



Audit & Risk Committee  
Minutes | 13<sup>th</sup> September 2022



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## SHIRE OF QUAIRADING

### Audit & Risk Committee

#### ITEM 1      OPENING & ANNOUNCEMENTS

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The Chairperson opened the meeting at 5.00pm.

“Before we start our meeting, I would like to acknowledge that we are meeting on Noongar/Ballardong land. We pay respect to the original custodians of the land...past, present and future. I welcome you all here today for this meeting.”

#### ITEM 2      ATTENDANCE AND APOLOGIES

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##### **Councillors**

Cr JN Haythornthwaite	Chairperson
Cr PD Smith	Shire President
Cr TJ Stacey	Deputy Shire President
Cr E Cheang	
Cr BR Cowcill	
Cr JC Hayes	
Cr JR Hippisley	

##### **Council Officers**

Ms NJ Gibbs	Chief Executive Officer
Mrs LM Horton	Executive Manager, Corporate Services
Mrs SE Caporn	Executive Manager, Works & Services
Miss BJ Hadlow	Executive Officer

##### **Observers/Visitor**

Nil.

##### **Apologies**

Nil.

##### **Approved Leave of Absence**

Nil.

#### ITEM 3      DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

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Nil.

## ITEM 4 DECLARATIONS OF INTEREST

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Elected Members in accordance with section 5.61 and 5.65 of the Local Government Act 1995 and the Local Government (Model Code of Conduct) Regulations 2021 Schedule 1 Division 4 regulation 22:

A member who has an interest in any matter to be discussed at a Council or Committee meeting that will be attended by the member must disclose the nature of the interest:

- a. In a written notice given to the CEO before the meeting; or
- b. At the meeting immediately before the matter is discussed.

Local Government employees in accordance with section 5.70 or 5.71 of the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996* Part 4A Division 2, regulation 19AD:

An employee who has an interest in any matter to be discussed at a council or committee meeting attended by the local government employee disclose the nature of the interest —

- a. In a written notice given to the CEO before the meeting; or
- b. At the meeting immediately before the matter is discussed.

## ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING

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### 5.1 Confirmation of Minutes – 7<sup>th</sup> June 2022

**RECOMMENDATION: AR1 – 22/23**

**MOVED Cr Hayes SECONDED Cr Stacey**

That the minutes of the Audit & Risk Committee Meeting held on the 7<sup>th</sup> June 2022 be confirmed as a true and accurate record.

**CARRIED 7/0**

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### 5.2 Business Arising

Nil.

## ITEM 6 STANDING ITEMS – EXTERNAL AUDIT

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### Audit & Risk Committee – Terms of Reference 7.6

#### 6.1 Audit register – progress report

5.02pm – Mrs Caporn entered meeting

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<b>Meeting Date:</b>	13 <sup>th</sup> September 2022
<b>Responsible Officer:</b>	Nicole Gibbs (Chief Executive Officer)
<b>Reporting Officer:</b>	Leah Horton (Executive Manager Corporate Services)
<b>Attachments:</b>	(i) Audit register – progress report <b>confidential</b>
<b>Owner/Applicant:</b>	Shire of Quairading
<b>Disclosure of Interest:</b>	Nil

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#### OFFICER RECOMMENDATION

**RECOMMENDATION: AR2 – 22/23**

**MOVED Cr Hippisley SECONDED Cr Cowcill**

That the Audit and Risk Committee recommends to Council that Council:

Notes the progress recorded against each item within the audit register in confidential attachment (i).

**CARRIED 7/0**

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#### IN BRIEF

- This report provides an update on the progress of actions included in the audit register.
- The audit register includes all open audit findings that have previously been accepted by the Audit and Risk Committee.
- Reporting through the audit register commenced in November 2021 and includes items from the 2020/21 interim audit, and all subsequent audits.

#### MATTER FOR CONSIDERATION

Receipt of the audit register progress report to August 2022.

#### BACKGROUND

The external audit, also known as financial audits or audit of the annual financial statements, focuses on providing an objective and independent examination of the financial statements prepared by the Shire, increasing the value and user confidence in the financial statements.

The *Local Government Amendment (Auditing) Act 2017* made legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General. This Act allows the Auditor General to contract out some or all of the financial audits, but all audits will be the responsibility of the Auditor General.

The changes also allow for the Auditor General to undertake performance audits that focus on the economy, efficiency and effectiveness of any aspect of local government operations. These performance audits are similar to that of an internal audit, therefore the Auditor General may undertake both external and internal audits.

The audit register lists findings from audit reports previously accepted by the Audit & Risk Committee. The register describes the progress of implementing improvements and percentage completion. Progress on the actions are monitored by management, this Committee and Council.

Reporting through the audit register commenced for the 7<sup>th</sup> December 2021 Audit and Risk Committee meeting, with the register comprised of findings from the 2020/21 interim audit report, as presented to the Audit & Risk Committee at the 14<sup>th</sup> September 2021 meeting.

The 2020/21 final audit report had no findings subsequent to those from the interim audit report.

The 2021/22 interim audit has been completed and the audit report was received by the Shire on the 16<sup>th</sup> August 2022, with six (6) findings listed in the management letter attachment. This audit report is presented to the 13<sup>th</sup> September 2022 ARC meeting through report item 6.2. The findings from this report, once accepted by Council will be added to the next Audit register progress report for the 6<sup>th</sup> December 2022 Audit and Risk Committee meeting.

## **STATUTORY ENVIRONMENT**

*Local Government Act 1995*

Local Government (Audit) Regulations 1996; Regulation 7

Local Government (Financial Management) Regulations 1996; Regulation 5

## **POLICY IMPLICATIONS**

Nil

## **FINANCIAL IMPLICATIONS**

Council has a budget allocation of \$30,000 in the 2022/2023 Budget for the conduct of the external audit function by the Office of the Auditor General, for the audit of the 2021/22 annual financial statements. It is anticipated that a budget of a similar amount is to be adopted each year but will be the subject of an annual estimate of audit fees provided by the OAG. Officers' efforts to undertake the improvements and report on progress has not been estimated or reported.

## **ALIGNMENT WITH STRATEGIC PRIORITIES**

5.4 Implement systems and processes that meet legislative and audit obligations

## **COMMUNITY CONSULTATION**

Nil.

## RISK ASSESSMENT

Option 1	
Financial	Low <i>Cost of the annual audit is included in the budget. By regularly reviewing progress against audit findings, the risks associated to misconduct and error are significantly reduced.</i>
Health	Low
Reputation	Low <i>Compliant with legislative requirements. Failure to complete the findings from audit reports would lead to increased reputational risk.</i>
Operations	Low <i>Operational impact is minimal in reporting progress on audit findings. Operational impact of not closing findings would escalate.</i>
Natural Environment	Low

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

## COMMENT

The audit register **confidential attachment (i)** counts actions and totals by “Finding #”. Each finding may have more than one “recommendation” and associated “agreed management action”. Only when all recommendations and agreed management actions within a finding are deemed complete will the finding as a whole be totalled at 100% complete and recommended to be closed.

The process for adding and removing findings to the audit register is as follows:

1. An external audit is completed and an audit report is finalised.
2. The audit report is presented to the Audit and Risk Committee (ARC).
3. The ARC recommends to Council that it notes and accepts the audit report.
4. All findings from the audit report are **added** to the audit register.
5. Progress is reported by management with updates recorded quarterly in “officer comment / action taken”.

6. Any findings deemed as complete by management are marked as “100% complete” with the status of “closed”.
7. The audit register – progress report is submitted by management to the ARC.
8. The ARC reviews the audit register and confirms completion of any 100% and closed findings.
9. The ARC recommends to Council that it notes progress and approves the findings marked as complete to be registered as closed.
10. Closed findings are **removed** from the audit register.

A summary of the audit register, included below, will illustrate the trend of actions that have been added, progressed and completed.

The blue row represents actions added by the ARC. New audit findings presented to the current meeting are included at the subsequent meeting, following acceptance.

The green row represents actions closed by the ARC and will always total 0 for the current meeting date. The closed actions from the current meeting will then be shown in the “closed by the Audit & Risk Committee” total in the subsequent meeting’s table summary.

Status of Actions	ARC - Meeting Date					Total
	7/12/21	15/03/22	7/06/22	13/09/22	06/12/22	
<b>New actions added by ARC</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>7</b>
<b>Not commenced</b> ≤10%	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>		
<b>Progressed</b> >11% to 99%	<b>2</b>	<b>2</b>	<b>2</b>	<b>0</b>		
<b>Completed</b> =100%	<b>4</b>	<b>0</b>	<b>1</b>	<b>2</b>		
<b>Total (0% to 100%)</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>2</b>		
<b>Closed by ARC</b>	<b>4</b>	<b>0</b>	<b>1</b>			<b>5</b>
Total cumulative closed by ARC	4	4	5	5		
<b>Open Actions</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>		

The committee is requested to recommend to Council to note the progress and officer comments. There are two (2) findings marked as complete (100%) in the audit register to be registered as closed.

It is requested to note the audit register progress report in **confidential attachment (i)**.



## 6.2 2021/2022 Financial Audit – Office of the Auditor General (OAG)

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<b>Meeting Date:</b>	13 <sup>th</sup> September 2022
<b>Responsible Officer:</b>	Nicole Gibbs (Chief Executive Officer)
<b>Reporting Officer:</b>	Leah Horton (Executive Manager Corporate Services)
<b>Attachments:</b>	(i) Interim management letter attachment <b>confidential</b> (ii) Interim management letter to president (iii) Audit fee letter (iv) Audit planning summary
<b>Owner/Applicant:</b>	Office of the Auditor General (OAG)
<b>Disclosure of Interest:</b>	Nil

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### OFFICER RECOMMENDATION

#### RECOMMENDATION: AR3 – 22/23

#### MOVED Cr Stacey SECONDED Cr Hayes

That the Audit and Risk Committee recommends to Council that Council:

1. Receive the interim management letter and interim management letter attachment (attachment I and ii) from Anna Liang, Assistant Director Financial Audit; Office of the Auditor General for the audit year ended 30 June 2022,
2. Notes the management responses and planned actions from the auditor’s letter attachment (attachment i), and
3. Accepts and adds the six (6) findings as contained in attachment (i) to the Audit Register, for progress to be reported quarterly through the audit register – progress report.

**CARRIED 7/0**

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### IN BRIEF

- AMD Chartered Accountants (AMD) have been contracted by the Office of the Auditor General (OAG) to perform the Shire’s financial report audit on the OAG’s behalf for a 3 year period, which commenced with the audit for the year ended 30 June 2021.
- The 2021/2022 pre-audit (entrance) Meeting was conducted with Tim Partridge, Director of AMD; Anna Liang, OAG Representative Director; Peter Smith, Shire President and Executive Staff on the 12<sup>th</sup> April 2022. This meeting was conducted via phone conference.
- The Interim Audit has been completed by AMD, through offsite work and an onsite audit visit from 2-3 May 2022. The (draft) interim management letter showing seven findings with recommendations was received from AMD on 28<sup>th</sup> June 2022.
- Upon review of the findings, further information was provided to AMD and one finding was removed, with an updated management letter showing six findings and recommendations received from AMD on 29<sup>th</sup> June 2022.

- Due to a query from the Shire requesting clarification on a finding, a delay was experienced in finalising the management letter, with a further edit being made on recommendation #4. The final (draft) interim management letter, showing six findings and recommendations was received from AMD on 9<sup>th</sup> August 2022.
- Management have provided comments on the findings and recommendations which have been incorporated into the letter returned to AMD on 15<sup>th</sup> August 2022 to be forwarded to the OAG.
- The Interim Management Letter and Interim Management Letter Attachment were received from the OAG on 16<sup>th</sup> August 2022, attachments (i) and (ii).
- Bob Waddell and Associates have been contracted to complete the 2021/2022 Annual Financial Report, with assistance from the Executive Manager Corporate Services.
- Council staff are now planning for the final audit of the Shire's Annual Financial Statements for 30 June 2022, preparing for the onsite final audit by AMD, planned for 10-11 October 2022.

### **MATTER FOR CONSIDERATION**

Receipt of the interim management letter and interim management letter attachment for the year ended 30<sup>th</sup> June 2022.

### **BACKGROUND**

The external audit, also known as financial audits or audit of the annual financial statements, focuses on providing an objective and independent examination of the financial statements prepared by the Shire, increasing the value and user confidence in the financial statements.

The *Local Government Amendment (Auditing) Act 2017* made legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General. This Act allows the Auditor General to contract out some or all of the financial audits, but all audits will be the responsibility of the Auditor General.

The changes also allow for the Auditor General to undertake performance audits that focus on the economy, efficiency and effectiveness of any aspect of local government operations. These performance audits are similar to that of an internal audit, therefore the Auditor General may undertake both external and internal audits.

AMD Chartered Accountants (AMD) have been contracted by the Office of the Auditor General (OAG) to perform the Shire's financial report audit for a 3 year period, commencing with the audit for the year ended 30<sup>th</sup> June 2021. The audit occurs in two steps, the first being an interim audit, with the second (final) stage being the audit work to attest the balances and notes that comprise the Annual Financial Statements.

The annual interim audit of Council's financials for the audit year ending 30<sup>th</sup> June 2022 was conducted with an initial entrance meeting via phone on 12<sup>th</sup> April 2022 and an onsite audit visit from 2-3 May 2022, with subsequent offsite work completed by AMD until the end of June 2022.

The draft Interim Management Letter was received by the Shire on 28<sup>th</sup> June 2022, with seven findings being listed in the attachment. One of these findings was queried and subsequently removed, with an updated interim management letter received on 29<sup>th</sup> June 2022 with six findings. Upon further query of these findings, additional information was provided to AMD which delayed finalisation of the interim audit, however did result in a change to recommendation number 4. The final (draft) interim management letter, showing six findings and recommendation was received from AMD on 9<sup>th</sup> August 2022 with Management comments and planned actions provided and returned on 15<sup>th</sup> August 2022.

As representatives of the OAG, AMD submitted the interim management letter for finalisation to the OAG. The OAG completed the interim audit review and returned the interim management letter and interim management letter attachment on 16<sup>th</sup> August 2022, attachments (i) and (ii).

Bob Waddell and Associates have been engaged to complete the Shire's Annual Financial Statements for the year ended 30<sup>th</sup> June 2022. It is envisaged that with the assistance of the Shire's Executive Manager Corporate Services, the final trial balance and draft annual financial report for the year ended 30 June 2022 will be provided to AMD by the 30<sup>th</sup> September 2022, as per the audit schedule contained within attachment (iv).

Council staff are in the preparation stages to gather the required documentation requested by AMD for the onsite final audit visit scheduled for 10-11 October 2022 and will continue to work towards the statutory timeframes.

All interim and final audit report findings are monitored by management through the audit register progress report and reported to Council through the Audit and Risk Committee. The audit register progress report includes information relating to the progress of implementing the agreed management actions, a percentage complete indicator and officer comments.

### **STATUTORY ENVIRONMENT**

*Local Government Act 1995*

Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

### **POLICY IMPLICATIONS**

Nil

### **FINANCIAL IMPLICATIONS**

Council has a 2022/23 budget allocation of \$18,000 for Bob Waddell and Associates to complete the 2021/22 annual financial statements, and \$30,000 for the conduct of the external audit function by the Office of the Auditor General, for the audit of the 2021/22 annual financial statements.

It is anticipated that a budget of a similar amount is to be adopted each year for audit fees but will be the subject of an annual estimate provided by the OAG. Officers' efforts to undertake the improvements and report on progress has not been estimated or reported.

### **ALIGNMENT WITH STRATEGIC PRIORITIES**

5.4 **Governance & Leadership:** Implement systems and processes that meet legislative and audit obligations

### **COMMUNITY CONSULTATION**

Nil.

## RISK ASSESSMENT

Option 1	
Financial	Low <i>Cost of the audit is included in the budget. The audit's purpose is not to uncover any financial fraud, however having strong financial processes, as raised in the management report can reduce the risk of this occurring.</i>
Health	Low
Reputation	Low <i>Compliant with legislative requirements. Failure to complete the annual financial audit would lead to increased reputational risk and possible actions by the OAG.</i>
Operations	Low <i>Council's Management and administration staff assist AMD by providing all information and documents requested. Operational impact is minimal in reporting progress on audit findings, however the operational impact of not closing findings would be significantly higher if conditions escalated.</i>
Natural Environment	Low

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

## COMMENT

Between April and August 2022 the interim audit was conducted, with the interim management letter and interim management letter attachment being produced. The attachment letter, attachment (i) is confidential and includes findings, risk ratings, recommendations and management comments.

As represented in the table below, the attachment letter includes six findings, with the detail included in the attachment. This report is presented for the Committee's consideration.

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Purchase Orders	✓		
2. Information Technology Environment	✓		
3. Review of Business Plans		✓	
4. Review of Risk Management Governance Framework including Risk Register		✓	
5. Daily Banking Exceptions		✓	
6. Approval of Budget Review			✓

The CEO and the EMCS have prepared and provided Management's responses on the Findings and detailed Actions that have already been taken or will be taken to ensure that the Recommendations are implemented.

### DISCUSSION AFFECTING COUNCIL DECISION

Mrs Horton said in 2021 Mr Bob Waddell was engaged to complete the annual financial statements and due to the timing of the appointment of Mr Waddell, Council were unable to meet the deadline of the 30<sup>th</sup> September 2021. Council applied to the Minister for an extension which was approved.

Due to the chart of accounts being implemented this year there was a "snowball effect" which resulted in the completion of the end of month financial reporting, end of financial year financial reporting and the budget being delayed.

Mr Waddell informed Mrs Horton he was unable to meet the 30<sup>th</sup> September 2022 deadline due to these factors and his own large workload. Mr Waddell requested Council apply for an extension. Council have requested an extension to the 25<sup>th</sup> November 2022, with the onsite audit being carried out on the 5<sup>th</sup> and 6<sup>th</sup> of December 2022.

Upon speaking to AMD who carry out the onsite audit, it was confirmed turn around for the results of the audit will be approximately six weeks. The signed audit won't be completed until January 2023, delaying the Annual Report which is due on the 30<sup>th</sup> December 2022.

Council are still waiting on approval from the Minister.

Cr Stacey asked what would happen if the Minister denied the request.

Mrs Horton said the Shire would receive an audit finding that Council was non-compliant with the statutory time frame of having the financials sent to the auditor. It would be reflected on the audit register. Mrs Horton said she is expecting it to be approved as Council have a valid reason for the delay.



Our Ref: F21/69

7th Floor, Albert Facey House  
469 Wellington Street, Perth

Mr Peter Smith  
President  
Shire of Quairading  
PO Box 38  
QUAIRADING WA 6383

**Mail to:** Perth BC  
PO Box 8489  
PERTH WA 6849

**Tel:** 08 6557 7500  
**Email:** [info@audit.wa.gov.au](mailto:info@audit.wa.gov.au)

Dear Mr Smith

**ANNUAL FINANCIAL REPORT  
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2022**

We have completed the interim audit for the year ending 30 June 2022. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to primarily evaluate your financial control environment, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

**Management Control Issues**

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the CEO. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7566 if you would like to discuss these matters further.

Yours sincerely

Anna Liang  
Assistant Director  
Financial Audit  
16 August 2022

Attach



Our Ref: F21/69

Ms Nicole Gibbs  
Chief Executive Officer  
Shire of Quairading  
PO Box 38  
QUAIRADING WA 6383

7th Floor, Albert Facey House  
469 Wellington Street, Perth

**Mail to:** Perth BC  
PO Box 8489  
PERTH WA 6849

**Tel:** 08 6557 7500  
**Email:** [info@audit.wa.gov.au](mailto:info@audit.wa.gov.au)

Email: [shire@quairading.wa.gov.au](mailto:shire@quairading.wa.gov.au)

Dear Ms Gibbs

## **AUDIT FEE 2022**

Firstly, we acknowledge that this fee communication is much later than desired and are committed to ensuring the process is refined for the future. Regrettably resourcing constraints necessitated the late tendering of audits, which needed to be finalised before we could complete our fee analysis.

Our indicative fee for the audit of your 2021-22 annual financial report is \$30,000 (excl GST). The indicative fee represents an increase compared to the prior year indicative audit fee (2020-21 indicative audit fee: \$27,000).

Your audit fee is calculated to cost-recover the OAG's expenses in audit delivery and includes OAG staff hours on the audit plus any directly related costs such as contract fees and travel expenses, if applicable. The fee is subject to potential increases as per the Public Service Award, beyond 2.75%.

Recently, we have seen significant increases in audit fees when retendering or extending contracts with our approved contract audit firms. This is reflective of the market generally and specifically for the auditing profession who, as with the OAG, are experiencing significant resource constraints. As we operate on a cost recovery basis, any increases from our contract audit firms result in an increase to audit fees.

In addition to giving assurance on your local government's annual financial report, the audit will also provide transparency surrounding legislative compliance, financial controls, probity, and governance matters, and enables our whole-of-sector parliamentary reporting and stakeholder liaison across the sector.

We continue our endeavours to identify ways to improve efficiency and minimise audit costs within the constraints of legislative requirements and auditing standards. Your entity can also contribute to this through maintaining a sound control environment and providing your audit team with timely and well-prepared financial statements, working papers etc. that dovetail well with the work we are required to perform.

Our costs for your audit will be re-assessed closer to completion of the audit, and we will keep you informed as we progress, should we consider a revision is necessary, such as for issues emerging during the current years audit process. Any such revision will only occur after relevant consultation with you.

We acknowledge that in general audit fees have increased since our involvement in the local government sector. However, with the fee increase comes a number of benefits. We provide a quality financial audit, that is enhanced from our oversight of the sector as a whole, and conduct performance and information systems audits that the sector does not pay for but does receive the benefit of. In addition, through our reporting to Parliament and stakeholder liaison we advocate for the sector, and recommend improvements that benefit both the community and the sector, such as our efforts leading to streamlined reporting and changes to regulations.

We look forward to working with you to promote accountability and transparency in the local government sector for the benefit of the community we jointly serve.

Please contact me on 6557 7566 if you require further information.

Yours sincerely

Anna Liang  
Assistant Director  
Financial Audit  
2 August 2022





# AUDIT PLANNING SUMMARY

## SHIRE OF QUAIRADING

Year ended 30 June 2022

April 2022

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 Quairading Audit and Risk Committee and Executive Management our proposed approach to the audit of the financial report of the Shire of Quairading for the year ending 30 June 2022.

This Audit Planning Summary will be discussed during the meeting scheduled for the 12<sup>th</sup> April 2022 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 Quairading's audit requirements.

## 2. Introduction

### 2.1 Background and General Information

Quairading is nestled in the central Wheatbelt of Western Australia, on Noongar Ballardong country just 167km east of Perth on the York-Quairading Road. It offers a variety of cultural, sporting and social activities.

Quairading is a farming community with a population of approximately 1,200, producing cereal and grain crops, forestry, wool, sheep and cattle supported by rural service industries. The district includes the localities of Quairading, Pantapin, Yoting, Badjaling, Dangin, South Caroling, Balkuling, Doodenanning & Wamenusking.

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 Quairading Council consists of:

President	Peter Smith
Deputy President	Trevor Stacey
Councillor	Becky Cowcill
Councillor	Jo Haythornthwaite
Councillor	Jonathan Hippisley
Councillor	Brett McGuinness
Councillor	Ej Cheang
Councillor	Jo Hayes

The Shire Executive Management consists of:

Chief Executive Office ("CEO")	Nicole Gibbs
Executive Manager of Corporate Services	Leah Horton
Executive Manager of Works and Services	Darren Wallace
Executive Manager of Community, Projects and Strategy	Richard Bleakley
Executive Officer – Governance	Britt Hadlow

### 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 Quairading is governed by an independent Council. Councillors are elected by the ratepayers.

The Shire of Quairading 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 Quairading'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 Quairading 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:

- Any significant adverse trends in the financial position of the Shire of Quairading;
- Any instances of non-compliance with the Act, the regulations or applicable financial controls of any other written law identified during the course of the audit;
- Whether all required information and explanations are obtained during the audit;

- Whether all audit procedures are satisfactorily completed; and
- Whether, in the Auditor General’s opinion, the asset consumption ratio and asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.

The Shire of Quairading 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 Quairading, 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.

The annual financial statement audit of the Shire of Quairading was first completed by the Auditor General for the year ended 30 June 2021, accordingly 2022 will be the second year the OAG is completing the audit.

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

AMD has been contracted by the Auditor General to perform the Shire of Quairading financial report audit on the Auditor General’s behalf for the year ending 30 June 2022. 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 Quairading. The signed contractor agreement requires AMD to use its own audit approach and methodology in carrying out the services provided.

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 Quairading 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 Quairading 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 Quairading'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 Quairading 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, Executive Manager of Corporate Services, 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, Executive Manager of Corporate Services, OAG Director and AMD.

## 5. Significant Risks and Other Audit Issues

Through discussions with the Executive Management team and based on the 2020/2021 audit, we have identified the following issues and key areas of risk affecting the audit.

Details of Risk / Issue	Audit Approach
Audit findings reported in the previous audit	We will follow-up the issues reported during the 2020/21 audit.
<p>We have identified the following areas that we consider require additional focus during 2021/2022 Local Government Audits:</p> <ul style="list-style-type: none"> <li>• Fair value of land, buildings and infrastructure (now revalued on a 5 year cycle unless fair value is materially different from the carrying amount). Plant and equipment recorded at depreciated replacement cost.</li> <li>• 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>.</li> <li>• 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.</li> <li>• General accounting journals.</li> <li>• Trust account balances if any.</li> <li>• Financial ratios.</li> <li>• Related party disclosures.</li> <li>• Contingent Liabilities, including waste facility and contaminated sites if any.</li> <li>• Joint arrangements (joint operations, joint ventures) if any.</li> <li>• Purchasing processes and documented evidence relating to obtaining quotations and tenders.</li> <li>• Current and approved Long Term Financial Plan and Asset Management Plan, with sufficient data.</li> </ul>	We will review the accounting treatment and disclosure processes during our interim audit.
<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"> <li>• Provision for annual and long service leave</li> <li>• Fair value of assets</li> <li>• Useful life of assets</li> <li>• Impairment of assets</li> </ul>	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 accounting estimates, the assessment of inherent risk factors and applying professional scepticism to estimates included within balances.

Details of Risk / Issue	Audit Approach
COVID-19	<p>We will continue to monitor the ongoing COVID-19 pandemic and associated impact to the audit process. We will work with your management to minimise the risk for your staff and councillors, and our staff and contractors, and to your operations, while completing audits in the best timeframe possible under the applicable circumstances at the time.</p> <p>Should the need arise, this may involve more audit work being performed remotely rather than at your premises, and/or delaying audit work if unforeseen circumstances arise.</p> <p>We will also review your Shire's implementation of any COVID-19 relief measures and ensure they have been implemented appropriately.</p>

## 6. Audit Emphasis and Significant Account Balances

Our audit approach involves assessing the Shire of Quairading'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	2021 Audited Balance \$'000	Audit Approach
<b>Statement of Financial Position</b>		
Cash and cash equivalents	5,815	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Perform walkthroughs of the cash cycle.</li> <li>• Review bank reconciliations.</li> <li>• Review transfers between bank accounts.</li> <li>• Verify large or unusual reconciling items.</li> <li>• Verify year end bank balance through bank confirmations.</li> <li>• Verify classifications including restricted / unrestricted; trust vs municipal and financial assets.</li> <li>• Analytical review.</li> </ul>
Financial Assets, including Self Supporting Loans	87	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Perform walkthroughs of the financial assets cycle.</li> <li>• Review investment reconciliations.</li> <li>• Verify year end investment balances, including Local Government House investment through external confirmations (where applicable).</li> <li>• Review internal controls, self-supporting loan debtor invoicing and reconciliations.</li> <li>• Analytical review.</li> </ul>
Receivables including rates and other current assets	339	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Perform walkthroughs of the revenue and receivable cycle.</li> <li>• Perform cut-off testing and review credit notes.</li> <li>• Review subsequent receipts.</li> <li>• Review expected credit loss assessment ensuring compliant with AASB9.</li> <li>• Analytical review.</li> </ul>
Land held for resale	476	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Review listings of land held for re-sale.</li> <li>• Obtain titles to verify existence and ownership of land held for re-sale.</li> <li>• Obtain evidence to support land development or land held for sale (agent listing, advertising).</li> <li>• Verification of value ensuring lower of cost and net realizable value.</li> <li>• Ensure classification between current and non-current correct.</li> </ul>
Property, plant, equipment and infrastructure	110,461	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls, including internal control testing with respect to the Shire's processes for determining inputs into fair value.</li> <li>• Perform walkthroughs of the fixed assets cycle.</li> <li>• Analyse year end balances for each major class of asset comparing to last year.</li> <li>• Perform sample testing on asset additions and disposals.</li> <li>• Review management's impairment assessment at year end.</li> <li>• Test items posted to construction in progress to assess</li> </ul>

Significant Account	2021 Audited Balance \$'000	Audit Approach
		<p>appropriateness of expenses being capitalised.</p> <ul style="list-style-type: none"> <li>Review accounting treatment for repairs and maintenance costs to determine correct classification.</li> <li>Ensure assets less than \$5,000 are expensed as required.</li> <li>Assess and perform tests to determine whether carrying amounts approximate fair value.</li> <li>If any new fair value assessments in 2022, confirm balances to independent valuation reports and test key assumptions in determining fair value, and ensure revaluation increments / decrements are correctly applied.</li> <li>Ensure vested land and restricted use assets recorded in accordance with AASB13 take into account externally imposed restrictions.</li> <li>Review developer contributions to ensure correctly recorded and disclosed.</li> </ul>
Payables	727	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Perform walkthroughs of the purchasing and payables cycle.</li> <li>Test for unrecorded liabilities and review subsequent payments post year end.</li> <li>Test and review material accrual balances.</li> <li>Ensure prepaid rates are correctly classified as a liability in accordance with AASB 1058.</li> <li>Analytical review.</li> </ul>
Other Liabilities	208	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Test and review material accrual balances, including verification of completeness.</li> <li>Analytical review.</li> </ul>
Lease Liabilities	79	<ul style="list-style-type: none"> <li>Verify lease liability balances and assumptions to lease agreements.</li> <li>Review and assess effectiveness of internal controls.</li> <li>Test and review material accrual balances.</li> <li>Analytical review.</li> </ul>
Borrowings	484	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Agree amounts to WATC confirmation.</li> <li>Verification of classification between current and non-current.</li> <li>Agree bank facilities to confirmation.</li> </ul>
Provisions	302	<ul style="list-style-type: none"> <li>Review internal controls and employee provision reconciliations.</li> <li>Review the reasonableness of assumptions and calculations.</li> <li>Ensure calculations and disclosure in accordance with AASB 119.</li> <li>Test a sample of leave balances to ensure accuracy.</li> <li>Analytical review.</li> <li>Ensure adequacy of long service leave liability for casual employees if applicable.</li> </ul>
Equity (Total)	115,475	<ul style="list-style-type: none"> <li>Review internal controls.</li> <li>Sample test reserve movements to supporting documentation including cash reserves and asset revaluation reserves.</li> </ul>

Significant Account	2021 Audited Balance \$'000	Audit Approach
		<ul style="list-style-type: none"> <li>Analytical review.</li> </ul>
<b>Statement of Comprehensive Income</b>		
Operating and non-operating grants, subsidies and contributions	4,840	<ul style="list-style-type: none"> <li>Review of key processes and controls.</li> <li>Perform walkthroughs of the revenue cycle relating to grants, subsidies and contributions.</li> <li>Sample testing of transactions, including grant agreements.</li> <li>Perform cut-off testing.</li> <li>Review and test disclosures relating to unspent grants at year end, ensuring treated correctly in accordance with relevant Australian Accounting Standard.</li> <li>Sample testing of non-cash contributions.</li> <li>Analytical review.</li> </ul>
Rates	2,315	<ul style="list-style-type: none"> <li>Review of key processes and controls.</li> <li>Perform walkthroughs of the revenue cycle relating to rates.</li> <li>Sample testing of transactions.</li> <li>Perform cut-off testing.</li> <li>Analytical review.</li> <li>Ensure revenue recognition complies with AASB 15 and AASB 1058</li> </ul>
Fees and charges	508	<ul style="list-style-type: none"> <li>Review of key processes and controls.</li> <li>Perform walkthroughs of the revenue cycle relating to fees and charges.</li> <li>Sample testing of transactions.</li> <li>Perform cut-off testing and review credit notes.</li> <li>Assessment of requirements to conduct site visits to facilities operated where fees and charges are applied.</li> <li>Analytical review.</li> <li>Ensure revenue recognition complies with AASB 15 and AASB 1058</li> </ul>
Other revenue, including interest earnings	416	<ul style="list-style-type: none"> <li>Review of key processes/controls.</li> <li>Perform walkthroughs of the revenue cycle relating to other revenue.</li> <li>Sample testing of transactions.</li> <li>Perform cut-off testing.</li> <li>Review credit notes.</li> <li>Analytical review.</li> <li>Ensure revenue recognition complies with AASB 15 and AASB 1058</li> </ul>
Employee related expenses	1,921	<ul style="list-style-type: none"> <li>Review of key processes and controls.</li> <li>Perform walkthroughs of the payroll cycle.</li> <li>Sample testing of transactions.</li> <li>Verify wages reconciliation.</li> <li>Analytical review.</li> </ul>
Materials and contracts Utility charges Insurance expenses Other expenditure	2,201	<ul style="list-style-type: none"> <li>Review of key processes and controls.</li> <li>Perform walkthroughs of the purchasing and payments cycle.</li> <li>Sample resting of transactions.</li> <li>Analytical review.</li> </ul>

Significant Account	2021 Audited Balance \$'000	Audit Approach
Depreciation and Amortisation	2,884	<ul style="list-style-type: none"><li>• Review of management's assessment of the useful lives of assets and assess reasonableness.</li><li>• Verify depreciation expenses to valuation reports (where applicable).</li><li>• Perform re-calculation tests.</li><li>• Analytical review.</li></ul>



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"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Review Statement of Cash Flows and reconciliation note calculations.</li> <li>• Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.</li> </ul>
Legislative Compliance	<ul style="list-style-type: none"> <li>• Ensure Shire of Quairading's financial management policies and procedures are compliant with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Accounting Standards.</li> <li>• Assess Shire of Quairading'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.</li> <li>• Review draft annual financial statements to ensure compliance with Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.</li> </ul>
Contingent Liabilities	<ul style="list-style-type: none"> <li>• Review of internal controls.</li> <li>• Enquiries of management.</li> <li>• Assess Council's disclosures of obligations under the Contaminated Sites Act 2003.</li> <li>• Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.</li> <li>• Determine if any contingent liabilities relating to waste facilities, contaminated sites or aluminium composite panelling.</li> </ul>
Capital and Other Commitments	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Enquiries of management.</li> <li>• Verify disclosures to supporting calculations and documentation.</li> <li>• Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.</li> </ul>
Related Party Transactions, including elected member remuneration, key management personnel compensation and transactions with related parties	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Enquiries of management.</li> <li>• Obtain an understanding of the means utilised to identify related parties and record related party transactions.</li> <li>• Verify elected members remuneration calculations and test on a sample basis. Analytical review.</li> <li>• Verify key management personnel compensation calculations and test on a sample basis. Ensure KMP classifications correct.</li> <li>• Assess related party transactions terms and associated fraud risks.</li> <li>• Ensure completeness of disclosures.</li> <li>• Identify any related parties with dominant influence.</li> <li>• Ensure related party disclosures comply with AASB124.</li> </ul>
Joint Arrangements	<ul style="list-style-type: none"> <li>• Review of internal controls.</li> <li>• Enquiries of management.</li> <li>• Obtain an understanding of the means utilised to identify and record joint arrangements.</li> </ul>

Statement, Auditable Area and / or Disclosures	Audit Approach
	<ul style="list-style-type: none"> <li>• Obtain joint arrangement agreements.</li> <li>• Verify joint arrangement venture transaction calculations and test on a sample basis.</li> <li>• Analytical review.</li> <li>• Ensure completeness of disclosures and in accordance with AASB.</li> <li>• Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.</li> </ul>
Financial Risk Management	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Review financial risk management note and reconciliation calculations.</li> <li>• Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.</li> </ul>
Internal Control and Risk Management	<ul style="list-style-type: none"> <li>• Assess control environment including segregation of duties and level of independent review / checks in place.</li> <li>• Ensure Council have established and maintained a risk management framework that is appropriate.</li> <li>• Assess how management place a strong emphasis on the design, implementation and maintenance of internal control to prevent and detect fraud.</li> <li>• Assess classes of transactions and account balances which are more susceptible to fraud and test accordingly.</li> </ul>
Fraud	<ul style="list-style-type: none"> <li>• Assess control environment including segregation of duties and level of independent review / checks in place.</li> <li>• Assess how management place a strong emphasis on fraud prevention and deterrence. Review reporting mechanisms to those charged with governance.</li> <li>• Assess classes of transactions and account balances which are more susceptible to fraud and test accordingly.</li> <li>• Review of unusual transactions, in particular near balance date which may have a significant effect on the result.</li> </ul>
IT	<ul style="list-style-type: none"> <li>• Obtain an understanding of the IT general control environment.</li> <li>• 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.</li> </ul>
Accounting General Journals	<ul style="list-style-type: none"> <li>• Assess control environment in respect to accounting general journal entry and level of independent review / checks in place.</li> <li>• Sample testing of accounting general journals.</li> <li>• Assess classes of transactions and account balances which are more susceptible to fraud and test any large or unusual accounting general journals accordingly.</li> <li>• Review of unusual accounting general journals, in particular near balance date which may manipulate the result.</li> </ul>
Accounting Estimates	<ul style="list-style-type: none"> <li>• Assess control environment in respect to accounting estimates and level of consultation / independent review / checks in place.</li> <li>• Sample testing of application accounting estimates, ensuring significant assumptions used in making accounting estimates are reasonable.</li> <li>• Assess classes of transactions and account balances which are more susceptible to fraud and test any large or unusual accounting estimates accordingly.</li> </ul>

Statement, Auditable Area and / or Disclosures	Audit Approach
	<ul style="list-style-type: none"> <li>Review of unusual accounting estimates, in particular those recorded or changed near balance date which may manipulate the result.</li> <li>Ensure accounting estimates disclosures comply with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.</li> </ul>
Financial Ratios	<ul style="list-style-type: none"> <li>Determine basis of calculating individual financial ratios and annual reporting requirements.</li> <li>Establish Local Government's internal controls to capture financial ratio source data, including Long Term Financial Plan, Asset Management Plan, valuation reports etc.</li> <li>Ensure Long Term Financial Plan and Asset Management Plan(s) are current, approved by Council and include ten years of data.</li> <li>Determine ratios which require adverse trend reporting.</li> <li>Ensure financial ratio calculations and disclosures comply with the Local Government Act 1995 and section 50 of the Local Government (Financial Management) Regulations 1996.</li> </ul>

## 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 Executive Manager of Corporate Services 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 Quairading's annual financial report;
- report any findings, significant control weaknesses and any other relevant matters arising from our audit procedures; and
- report any significant non-compliance with relevant legislation.

AMD will be required to form an opinion and report to the Auditor General whether the Shire of Quairading'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 Quairading 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 Quairading;
5. Prepare and provide OAG Representative with Signing Review Memo (SRM), 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	25 March 2022
Entrance Meeting (Shire, OAG & AMD)	12 April 2022
Onsite Interim Audit by AMD	2 and 3 May 2022
AMD provide OAG clearance for Interim Audit Review including draft Interim Management Letter (week ending)	17 May 2022
OAG complete Interim Audit Review	31 May 2022
Interim Management Letter to be issued by OAG (if required)	7 June 2022
Issue of Year End Audit Checklist by AMD (week ending)	18 June 2022
Final Trial Balance to be provided to AMD by the Shire	30 September 2022
Draft Annual Financial Report to be provided to AMD by the Shire	30 September 2022
Onsite Final Audit by AMD	10 and 11 October 2022
AMD provide OAG clearance for Audit File Review including all applicable Contractor deliverables / reports (week ending)	1 November 2022
OAG complete Final Audit Review	15 November 2022
AMD issue exit meeting agenda and associated reports (Management Representation Letter, draft Management Letter and draft Audit Report)	29 November 2022
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

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 Quairading 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
<b>Contractor – AMD Chartered Accountants</b>		
Director	Tim Partridge	(08) 9780 7555 tim.partridge@amdonline.com.au
Alternate Director	Maria Cavallo	(08) 9780 7555 maria.cavallo@amdonline.com.au
Audit Manager/Team Leader	Chelsea Gardiner	(08) 9780 7555 chelsea.gardiner@amdonline.com.au
Auditor	Mitchell Keller	(08) 9780 7555 mitchell.keller@amdonline.com.au
Audit Co-ordinator	Sian Manning	(08) 9780 7555 sian.manning@amdonline.com.au
<b>Office of the Auditor General</b>		
Auditor General	Caroline Spencer	(08) 6557 7500
OAG Representative Director	Anna Liang	(08) 6557 7566 anna.liang@audit.wa.gov.au

## ITEM 7      STANDING ITEMS – INTERNAL AUDIT

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*Audit & Risk Committee - Terms of Reference 7.5*

*No matters for consideration.*



## ITEM 8      STANDING ITEMS – FINANCIAL REPORTING

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*Audit & Risk Committee - Terms of Reference 7.2*

*No matters for consideration.*

## ITEM 9      STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

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*Audit & Risk Committee - Terms of Reference 7.3*

*No matters for consideration.*

## ITEM 10 STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES

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*Audit & Risk Committee - Terms of Reference 7.1, 7.3*

### 10.1 Report on excess annual leave and long service leave

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<b>Meeting Date:</b>	13 <sup>th</sup> September 2022
<b>Responsible Officer:</b>	Nicole Gibbs (Chief Executive Officer)
<b>Reporting Officer:</b>	Leah Horton (Executive Manager Corporate Services)
<b>Attachments:</b>	Nil
<b>Owner/Applicant:</b>	Shire of Quairading
<b>Disclosure of Interest:</b>	Nil

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#### OFFICER RECOMMENDATION

**RECOMMENDATION: AR4 – 22/23**

**MOVED Cr Cowcill SECONDED Cr Cheang**

That the Audit and Risk Committee recommend to Council that:-

Council receive the report on the Shire’s leave liabilities.

**CARRIED 7/0**

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#### IN BRIEF

- Since 2017, Council has requested that excess annual leave and long service leave be reported to the Audit and Risk Committee.
- Not taking a reasonable amount of annual leave or long service leave may pose a threat to the health and safety of employees and represent a significant financial liability for the Shire, therefore there are steps in place to ensure that leave balances are monitored and are at appropriate levels.
- Employee entitlement movements during the year are due to many reasons, such as, leave taken during the period, increased accrued leave balances, increases in remuneration rates and changes in the underlying staff with leave balances transferred to and from the Shire.

#### MATTER FOR CONSIDERATION

Receipt of the report on excess annual leave and long service leave entitlements and leave liabilities.

#### BACKGROUND

Since 2017, Council has requested that excess annual leave and long service leave be reported to the Audit and Risk Committee.

The current Leave Management Policy defines “excess leave” as when the employee has accrued more than eight weeks paid annual leave and provides management with direction to effectively management the annual and long service leave entitlements of employees.

The Shire encourages employees to take leave by reinforcing the positive benefits of taking leave when it becomes due. Sometimes there are circumstances that prevent leave being able to be taken, such as; staff shortages, outside influences (COVID-19 travel restrictions), and work demands.

There will be movements in employee entitlements throughout the year. Balances will increase naturally as employees accrue leave entitlements and when leave balances are transferred from other Shires. Balances will decrease when employees take leave accrued and when leave balances are transferred to other Shires. This natural fluctuation is monitored by management and through this report to ensure any excess is managed appropriately.

## STATUTORY ENVIRONMENT

Local Government Industry Award 2020

### 23.6 Excessive leave accruals: general provision

**(a)** An employee has an **excessive leave accrual** if the employee has accrued more than 8 weeks' paid annual leave (or 10 weeks' paid annual leave for a shift worker, as defined by clause [23.2](#)).

**(b)** If an employee has an excessive leave accrual, the employer or the employee may seek to confer with the other and genuinely try to reach agreement on how to reduce or eliminate the excessive leave accrual.

*Local Government Act 1995*

Local Government (Long Service Leave Regulations)

Local Government (Financial Management) Regulations 1996

National Employment Standards

*Fair Work Act 2009.*

## POLICY IMPLICATIONS

Current Policy: Leave Management Policy (ORG.2)

## FINANCIAL IMPLICATIONS

The Employee Entitlements (Annual and Long Service Leave) reserve fund cash balance as at 31<sup>st</sup> July 2022 is \$166,736.14.

The annual budget treats current leave as accruals.

The annual and long service leave reserve funds any prior year leave entitlements taken by staff or paid out.

The current liability for both types of leave (if all claimed on 14<sup>th</sup> August 2022) is calculated at \$127,904.

There is currently surplus in the reserve account in comparison to the liability accrued of \$38,832. This will be reviewed further through the preparation of the annual financial report, with a recommendation provided as to either keep the funds in surplus in this reserve for future leave liabilities, or to redistribute back to municipal funds in reimbursement for entitlements paid during 2021/2022 and 2022/2023, which could be done through the budget review process.

## ALIGNMENT WITH STRATEGIC PRIORITIES

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

5.4 Implement systems and processes that meet legislative and audit obligations

## COMMUNITY CONSULTATION

Nil.

## RISK ASSESSMENT

Option 1	
Financial	Low <i>Financial exposure and therefore risk escalation occurs if Leave accruals are not monitored and managed. Adequate reserve balances reduce the risk of financial exposure.</i>
Health	Low
Reputation	Low
Operations	Low <i>Impact to operations where employees with excess leave are requested to take leave. This can be mitigated by agreement of mutually acceptable timeframes for taking leave that are not during heavy workload times.</i>
Natural Environment	Low

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

## COMMENT

This report has been prepared to inform the Audit and Risk Committee of the current leave liabilities and of any employees who have excess leave and the steps taken to reduce these liabilities.

As at 14 August 2022 there has been a decrease in both the annual leave and long service leave liabilities, reflective of; a significant amount of employee movement (separations) since the previous report to 8 May 2022. Many long-standing employees have separated during this time, being paid out their accrued entitlements upon termination. The balance is also affected by increases to pay rates, new staff and the taking of leave, however the biggest contributing factor to the balance change is the separations.

**Annual Leave:** Six employees who had annual leave accruals have separated, removing their annual leave entitlement on termination with another one not accruing leave as they are absent from work (parental leave). These terminations had a significant impact on the AL accrual in both June and July.

Some employees have taken leave during the period with six employees balances reducing, however overall the rest of the workforce's entitlements increased.

We have recruited three new employees who have all accrued minimal hours. Six employees with annual leave balances have received pay increases, which has increased their entitlement balance.

There is currently one employee with excess annual leave, both the employee and management are aware and leave is planned to be taken at the most convenient time as to not impact operations.

There has been a decrease of 17% (dollar value) in the annual leave liability since January 2022.

**Long Service Leave:** Three employees who had long service leave accruals have separated, removing their entitlements on termination. These terminations had a significant impact on the LSL accrual in both June and July.

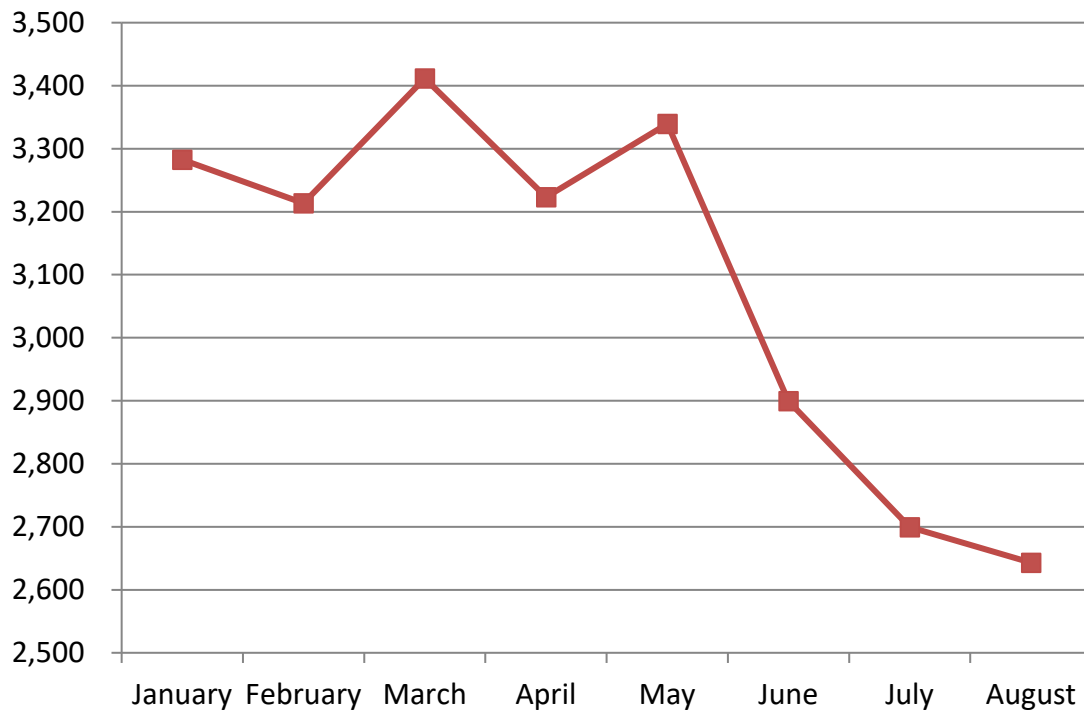
One employee's long service leave accrual amount (hours) have increased due to the employee's length of service entitling them to start accruing long service leave. No employees with LSL entitlements have received pay rate increases, therefore the LSL entitlement balance has been wholly affected by the three terminations and one addition to accruals.

There has been a decrease of 74% (dollar value) in the long service leave liability since January 2022.

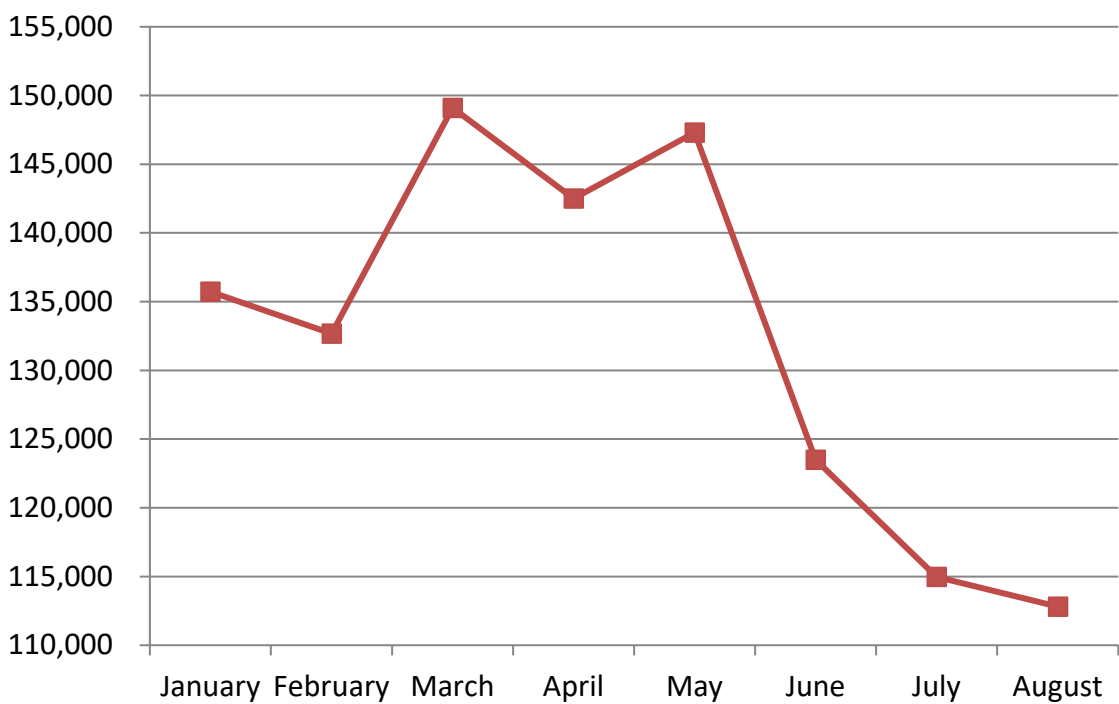
The following table and graphs show the fluctuations in the accrued hours and dollar values of both annual leave and long service leave over the period of January 2022 to 14 August 2022.

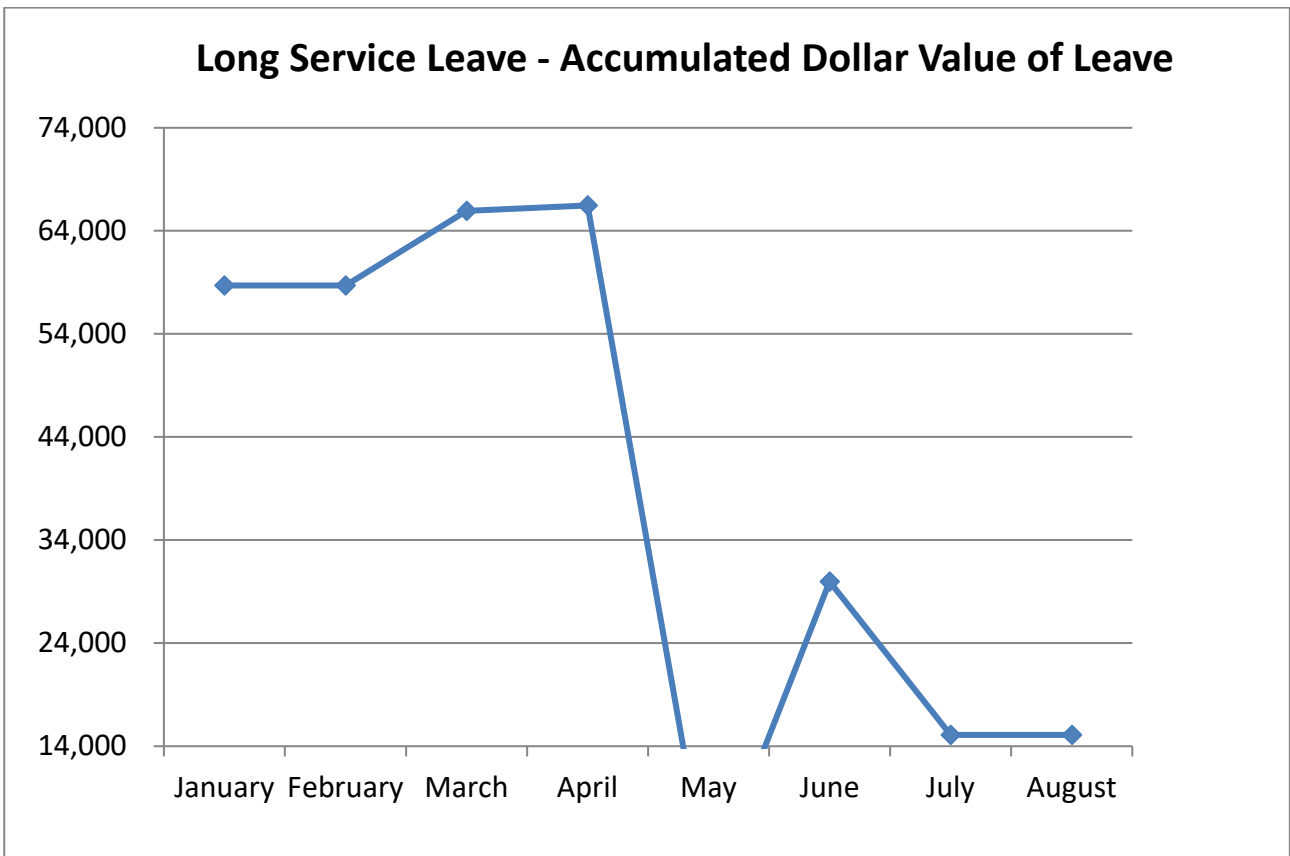
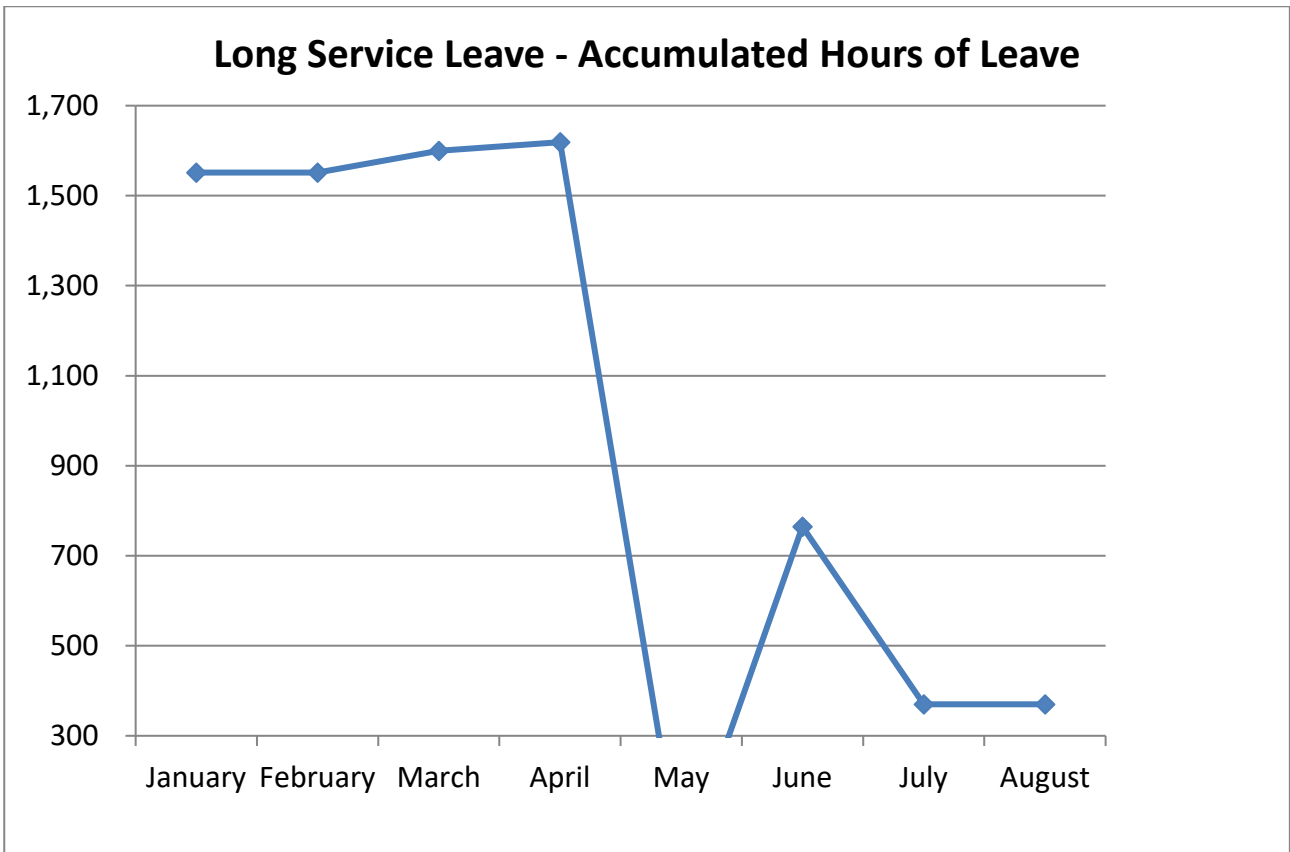
Month	LSL Hours	LSL \$	A/L Hours	A/L \$
January	1,552	58,708	3,282	135,728
February	1,552	58,708	3,213	132,665
March	1,600	65,929	3,412	149,101
April	1,619	66,465	3,223	142,510
May	1,619	66,465	3,340	147,293
June	765	29,969	2,899	123,503
July	370	15,095	2,700	114,979
August	370	15,095	2,643	112,809

### Annual Leave - Accumulated Hours of Leave



### Annual Leave - Accumulated Dollar Value of Leave







## 10.2 Risk Management Dashboard Review

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<b>Meeting Date:</b>	13 <sup>th</sup> September 2022
<b>Responsible Officer:</b>	Nicole Gibbs (Chief Executive Officer)
<b>Reporting Officer:</b>	Nicole Gibbs (Chief Executive Officer)
<b>Attachments:</b>	(i) Current Risk Management Dashboard Report and Profiles <b>confidential</b>
<b>Owner/Applicant:</b>	Shire of Quairading
<b>Disclosure of Interest:</b>	Nil

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### MOVED Cr Hippisley SECONDED Cr Cowcill

#### RECOMMENDATION: AR5 – 22/23

For the Audit & Risk Committee to recommend to Council, that Council:

1. Note the information provided.
2. Request that a risk management review workshop facilitated by an externally contracted risk consultant be held at the earliest convenience of Council and the contractor.

**CARRIED 7/0**

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#### IN BRIEF

Shire officers have been directed to report to Council monthly on progress against the current risk matrix in an attempt to mitigate, manage and eliminate risk across the Shire.

This month an internal review of the risk matrix was conducted in response to:

- A CEO and Executive Management Team that is less than 12 months old; and
- The proclamation of the *Workplace Health & Safety Act 2020*.

The CEO has concerns that the risks being reported to Council are risks that are predominantly operational and are risks that are generally managed as core business. While it is important to include operational risks, the CEO has concerns that there are high-level strategic risks that are not represented in the matrix and are so not visible to Council.

Executive are engaging an independent facilitator for an Annual Risk Management Review session to be held at Council level and to include executive, manager and supervisor level employees. It is proposed that this session replace the next Strategic Planning Committee Meeting. A new risk matrix will result from the session and enable accurate and relevant reporting against organisational risk.

#### MATTER FOR CONSIDERATION

For Council to note the information provided.

For Council to allocate the next Strategic Planning Committee meeting (11<sup>th</sup> October 2022) as the forum for the Annual Risk Management Review session.

## BACKGROUND

The Shire of Quairading Council recognises that risk management is an integral part of good governance and management practice.

The Risk Management Governance Framework requires that:

- Risk management is performed consistently throughout the whole organisation
- Risks are assessed and managed in a context that is relevant to each part of the organisation.

All levels of staff have a role to play in adopting risk management awareness and integrating risk management activities within their business unit environments.

As part of the Risk Management Governance Framework, a relationship between Strategic and Operational risks exists, allowing risk oversight to occur at both of these contexts. (i.e. at an executive or operational level). In particular, there is potential for risk to be escalated and/or de-escalated between strategic and operational risk as a result of risk changing either through increased controls effectiveness or an emerging or changing operational risks requiring Executive Management Team (EMT) oversight.

Council's Risk Management Governance Framework provides the foundations for designing, developing, implementing, monitoring, reviewing, and communicating risk management and continuous improvement of performance associated with Council strategy, operations and routine tasks.

Council has requested that the CEO conduct a review of its risk management and report progress on issues identified as high risk. The dashboard is to be formally reviewed by Council every two years with the last review being conducted July 2021.

Since the enactment of the *Workplace Health & Safety Act 2020* in March 2022, the departure of the previous CEO and there being a new EMT, a review of the Risk Dashboard has been conducted internally. The CEO has concerns that the risks being reported to Council are risks that are predominantly operational and are risks that are generally managed as core business. While it is important to include operational risks, the CEO has concern that there are high-level strategic risks that are not represented in the matrix and are so not visible to Council.

The CEO is recommending that a workshop be organised for the next Strategic Planning Committee meeting on the 11<sup>th</sup> October 2022, with an external facilitator used to ensure all attendees actively participate.

## STATUTORY ENVIRONMENT

*Local Government Act 1995* Section 2.7 – Role of Council

Implications of Section 3.18(3) *Local Government Act 1995*

*Local Government (Audit) Regulations 1996*, Regulation 17 – CEO to review certain systems and procedures, including risk management.

AS/NZS ISO 3100:2009 Risk Management – Principles and guidelines.

*Workplace Health & Safety Act 2020*

## POLICY IMPLICATIONS

Risk Management Policy

Shire of Quairading Risk Management Governance Framework.

## FINANCIAL IMPLICATIONS

- There is no significant cost in running the session.
- Failing to identify, manage, mitigate and/or eliminate risk could potentially be cost-prohibitive.

## ALIGNMENT WITH STRATEGIC PRIORITIES

- 5.4 **Governance & Leadership:** Implement systems and processes that meet legislative and audit obligations

## CONSULTATION

It is officer's recommendation to engage an external contractor to assist with re-developing the Risk Dashboard.

## RISK ASSESSMENT

Option 1	
Financial	<i>Medium</i> <i>There is no significant cost in running the session.</i> <i>Failing to identify, manage, mitigate and/or eliminate risk could potentially be cost-prohibitive.</i>
Health	<i>Medium</i> <i>Refusing to address Work Health &amp; Safety obligations can result in life long mental and physical health harm to employees and the general public.</i>
Reputation	<i>High</i> <i>Breaches of the Work Health &amp; Safety Act could result in cost-prohibitive consequences that mean the local government can no longer operate.</i>
Operations	<i>High</i> <i>The Work Health &amp; Safety Act 2020 demands that all risk is managed across operations.</i>
Natural Environment	N/A

Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

**COMMENT**

Nil.

**DISCUSSION AFFECTING COMMITTEE DECISION**

Cr Hippisley asked if it was appropriate to replace the Strategic Planning Committee meeting, as the dashboard review is relating to Audit & Risk.

Cr Smith said he has no objection to an annual risk review, with one year being a “thorough” review and the next year being a less formal review. Cr Smith said he did not agree with it being in place of the Strategic Planning Committee but noted that this was the next Committee meeting. He suggested to hold a Risk Management Dashboard Review as a standalone workshop rather than in place of a Committee meeting.

Cr Haythornthwaite queried the urgency of the workshop being carried out.

Ms Gibbs said it could wait until the next Audit & Risk Committee meeting in December 2022, if that was the preference of Council.

Mrs Horton said it was an audit finding to review the Risk Management Dashboard as a matter of priority, with the completion date September 2022. December may be too late.

Cr Stacey said he believes the workshop should be held as a standalone meeting and December will be too late.

## ITEM 11 STANDING ITEMS – OTHER

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*Audit & Risk Committee - Terms of Reference 9.1, 9.2 & 9.5*

*No matters for consideration.*

## ITEM 12 COUNCILLORS' EMERGING ISSUES

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### **Cr Smith**

Cr Smith received an email from WALGA requesting names of two voting delegates to attend the WALGA AGM which is to be held on the 3<sup>rd</sup> October 2022.

It was requested that the delegates be recommended to Council for the September Ordinary Council meeting.

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**MOVED Cr Hayes SECONDED Cr Cheang**

### **RECOMMENDATION: AR6 – 22/23**

For the Audit & Risk Committee to recommend to Council, that Council:

Nominate Cr Hippisley and Cr Smith as the voting delegates to attend the 2022 WALGA AGM on the 3<sup>rd</sup> October 2022.

**CARRIED 7/0**

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Cr Smith requested the agenda for the AGM be requested and forwarded on to the delegated attendees.

**ITEM 13 CONFIDENTIAL BUSINESS – AS PER LOCAL GOVERNMENT ACT S5.23 (2)**

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**13.1 Chief Executive Officer's Performance Review (Confidential Item)**

**5.37pm** – Mrs Horton, Mrs Caporn and Miss Hadlow left meeting

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**OFFICER RECOMMENDATION**

**RECOMMENDATION: AR7 – 22/23**

**MOVED Cr Hayes SECONDED Cr Hippisley**

Subject to the consideration of the CEO's probationary performance review report:-

That the Audit & Risk Committee recommend to Council that Council: -

1. Note Ms Nicole Gibbs' performance review in her role as Chief Executive Officer for the Shire of Quairading for the period 1<sup>st</sup> December 2021 to 31<sup>st</sup> August 2022 has been undertaken and;
2. Endorses the performance review report for Ms Gibb's review period

**CARRIED 7/0**

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*This report was provided to the Audit & Risk Committee under separate cover.*

**6.10pm** – Ms Gibbs left meeting

**6.25pm** – Ms Gibbs and Miss Hadlow entered meeting

**ITEM 14      NEXT MEETING DATE**

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The next Audit & Risk Committee meeting is scheduled to take place on 6<sup>th</sup> December 2022, commencing at 5.00 pm on at the Council Chambers, 10 Jennaberring Road Quairading.

**ITEM 15      CLOSURE**

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There being no further business, the Chairperson closed the meeting at 6.27pm.

I certify the minutes of the Audit & Risk Committee meeting held on 13th September 2022 were confirmed 6th December 2022 as recorded on Resolution No. ARC008- 22/23.

Confirmed.....*J. Haythornthwaite*.....06/12/2022