President	David White
Deputy President	Chris Lawlor
Councillor	Don Davis
Councillor	Peter Gogol
Councillor	John Maxwell
Councillor	Sue Martin
Councillor	Matt Norman
Councillor	Alan Sattler
Councillor	Tim Seed

The Shire Executive Management consists of:

Chief Executive Office ("CEO")	Stephen Gollan
Deputy Chief Executive Office ("DCEO")	Simon Marshall
Manager of Works	Steve Vincent

2.3 Governance and Roles and Responsibilities

As one of Australia's three spheres of government (Federal, State, Local), Local Government is the sphere that most closely affects the daily lives of members of the local community.

The roles and responsibilities of Local Government generally include:

- infrastructure and property services, including local roads, bridges, footpaths, drainage, waste collection and management;
- provision of recreation facilities, such as parks, sports fields and stadiums, golf courses, swimming pools, sport centres, halls, camping grounds and caravan parks;
- health services such as water and food inspection, toilet facilities, noise control and meat inspection and animal control;
- community services, such as child-care, aged care and accommodation, community care and welfare services;
- building services, including inspections, licensing, certification and enforcement;
- planning and development approval;
- administration of facilities, such as airports and aerodromes, ports and marinas, cemeteries, parking facilities and street parking;
- cultural facilities and services, such as libraries, art galleries and museums; and
- water and sewerage services in some states.

Local Government revenue comes from three main sources:

- rates;
- fees and charges; and
- grants from Federal and State/Territory Governments.

The Shire of Beverley is governed by an independent Council. Councillors are elected by the ratepayers.

The Shire of Beverley Council appoints a CEO to ensure resources are effectively and efficiently managed. Council may delegate to the CEO the exercise of any of its powers or the discharge of any of its duties under the Local Government Act 1995.

2.4 Financial Report and Regulation

The Shire of Beverley's annual financial report is general purpose financial statements prepared in accordance with the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Applicable financial reporting regulations the Shire of Beverley must comply with includes:

- Local Government Act 1995 ("the Act");
- Local Government (Financial Management) Regulations 1996 ("the Regulations"); and
- Local Government (Audit) Regulations 1996.

The Auditor General's audit report will be prepared in accordance with the Act, Regulations and Australian Auditing Standards and include the audit opinion on the annual financial report. The Auditor General's audit report will also report:

- Whether all required information and explanations are obtained during the audit; and
- Whether all audit procedures are satisfactorily completed.

The Shire of Beverley is required to publish the auditor's report with the annual financial report on its website. If the Auditor General reports other significant matters to the Shire of Beverley, then the Shire will be required to report to the Minister action taken with respect to those matters.

3. Terms of Engagement and Appointment

3.1 Auditor General

Following proclamation of the Local Government Amendment (Auditing) Act 2017, the Auditor General becomes responsible for the annual financial report audit of Western Australian Local Governments.

3.2 Contractor Appointment – AMD Chartered Accountants (“AMD”)

AMD has been contracted by the Auditor General to perform the Shire of Beverley financial report audit on the Auditor General's behalf for the year ending 30 June 2023. The OAG and AMD have signed a contractor agreement which outlines the relationships between the OAG, Shire and AMD.

Our audit procedures will be conducted under the direction of the Auditor General, who will retain responsibility for forming the audit opinion and issuing the audit report to the Shire of Beverley. The 30 June 2023 audit approach and methodology is outlined within section 4.0 below.

AMD is required to report any matter to the Auditor General which may affect the Auditor General's responsibilities under the Auditor General Act 2006. AMD's reporting requirements as outlined within the contractor agreement are outlined within section 9 of this Audit Planning Summary, Reporting Protocols.

3.3 Conflicts of Interest

We confirm we have completed our independence evaluation and are satisfied we do not have any actual or perceived conflicts of interest in completing the annual audit of the Shire of Beverley on behalf of the Auditor General.

4. Our Audit Approach

4.1 Audit Approach Steps

Our audit approach comprises five steps:



4.2 Audit Approach and Methodology

Our audit approach is designed to specifically focus audit attention on the key areas of risk faced by the Shire of Beverley in reporting on finances and performance.

As part of our audit approach, we have conducted an initial financial report risk assessment to determine whether any of the risks identified are, in our judgement, high risks. A high risk is an assessed risk of material misstatement in the financial report that in our judgement is a key audit area and therefore requires special audit consideration.

Our assessment of key audit areas is based on:

- Discussions held with the Executive Management team;
- The complexity of transactions within each audit area;
- The degree of subjectivity in the measurement of financial information related to the risk, in particular those requiring significant accounting estimates and assumptions; and
- The degree of susceptibility to fraud risk.

Testing of high risk material balances follows a hierarchy approach commencing with tests of controls, substantive analytical review procedures and finally tests of details. Testing of low risk material balances is coordinated with the auditing of high risk material balances.

Our audit will be separated into two components, the interim audit and the final audit.

The interim audit includes:

- understanding the Shire of Beverley's current business practices;
- assessment and response to engagement risk, entity risk and system risk;
- understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively;
- testing transactions to confirm the accuracy and completeness of processing accounting transactions;
- clarifying significant accounting issues, including accounting estimates and fair value considerations before the annual financial report is prepared for audit;
- review and assess legislative compliance;
- review and assess contingent liabilities;
- review and assess progress with respect to the introduction of applicable new Accounting Standards; and
- follow up prior year management letter comments and recommendations.

The final audit focuses on verifying the annual financial report and associated notes, and includes:

- verifying material account balances using a combination of substantive analytical procedures, tests of details, substantiation to subsidiary records and confirmation with external parties; and
- reviewing the annual financial report and notes for compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

It is important to note that:

- The Council and the CEO are responsible for keeping proper accounts and records, maintaining effective internal controls, preparing the annual financial report, and complying with the Local Government Act and Regulations, and other legislative requirements.
- An audit does not guarantee that every amount and disclosure in the annual financial report is free from error. Also, an audit does not examine all evidence and every transaction. However, our audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the annual financial report.
- The Council and CEO are responsible for ensuring the accuracy and fair presentation of all information in its annual report, and that it is consistent with the audited annual financial report. The OAG does not provide assurance over your annual report.
- The Council and the CEO have responsibility for maintaining internal controls that prevent or detect fraud or error and to ensure regulatory compliance. The Audit Committee and AMD/the OAG should be informed by management of any fraud or material errors. During the audit we will make inquiries with management about their process for identifying and responding to the risks of fraud, including management override. It should be noted that our audit is not designed to detect fraud, however should instances of fraud come to our attention, and we will report them to you.

4.3 Australian Auditing Standards

Our audit is conducted in accordance with Australian Auditing Standards. Our aim is to provide reasonable assurance whether the annual financial report is free of material misstatement, whether due to fraud or error. We perform audit procedures to assess whether, in all material respects, the annual financial report is presented fairly in accordance with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

The nature of the audit is influenced by factors such as:

- the use of professional judgement;
- selective testing;
- the inherent limitations of internal controls; and
- the availability of persuasive rather than conclusive evidence.

As a result, an audit cannot guarantee that all material misstatements will be detected. We examine, on a test basis, information to provide evidence supporting the amounts and disclosures in the annual financial report, and assess the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by management.

4.4 Materiality

The scope of our audit also applies materiality. The planning materiality level will be calculated and determined using AMD's audit methodology. The amount of materiality may be adjusted during the audit, depending on the results of our audit procedures.

4.5 Fraud Risk

In accordance with *ASA240 The Auditor's Responsibility Relating to Fraud in the Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial report as a result of fraud or error.

Council and management of the Shire of Beverley is responsible for the prevention and detection of fraud and error. The Shire is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial report.

We will request management complete a self assessment fraud control questionnaire. This allows us to make inquiries of management, to obtain an understanding of the risk of fraud within the Shire and to determine whether management have knowledge of fraud activities. We will review the fraud control questionnaire assessment.

In addition we will review the Shire's fraud prevention control procedures, review significant or unusual transactions, review accounting estimates and key assumptions and review year end accounting adjustments.

4.6 Meetings

4.6.1 Entrance Meeting

The entrance meeting will discuss this Audit Planning Summary and be held with the Audit and Risk Committee (or where impractical for the Audit and Risk Committee, a representative from Council), CEO, DCEO, OAG Director and AMD.

4.6.2 Interim Audit Findings

The interim audit findings will be discussed with management by the audit team at the completion of the interim audit. Draft management letters will be provided to the Shire's CEO for coordination of comments from appropriate members of your management.

4.6.3 Final audit close out meeting

The final audit findings will be discussed with management by the audit team at the completion of the final audit.

4.6.4 Exit meeting

The exit meeting will discuss the financial report, proposed audit report to be issued and the management letter. This meeting will be held with the Audit and Risk Committee (or where impractical for the Audit and Risk Committee, a representative from Council), CEO, DCEO, OAG Director and AMD.

5. Significant Risks and Other Audit Issues

Through discussions with the Executive Management team and based on the 2021/2022 audit, we have identified the following issues and key areas of risk affecting the audit.

Details of Risk / Issue	Audit Approach
<p>Audit findings reported in the previous audit</p>	<p>We will follow-up on the resolution of issues reported in last year's audit.</p>
<p>We have identified the following areas that we consider require additional focus during 2022/2023 Local Government Audits:</p> <ul style="list-style-type: none"> • Fair value assessment of land, buildings and infrastructure assets in accordance with <i>AASB 13 Fair Value Measurement and Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996</i>. Including assessment of management's process to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of assets (regardless of whether revaluation cycle as per the Regulations is due). Note: All infrastructure asset classes were last revalued in 2018 and therefore are due for revaluation as per the Regulations. • Purchasing processes and documented evidence relating to obtaining quotations and tenders. • Revenue recognition including the application of <i>AASB 15 Revenue from Contracts with Customers</i> and <i>AASB 1058 Income of Not-for-profit Entities</i>. Assessment of the correlating contract asset or liability recorded. • Identification and recording of leases in accordance with <i>AASB 16 Leases</i>, including commercial leases recognising ROU asset and corresponding liability and concessionary leases recorded at zero. • Assessment of Long Service Leave for casual employees. • General accounting journals ensuring adequately supported and independently reviewed. • Related party disclosures. • Contingent Liabilities, including waste facility and contaminated sites. • Joint arrangements (joint operations, joint ventures) and investment in associates. Ensure consideration has been given to correct accounting treatment for arrangements in place. 	<p>We will review the accounting treatment and disclosure processes during our interim and final audits. We will ensure the disclosures in the annual financial report are appropriate and comply with the requirements of the Australian accounting standards.</p> <p>For asset revaluation, we will obtain the external (or management) valuation report and review the appropriateness of the main assumptions, valuation techniques and unobservable inputs used. Where valuation is performed internally, we ask that the Shire consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.</p>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> • Provision for annual and long service leave • Fair value of assets • Impairment of assets 	<p>We will review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations. Audit procedures will address potential management bias in</p>

Details of Risk / Issue	Audit Approach
	<p>accounting estimates, the assessment of inherent risk factors and applying professional scepticism to estimates included within balances.</p>
<p>Identifying and Assessing the Risks of Material Misstatement</p>	<p>As required by changes to Australian Auditing Standard <i>ASA315 Identifying and Assessing the Risks of Material Misstatement</i> (revised standard effective for the first time for the year ended 30 June 2023), we will devote greater attention to:</p> <ul style="list-style-type: none"> • Identification of significant risks in practice; • Obtaining an understanding of the system of internal control; and • Assessment of IT risks. <p>We will review the method and underlying data that management and where applicable third parties use when determining risks associated with internal controls, IT risks and risk of material misstatement of the financial report. This will include considering the reasonableness of internal Shire risks framework documents, documented policies and procedures relating to financial internal controls and documented IT policies and procedures.</p> <p>Audit procedures will address significant risk relating to misstatement, the assessment of inherent risk factors, and the assessment of control risk factors, the assessment of IT risks and applying professional scepticism to the nature and extent of risks of material misstatement.</p>
<p>Local Government Reforms</p> <ul style="list-style-type: none"> • New standardised templates are expected to be established for local government financial statements for 2022-23. The template for smaller (band 3 and 4) local governments is expected to have more streamlined standard financial statements, reflecting the generally less complex operations of smaller local governments. 	<p>We will monitor the progress with respect to the current Local Government Act reforms, including the potential impact these reforms may have on financial reporting and the presentation of the 30 June 2023 financial statements.</p>

6. Audit Emphasis and Significant Account Balances

Our audit approach involves assessing the Shire of Beverley's overall control environment and understanding key business processes/cycles and internal controls relevant to the audit.

We will test key controls for all significant business cycles. The level of testing will be dependent on our assessment of the risk in each business cycle. We plan to address the following cycles:

- Revenue and Receivables cycle;
- Expenditure and Payable cycle;
- Payroll and Employee Entitlements cycle;
- Cash and Financing cycle;
- Inventory cycle; and
- Fixed assets cycle (Property, Plant, Equipment and Infrastructure).

The extent of our reliance on controls, together with the materiality level, determines the nature and extent of our audit procedures to verify individual account balances.

The table below lists those items in the Statement of Financial Position and the Statement of Comprehensive Income that are significant account balances, and our planned audit approach for these balances. When selecting significant account balances, we consider materiality, the nature of the balance, inherent risk and the sensitivity of disclosures.

Significant Account	2022 Audited Balance \$'000	Audit Approach
Statement of Financial Position		
Cash and cash equivalents	5,732	<ul style="list-style-type: none"> • Review and assess effectiveness of internal controls. • Perform walkthroughs of the cash cycle. • Review bank reconciliations. • Review transfers between bank accounts. • Verify large or unusual reconciling items. • Verify year end bank balance through bank confirmations. • Verify classifications including restricted / unrestricted; trust vs municipal and financial assets. • Analytical review.
Financial Assets, including Self Supporting Loans	58	<ul style="list-style-type: none"> • Review and assess effectiveness of internal controls. • Perform walkthroughs of the financial assets cycle. • Review investment reconciliations. • Verify year end investment balances, including Local Government House investment through external confirmations (where applicable). • Review internal controls, self-supporting loan debtor invoicing and reconciliations. • Analytical review.
Receivables including rates	588	<ul style="list-style-type: none"> • Review and assess effectiveness of internal controls. • Perform walkthroughs of the revenue and receivable cycle. • Perform cut-off testing and review credit notes.

Significant Account	2022 Audited Balance \$'000	Audit Approach
		<ul style="list-style-type: none"> Review subsequent receipts. Review expected credit loss assessment ensuring compliant with AASB9. Analytical review.
Inventories	19	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Perform walkthroughs of the inventory cycle. Review of stock listings. Verification of units costs. Consider obsolete and slow moving inventories.
Contract Assets	540	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Perform walkthroughs of the revenue and receivable cycle. Verification of contract asset calculation, ensuring requirements of AASB15 are met. Review of evidence to support when a performance obligation has been satisfied in accordance with the applicable Contract / Agreement to verify calculations.
Right to use assets and corresponding lease liability	(14)	<ul style="list-style-type: none"> Review of internal controls, including the means utilised to identify and record leased asset arrangements. Verify leased assets transaction calculations and test on a sample basis. Ensure vested improvements appropriately recorded. Analytical review. Ensure compliance with AASB16.
Property, plant, equipment and infrastructure	96,132	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls, including internal control testing with respect to the Shire's processes for determining inputs into fair value. Perform walkthroughs of the fixed assets cycle. Analyse year end balances for each major class of asset comparing to last year. Perform sample testing on asset additions and disposals. Review management's impairment assessment at year end. Test items posted to construction in progress to assess appropriateness of expenses being capitalised. Review accounting treatment for repairs and maintenance costs to determine correct classification. Ensure assets less than \$5,000 are expensed as required. Assess and perform tests to determine whether carrying amounts approximate fair value. Review of management's assessment of fair value. Where relevant, confirm balances to independent valuation reports and test key assumptions in determining fair value. Ensure revaluation increments / decrements are correctly applied. Ensure vested land and restricted use assets recorded in accordance with AASB13 take into account externally imposed restrictions. Review developer contributions to ensure correctly recorded and

Significant Account	2022 Audited Balance \$'000	Audit Approach
		disclosed.
Payables	1,474	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Perform walkthroughs of the purchasing and payables cycle. Test for unrecorded liabilities and review subsequent payments post year end. Test and review material accrual balances. Verification of accrued expenses. Perform cut-off testing. Ensure prepaid rates are correctly classified as a liability in accordance with AASB1058. Analytical review.
Contract Liabilities	334	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Verification of contract liability calculation, ensuring requirements of AASB15 are met. Review of evidence to support when a payment is due or already received before the related performance obligation has been satisfied in accordance with the applicable Contract / Agreement.
Borrowings	2,257	<ul style="list-style-type: none"> Review and assess effectiveness of internal controls. Agree amounts to WATC confirmation. Verification of classification between current and non-current. Agree bank facilities to confirmation.
Provisions	474	<ul style="list-style-type: none"> Review internal controls and employee provision reconciliations. Review the reasonableness of assumptions and calculations. Ensure calculations in accordance with AASB119. Test a sample of leave balances to ensure correct. Analytical review.
Equity (Total)	98,517	<ul style="list-style-type: none"> Review internal controls. Sample test reserve movements to supporting documentation including cash reserves and asset revaluation reserves. Analytical review.
Statement of Comprehensive Income		
Operating and non-operating grants, subsidies and contributions	5,171	<ul style="list-style-type: none"> Review of key processes and controls. Perform walkthroughs of the revenue cycle relating to grants, subsidies and contributions. Sample testing of transactions, including grant agreements. Perform cut-off testing. Review and test disclosures relating to unspent grants at year end, ensuring treated correctly in accordance with relevant Australian Accounting Standard. Sample testing of non-cash contributions. Analytical review.
Rates	2,933	<ul style="list-style-type: none"> Review of key processes and controls. Perform walkthroughs of the revenue cycle relating to rates. Sample testing of transactions. Perform cut-off testing.

Significant Account	2022 Audited Balance \$'000	Audit Approach
		<ul style="list-style-type: none"> Analytical review.
Fees and charges	812	<ul style="list-style-type: none"> Review of key processes and controls. Perform walkthroughs of the revenue cycle relating to fees and charges. Sample testing of transactions. Perform cut-off testing and review credit notes. Assessment of requirements to conduct site visits to facilities operated where fees and charges are applied. Analytical review.
Other revenue, including interest earnings and profit on sale of asset	569	<ul style="list-style-type: none"> Review of key processes/controls. Perform walkthroughs of the revenue cycle relating to other revenue. Sample testing of transactions. Perform cut-off testing. Review credit notes. Analytical review.
Employee related expenses	2,188	<ul style="list-style-type: none"> Review of key processes and controls. Perform walkthroughs of the payroll cycle. Sample testing of transactions. Verify wages reconciliation. Analytical review.
Materials and contracts Utilities Insurance	1,939	<ul style="list-style-type: none"> Review of key processes and controls. Perform walkthroughs of the purchasing and payments cycle. Sample resting of transactions. Analytical review.
Depreciation and Amortisation	2,379	<ul style="list-style-type: none"> Review of management's assessment of the useful lives of assets and assess reasonableness. Verify depreciation expenses to valuation reports (where applicable). Perform re-calculation tests. Analytical review.
Other expenses, including interest expense	199	<ul style="list-style-type: none"> Review of key processes/controls Perform walkthroughs of the purchasing and payments cycle. Sample testing of transactions. Agree interest expense to WATC confirmation. Review listing of other expenses to identify large or unusual accounts and test accordingly. Analytical review.

The table below lists those significant financial statement disclosures or other auditable areas and our planned audit approach for these disclosures. When selecting significant disclosures, we consider materiality, the nature of the item, inherent risk and the sensitivity of disclosures.

Statement, Auditable Area and / or Disclosures	Audit Approach
Statement of Cash Flows and Cash Flow Reconciliation Note	<ul style="list-style-type: none"> • Review and assess effectiveness of internal controls. • Review Statement of Cash Flows and reconciliation note calculations. • Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.
Legislative Compliance	<ul style="list-style-type: none"> • Ensure Shire of Beverley's financial management policies and procedures are compliant with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Accounting Standards. • Assess Shire of Beverley's compliance with internal policy and procedures throughout the year, identify any instances of non-compliance which also resulted in legislative requirements not being met. • Review draft annual financial statements to ensure compliance with Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.
Contingent Liabilities	<ul style="list-style-type: none"> • Review of internal controls. • Enquiries of management. • Assess Council's disclosures of obligations under the Contaminated Sites Act 2003. • Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996. • Determine if any contingent liabilities relating to waste facilities, contaminated sites or aluminium composite panelling.
Capital and Leasing Commitments	<ul style="list-style-type: none"> • Review and assess effectiveness of internal controls. • Enquiries of management. • Verify disclosures to supporting calculations and documentation. • Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.
Related Party Transactions, including elected member remuneration, key management personnel compensation and transactions with related parties	<ul style="list-style-type: none"> • Review and assess effectiveness of internal controls. • Enquiries of management. • Obtain an understanding of the means utilised to identify related parties and record related party transactions. • Verify elected members remuneration calculations and test on a sample basis. Analytical review. • Verify key management personnel compensation calculations and test on a sample basis. Ensure KMP classifications correct. • Assess related party transactions terms and associated fraud risks. • Ensure completeness of disclosures. • Identify any related parties with dominant influence. • Ensure related party disclosures comply with AASB124.
Financial Risk Management	<ul style="list-style-type: none"> • Review and assess effectiveness of internal controls. • Review financial risk management note and reconciliation calculations. • Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.

Statement, Auditable Area and / or Disclosures	Audit Approach
Internal Control and Risk Management	<ul style="list-style-type: none"> Assess control environment including segregation of duties and level of independent review / checks in place. Ensure Council have established and maintained a risk management framework that is appropriate. Assess how management place a strong emphasis on the design, implementation and maintenance of internal control to prevent and detect fraud. Assess classes of transactions and account balances which are more susceptible to fraud and test accordingly.
Fraud	<ul style="list-style-type: none"> Assess control environment including segregation of duties and level of independent review / checks in place. Assess how management place a strong emphasis on fraud prevention and deterrence. Review reporting mechanisms to those charged with governance. Assess classes of transactions and account balances which are more susceptible to fraud and test accordingly. Review of unusual transactions, in particular near balance date which may have a significant effect on the result.
IT	<ul style="list-style-type: none"> Obtain an understanding of the IT general control environment. Perform tests to assess the effectiveness of IT general controls over the IT system, including both physical and logical access of the users, change management process and audit trail / transaction log.
Accounting General Journals	<ul style="list-style-type: none"> Assess control environment in respect to accounting general journal entry and level of independent review / checks in place. Sample testing of accounting general journals. Assess classes of transactions and account balances which are more susceptible to fraud and test any large or unusual accounting general journals accordingly. Review of unusual accounting general journals, in particular near balance date which may manipulate the result.
Accounting Estimates	<ul style="list-style-type: none"> Assess control environment in respect to accounting estimates and level of consultation / independent review / checks in place. Sample testing of application accounting estimates, ensuring significant assumptions used in making accounting estimates are reasonable. Assess classes of transactions and account balances which are more susceptible to fraud and test any large or unusual accounting estimates accordingly. Review of unusual accounting estimates, in particular those recorded or changed near balance date which may manipulate the result. Ensure accounting estimates disclosures comply with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.

7. Management Representation Letter

The above audit procedures assume that management expects to be in a position to sign a management representation letter. The proposed letter for this purpose is attached. This letter should be reviewed and tailored to meet your local government's particular circumstances, and be signed and dated by the CEO and DCEO as close as practicable to the date of the proposed auditor's report. Ordinarily, this would be no longer than five working days prior to the issue of the auditor's report.

Please bring to the attention of the President that we will also be relying on the signed Statement by CEO in the annual financial report as evidence that they confirm:

- they have fulfilled their responsibility for the preparation of the annual financial report in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards
- they have provided us with all relevant information necessary or requested for the purpose of the audit
- all transactions have been recorded and are reflected in the annual financial report.

8. Related Entities

Section 7.12AL of the *Local Government Act 1995* applies section 17 of the *Auditor General Act 2006* to a local government. Section 17 requires a local government to advise the Auditor General in writing of details of all related entities that are in existence.

9. Reporting Protocols

9.1 AMD Reporting Requirements

AMD is to provide a report to the Auditor General to enable the Auditor General to:

- form the audit opinion with respect to the Shire of Beverley's annual financial report;
- report any findings, significant control weaknesses and any other relevant matters arising from our audit procedures; and

AMD will be required to form an opinion and report to the Auditor General whether the Shire of Beverley's financial statements:

- are based on proper accounts and records; and
- fairly represents, in all material respects, the results of the operations of the Shire of Beverley and its financial position for the years covered by the contract in accordance with the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

9.2 Management Letter

Significant issues identified during the course of our audit procedures will be discussed with relevant staff and management as soon as possible after being identified. Draft management letters will be provided to the CEO (or other nominated representative) for coordination of comments from appropriate members of your management. We request that these be returned promptly, preferably within 5 working days.

At the conclusion of the audit, the abovementioned management letter will accompany the auditor's report and the audited annual financial report forwarded to the President, the CEO and the Minister for Local Government. The management letter is intended to communicate issues arising from the audit that may impact on internal control, compliance, and financial reporting.

Where considered appropriate, and to ensure timely reporting of audit findings and action by management, interim management letters may be issued to the CEO and the President. A copy will also be forwarded to the Minister when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Specific matters resulting from issues identified during the audit may be reported in an Auditor General's Report to Parliament. Should this occur, you will be consulted in advance to assure the context and facts of the issue are adequately represented.

9.3 OAG Contract Reporting Requirements

As OAG contractors we are required to report to the OAG as follows:

1. Complete Interim planning audit;
2. Prepare and provide OAG representative with interim audit findings and prepare interim management letter (if required);
3. Complete post 30 June year end audit;
4. Obtain signed Management Representation Letter from Shire of Beverley;
5. Prepare and provide OAG Representative with Signing Review Memo (SRM), Data Collection Sheet, Best Practice Entity Assessment Form, Draft Management Letter, Draft Financial Report and Signed Management Representation Letter; and
6. Provide OAG Representative with access to audit workpapers.

10. Proposed Audit Schedule

	Date
Planning and issue of Interim Audit Checklist by AMD	22 March 2023
Entrance Meeting (Shire, OAG & AMD)	XXX 2023
Onsite Interim Audit by AMD	1 to 3 May 2023
AMD provide OAG clearance for Interim Audit Review including draft Interim Management Letter	26 May 2023
Interim Management Letter to be issued by OAG (if required)	30 June 2023
Issue of Year End Audit Checklist by AMD (week ending)	18 June 2023
Final Trial Balance to be provided to AMD by the Shire	8 September 2023
Draft Annual Financial Report to be provided to AMD by the Shire	8 September 2023
Final Audit by AMD	18 to 20 September 2023
AMD provide OAG clearance for Audit File Review including all applicable Contractor deliverables / reports	6 October 2023
OAG complete Final Audit Review	20 October 2023
AMD issue exit meeting agenda and associated reports (Management Representation Letter, draft Management Letter and draft Audit Report)	25 October 2023
Exit Meeting (week ending)	To be scheduled dependent on above
AMD to provide the signed AMD Audit Report, stamped FS, signed SRM, final Management Letter and signed Representation Letter to OAG	Within 2 days of Exit Meeting
OAG to issue signed audit report and Management Letter to the Shire.	Within 5 days of Exit Meeting
<u>Roads to Recovery and LRCI Certifications</u>	
Draft reports and supporting workpapers to be provided by the Shire	4 September 2023
AMD provide OAG clearance for Certification workpaper review	9 October 2023
OAG to review and issue opinion	20 October 2023

The above proposed audit schedule is subject to change depending on individual circumstances.

11. Audit Evidence – Specific Audit Requirements

We will discuss our requirements with your staff to facilitate a timely, efficient and effective audit. We will formally agree our information requirements and timeframes for the final audit with the CEO using our Audit Checklists.

We will issue an Interim Audit Checklist and Year-End Audit Checklist in advance of each audit visit. The checklists are intended to help Shire of Beverley staff to have various documents readily available when we perform our audit.

As the information requests contained within the Audit Checklists will form an important component of our audit working papers, the information must be made available to AMD on the dates specified. This will assist us in delivering an efficient audit and minimising interruptions to Shire staff.

Where information has not been made available to us one week prior to the interim visit or one week prior to our final visit (including draft annual financial report), we anticipate additional audit time may be incurred resulting in additional fees being charged.

12. Your Audit Team

	Name	Contact
Contractor – AMD Chartered Accountants		
Director	Maria Cavallo	(08) 9780 7555 maria.cavallo@amdonline.com.au
Alternate Director	Tim Partridge	(08) 9780 7555 tim.partridge@amdonline.com.au
Audit Manager/Team Leader	Chelsea Gardiner	(08) 9780 7555 chelsea.gardiner@amdonline.com.au
Auditor	Tanya Smallegange	(08) 9780 7555 tanya.smallegange@amdonline.com.au
Audit Co-ordinator	Melissa Damiani	(08) 9780 7555 melissa.damiani@amdonline.com.au
Office of the Auditor General		
Auditor General	Caroline Spencer	(08) 6557 7500
OAG Representative Director	Mahmoud Salahat	(08) 6557 7581 mahmoud.salahat@audit.wa.gov.au

5.2 2022 Financial Management Systems and Procedures Review

Submission To:	Audit & Risk Committee Meeting 27 June 2023
Report Date:	9 June 2023
Applicant:	Shire of Beverley
File Reference:	ADM 0291
Author and Position:	Simon Marshall, Deputy Chief Executive Officer
Previously Before Council:	No
Disclosure(s) Of Interest:	Nil
Attachments:	2022 Financial Management Systems Review

SUMMARY

Council to receive the 2022 Financial Management Systems and Procedures Review as prepared by AMD Chartered Accountants.

BACKGROUND

The Chief Executive Officer is required to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government not less than every three financial years and report to Council the results of those reviews. The last review was undertaken by AMD Chartered Accountants in December 2019.

COMMENT

To comply with the requirements of the Regulations, AMD Chartered Accountants was commissioned to undertake the review again and report on Council's financial management systems and procedures in March 2023.

The financial management review provides the Chief Executive Officer and the Council with an independent assessment of the appropriateness and effectiveness of the Shire's financial management systems.

The review procedures undertaken included documentation, analysis and testing of financial internal controls. The Shire's financial records were examined to ascertain the level of effectiveness of the financial systems including the following: -

- Collection of money;
- Custody and security of money;
- Maintenance and security of financial records;
- Accounting for municipal or trust transactions;
- Authorisation for incurring liabilities and making payments;
- Maintenance of payroll, stock control and costing records; and
- Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations.

A summary of the Review's findings are as follows:



The following tables provide a summary of the findings raised in this report:

	Significant Risk	Moderate Risk	Minor Risk
Number of new issues reported	0	3	3

For details on the review rating criteria, please refer to Section 9.

Ref	Issue	Risk Rating
2. Collection of money		
We have no findings to raise in respect to the collection of money.		
3. Custody and security of money		
3.2.1	Daily Banking An isolated instance identified from sample testing where daily takings were deposited in excess of a week from receipt.	Minor
4. Maintenance and security of financial records		
4.2.2	Key Security and Register No documented procedure in respect to access of motor vehicle machinery and building keys at the Depot. Key cabinet at the Shire Depot was unlocked during the onsite visit. Currently no key register is maintained at the Shire Depot. Key cabinet at the Admin Office remains unlocked throughout the day.	Moderate
5. Accounting for municipal or trust transactions		
5.2.1	Monthly Reconciliations Month end reconciliations were not consistently signed as evidence of independent review each month.	Minor
6. Authorisation for incurring liabilities and making payments		
6.2.1	Post Tender Performance Evaluation No formal post tender / service contract performance evaluation process for major contracts and services.	Moderate
7. Maintenance of payroll, stock control and costing records		
7.2.1	Staff Performance Review frequency Inquiries indicated staff performance reviews are not performed for works team members, other than gardening staff.	Moderate
7.2.3	Employee Code of Conduct Employee Code of Conduct not reviewed by the stated review date.	Minor
8. Preparation of budget, budget reviews, accounts and reports required by Regulations		
We have no findings to raise in respect to the collection of money.		

Management's comments relating to the Review's findings are included in the full report (attached under separate cover).

STATUTORY ENVIRONMENT

Local Government Act 1995, Section 6.10, Financial Management Regulations
Regulations may provide for —

- (a) The security and banking of money received by a local government; and
- (b) The keeping of financial records by a local government; and
- (c) The management by a local government of its assets, liabilities and revenue; and
- (d) The general management of, and the authorisation of payments out of —
 - (i) The municipal fund; and
 - (ii) The trust fund,
of a local government.

Local Government (Financial Management) Regulations 1996

Section 5 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 budgets, budget reviews, accounts and reports required by the Act or these regulations.

- (2) 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.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Strategic Community Plan

Goal 12 – Council leads the organisation and engages with community in an accountable and professional manner.

POLICY IMPLICATIONS

Nil

RISK IMPLICATIONS

It is a requirement of the *Local Government (Financial Management) Regulations 1996* that the CEO ensures efficient systems and procedures are place and that resources are effectively managed and reported on every three years. This report mitigates the risk of non-compliance and ensures good governance.

Consequence	Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood					
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Rating	Action
Low	Monitor for ongoing improvement.
Medium	Comply with risk reduction measures to keep risk as low as reasonably practical.
High	Review the risk and take additional measures to ensure risk is low as reasonably achievable.
Severe	Unacceptable risk level, reduction measures must be introduced before proceeding.

VOTING REQUIREMENTS

Simple Majority

OFFICER'S RECOMMENDATION & COMMITTEE RESOLUTION

MAA2/0623

Moved Cr White

Seconded Cr Lawlor

That the Audit and Risk Committee recommends to Council that the 2022 Financial Management Systems and Procedures Review completed by AMD Chartered Accountants be received.

CARRIED 3/0

Note: The Audit Committee commends the Management on the results of the Financial Management Systems and Procedures Review recently conducted; showing sound internal controls and compliance.



Shire of Beverley 2022 Financial Management System Review





9th June 2023

Mr Stephen Gollan
Chief Executive Officer
Shire of Beverley
136 Vincent Street
BEVERLEY WA 6304

Dear Stephen

2022 FINANCIAL MANAGEMENT SYSTEMS REVIEW

We are pleased to present the findings and recommendations resulting from our Shire of Beverley (the "Shire") Local Government (Financial Management) Regulation 1996, Financial Management System Review.

The primary objective of our Financial Management System Review was to assess the adequacy and effectiveness of systems and controls in place within the Shire of Beverley; in accordance with our proposal.

We would like to thank Simon, Gaye and the finance team for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact Chelsea Gardiner or myself.

Yours sincerely
AMD Chartered Accountants

MARIA CAVALLO FCA
Director

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Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the Shire of Beverley management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the Shire of Beverley. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of the Shire of Beverley. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for the Shire of Beverley's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of the Shire of Beverley Chief Executive Officer or its delegate in connection with our engagement to perform the review. Other than our responsibility to the Council and management of the Shire of Beverley, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Beverley external auditor, on this review report. Any reliance placed is that party's sole responsibility.

1. Executive Summary

1.1. Background and Objectives

The primary objective of our Financial Management System Review (FMSR) was to assess the adequacy and effectiveness of systems and controls in place within the Shire.

The responsibility of determining the adequacy of the procedures undertaken by us is that of the Chief Executive Officer (CEO). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the Local Government Act 1995 and Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Our findings included within this report are based on the site work completed by us on 27th of February to 1st March 2023. Findings are based on information provided and available to us during and subsequent to this site visit.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Collection of money;
- Section 3 - Custody and security of money;
- Section 4 - Maintenance and security of the financial records;
- Section 5 - Accounting for municipal or trust transactions;
- Section 6 - Authorisation for incurring liabilities and making payments;
- Section 7 - Maintenance of payroll, stock control and costing records; and
- Section 8 - Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 8, we are pleased to report that in context of the Shire's overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with better practice.

The following tables provide a summary of the findings raised in this report:

	Significant Risk	Moderate Risk	Minor Risk
Number of new issues reported	0	3	3

For details on the review rating criteria, please refer to Section 9.

Ref	Issue	Risk Rating
2. Collection of money		
We have no findings to raise in respect to the collection of money.		
3. Custody and security of money		
3.2.1	Daily Banking An isolated instance identified from sample testing where daily takings were deposited in excess of a week from receipt.	Minor
4. Maintenance and security of financial records		
4.2.2	Key Security and Register No documented procedure in respect to access of motor vehicle machinery and building keys at the Depot. Key cabinet at the Shire Depot was unlocked during the onsite visit. Currently no key register is maintained at the Shire Depot. Key cabinet at the Admin Office remains unlocked throughout the day.	Moderate
5. Accounting for municipal or trust transactions		
5.2.1	Monthly Reconciliations Month end reconciliations were not consistently signed as evidence of independent review each month.	Minor
6. Authorisation for incurring liabilities and making payments		
6.2.1	Post Tender Performance Evaluation No formal post tender / service contract performance evaluation process for major contracts and services.	Moderate
7. Maintenance of payroll, stock control and costing records		
7.2.1	Staff Performance Review frequency Inquiries indicated staff performance reviews are not performed for works team members, other than gardening staff.	Moderate
7.2.3	Employee Code of Conduct Employee Code of Conduct not reviewed by the stated review date.	Minor
8. Preparation of budget, budget reviews, accounts and reports required by Regulations		
We have no findings to raise in respect to the collection of money.		

2. Collection of money

2.1. Scope and approach

We either completed site visits or reviewed internal controls relating to collection of money of the following locations operated by the Shire:

- Beverley Administration Office (site visit);
- Beverley Caravan Park (site visit);
- Beverley Refuse Site; and
- Beverley Swimming Pool.

During the site visits we:

- Documented internal controls, procedures and reconciliations in relation to all sources of income;
- Counted petty cash and float on hand ensuring materially correct;
- Reviewed fees and charges schedule and ensure adequate internal controls in place over receipting;
- Tested collection, receipting, invoicing and posting procedures over cash receipts on a sample basis; and
- Reviewed credit control procedures in respect to sundry debtors and rate debtors.

2.2. Detailed findings and recommendations

Following completion of our procedures as outlined within the above scope, we have no recommendations to raise in respect to the collection of money.

3. Custody and security of money

3.1. Scope and approach

- Conducted site visits of cash collection points to review the controls and procedures over the collection, receipting, recording and banking of cash collected offsite;
- Sites visited included the Beverley Administration Office and Caravan Park. We also discussed, documented and tested cash collection controls and procedures in respect to the Beverley Refuse Site and Beverley Swimming Pool with the Senior Finance Officer; and
- Reviewed the security of cash and banking procedures to ensure the appropriate controls and procedures are in place.

3.2. Detailed findings and recommendations

3.2.1 Daily Banking

Finding Rating: Minor

Our testing of daily banking procedures on a sample basis identified an instance (out of 35 samples tested) where the daily takings were deposited into the Shire's Municipal account in excess of a week.

Implication

Risk error or fraud may not be detected on a timely basis.

Recommendation

We recommend daily banking be carried out promptly, at least weekly at a minimum.

Management Comment

Our local ANZ branch has been closed so we need to travel to Northam (1.5 Hour round trip) to complete our cash depositing. This is generally completed once a week by the DCEO or by any other member of Staff who may need to go to Northam.

During high cash flow periods, i.e. Rates due, the frequency of deposits may increase given the risk of holding high quantities of cash on site.

However, due to the issue of travel there may be instances when cash isn't deposited within a week.

Responsible Officer: DCEO

Completion Date: On Going

4. Maintenance and security of the financial records

4.1. Scope and approach

- Reviewed information technology systems to assess physical security, access security, data backups, contingency plans, compliance and systems development; and
- Reviewed registers maintained (including key register, tender register, gifts and travel registers etc.) and Council minutes.

4.2. Detailed findings and recommendations

4.2.1 Depot Key Security and Register

Finding Rating: Moderate

Our observations and enquiries indicated the following in respect to key security and key registers:

- There is no documented procedure in place relating to access of motor vehicles, machinery and building keys at the Depot;
- There is no lockable key cabinet at the Shire Depot where all plant and machinery keys can be securely located;
- There is no key register or sign in/sign out listing maintained at the Shire Depot recording access of keys and use of Shire vehicles; and
- Keys at the Administration Office are kept in an open safe throughout the day with any employee physically able to access these.

Implication / Risks

Increased risk of theft and vehicle misuse.

Risk of un-authorized access.

Recommendation

We recommend:

- A documented procedure be developed and implemented relating to the access of motor vehicles, machinery and building keys for the Depot;
- Depot keys be secured and locked in a cabinet restricting access to only authorised personnel;
- A depot key register or sign in/sign out listing be maintained; and
- Keys maintained at the Administration Office be stored in a lockable cabinet to ensure access is restricted to authorised personnel.

Management Comment

Noted - Staff are utilising different vehicles and plant all the time; a sign in/out system for keys is impractical – the keys will be where the vehicle is.

There is a risk of theft, however the proximity of the Depot to the Admin office and the attendance for most of the time by a Mechanic in the Depot reduces this risk to some degree.

A lockable key safe for the Depot and the Admin Office will be investigated.

Responsible Officer: DCEO

Completion Date: 31 December 2023

5. Accounting for municipal or trust transactions

5.1. Scope and approach

- Reviewed all monthly reconciliations including bank, sundry debtors, sundry creditors, fixed assets, rates debtors and rateable value reconciliations ensuring correctly reconciled and reviewed;
- Reviewed and tested in detail most recent municipal and trust bank reconciliations prepared;
- Reviewed processes in respect to BAS, FBT Return and other statutory returns preparation;
- Reviewed use of reserve funds and determined whether changes in reserve purposes have been budgeted or public notice was provided;
- Reviewed self-supporting loan transactions ensuring debtor invoices raised in accordance with payment schedule;
- Reviewed trust ledger balances; and
- Reviewed policies and procedures in respect to insurance, recording claims and insuring newly acquired assets.

5.2. Detailed findings and recommendations

5.2.1 Monthly Reconciliations

Finding Rating: Minor

Our review of monthly balance sheet reconciliations indicated the months of September, November and December 2022 were not signed as evidence of independent review.

Implication / Risks

Risk of material misstatement or error not detected on a timely basis.

Recommendation

Reconciliations are a key control and should be reviewed by someone independent of the reconciliation function on at least a monthly basis.

Management Comment

The EOM files are reviewed monthly as part of the financial reporting preparation for Council.

The procedure is for the DCEO to sign off on the EOM checklist once the documents have been reviewed.

In the instances noted the DCEO was on sick leave at the EOM timing and didn't sign off on his return or after completion of the monthly reports.

Responsible Officer: DCEO

Completion Date: On Going

6. Authorisation for incurring liabilities and making payments

6.1. Scope and approach

- Reviewed controls and procedures over the authorisation of purchase orders and approval of payments;
- Tested sample of payments to ensure compliance with stated procedures;
- Reviewed credit card processes and procedures, and testing transactions on a sample basis;
- Reviewed petty cash processes and procedures, and testing transactions on a sample basis;
- Completed sample testing of asset additions and asset disposals;
- Reviewed asset capitalisation and depreciation policy and ensure compliance with stated policies; and
- Reviewed new loans received ensuring budgeted for or public notice provided.

6.2. Detailed findings and recommendations

6.2.1 Post Tender Performance Evaluation

Finding Rating: Moderate

We noted Shire of Beverley does not have a formal post tender / service contract performance evaluation process for major contracts and services.

Implication

Lack of formalised documentation evidencing tender performance assessment.

Recommendation

WALGA best practice guidelines recommend formal performance management assessments be completed at the end of the tender period once goods or services have been tendered. We recommend the Shire of Beverley develop and implement a formal post tender service contract performance evaluation process. We suggest it may be useful for the process to include standard a contract compliance checklist, in particular for the monitoring of ongoing service contracts.

Management Comment

We are looking to implement this process. Our mainstreet redevelopment is still in the defects liability period (12 months – October 2023).

This project will be evaluated when the defect liability period ends.

We'll look at implementing an evaluation process for our larger capital works projects.

Responsible Officer: Project Officer

Completion Date: As Major Projects end- on going

7. Maintenance of payroll, stock control and costing

7.1. Scope and approach

- Completed site visit to the Beverley Depot including the fuel bowers to review security over stocks held and allocation / costings of stocks used (including fuel and inventory stocks);
- Reviewed of the allocation of public works overheads, plant operating costs and administration overheads completed;
- Reviewed payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure these controls were operating effectively;
- Reviewed procedures and policies in place in respect of human resource management legislative and compliance requirements, recruitment, performance appraisal, disciplinary and termination procedures and leave entitlements;
- Reviewed listing of leave taken by employees ensuring authorised leave forms completed; and
- Reviewed annual leave balances and identify employees with more than eight weeks annual leave.

7.2. Detailed findings and recommendations

7.2.1 Staff Performance Reviews

Finding Rating: Moderate

Our inquiries indicated staff performance reviews are not performed on an annual basis for all employees as stated within the Shire's policy – reviews are not performed for works team members (with exception of the Gardens team).

Implication

Risk staff performance is not appropriated managed.

Recommendation

As best practice we recommend all staff undertake an annual performance review.

Management Comment

Noted.

We'll look at our Review processes going forward.

Responsible Officer: Executive Managers

Completion Date: Reviews to be completed once per Calendar Year.

7.2.3 Employee Code of Conduct

Finding Rating: Minor

Our enquiries identified the Employee Code of Conduct was due for review in 2022, however this had not yet been completed at the time of our March onsite review.

Implications / Risks

Risk Code of Conduct being out of date and non-compliant.

Recommendation

We recommend policies and procedures are reviewed in accordance with stated dates, including updating references to applicable legislation and standards as changes arise.

It may be appropriate for policy reviews to occur annually, however frequency of the review will depend on the nature of the matter contained within.

Management Comment

This was an oversight and has been reviewed and received by Council in March 2023.

Responsible Officer: Executive Assistant

Completion Date: 31 March 2023

8. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations

8.1. Scope and approach

- Reviewed policy and procedure manual;
- Reviewed the procedures for preparation of the monthly financial statements, annual financial statements and annual Budget, including assessment of accounting policy, notes and applicable reporting requirements and efficiency of the process;
- Reviewed monthly financial statements ensuring presented to Council within two months and information contained within monthly financial statements in accordance with Regulation 34 of Local Government (Financial Management) Regulations 1996;
- Reviewed the mid-year budget review to ensure compliance with Regulation 33A of the Local Government (Financial Management) Regulations 1996 and assessment of budgetary expenditure controls in place;
- Ensured prior year audit report and management letter have been presented to audit committee and Council; and
- Reviewed compliance with Part 6 of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.

8.2. Detailed findings and recommendations

Our review indicated key underlying policies and processes in relation to the preparation of budgets, budget reviews, accounts and reports required by the Act or Regulations are appropriate, in line with the best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to the preparation of budgets, budget reviews, accounts and reports required by the Act or Regulations.

9. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation’s ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation’s objectives by maximising opportunities and minimising adverse effects.

Our guidance to risk classification in accordance with Risk Management- Principles and Guidelines Standard AS ISO 31000-2018 is as follows:

Risk is the probability that an event or action may adversely affect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

- Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.
- Consequence is the severity of the impact that would result if the event were to occur.

Our risk rating for each finding was based on the following table:

		CONSEQUENCES		
		Insignificant	Significant	Highly Significant
LIKELIHOOD	Low	Minor	Moderate	Moderate
	Medium	Minor	Moderate	Significant
	High	Minor	Significant	Significant

Any compliance breaches identified have been communicated within our report.

6. NEW BUSINESS ARISING BY ORDER OF THE MEETING

Nil

7. CLOSURE

The Chairman declared the meeting closed at 9:45am

I hereby certify these Minutes as being confirmed in accordance with Section 5.22 of the Local Government Act 1995.

PRESIDING MEMBER:

DATE: