



**MINUTES OF THE AUDIT AND FINANCE COMMITTEE OF THE SHIRE OF BOYUP BROOK
HELD IN THE COUNCIL CHAMBERS, ABEL STREET, BOYUP BROOK ON
21 SEPTEMBER 2022 AT 5.43PM**

1. Opening of Meeting

The Presiding Member declared the meeting open.

2. Acknowledgement of Traditional Owners and Dignitaries

We acknowledge and pay our respects to the traditional custodians of the land on which we meet and work.

3. RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE / APPLICATION FOR LEAVE OF ABSENCE

Shire President	Richard Walker
Deputy Shire President	Helen O'Connell
Councillor	Steele Alexander
	Charles Caldwell
	Philippe Kaltenrieder
	Darren E King
	Kevin J Moir
	Adrian Price
Chief Executive Officer	Dale Putland
Carolyn Mallett	Deputy Chief Executive Officer
Executive Assistant	Maria Lane
Apologies	Sarah Alexander

4. Response to Previous Questions

Nil

5. Questions from Members without Notice

Nil

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

COMMITTEE DECISION & OFFICER RECOMMENDATION

MOVED: Cr Steele Alexander

SECONDED: Cr Philippe Kaltenrieder

That the minutes of the Audit and Finance Committee meeting held on 24 March 2022 be confirmed as an accurate record.

CARRIED 8/0

22/9/127

7. Disclosure of Interest

Nil

8. Reports of Officers

8.1 Annual Financial Report 2020/21, Independent Auditor's Report and Findings identified during the Final Audit

Location:	<i>Not applicable</i>
Applicant:	<i>Not applicable</i>
Disclosure of Interest:	<i>Nil</i>
Date:	<i>14 September 2022</i>
Author:	<i>Maria Lane – Executive Assistant</i>
Authorizing Officer:	<i>Dale Putland – Chief Executive Officer</i>
Attachments:	<i>Yes - 2020/21 Annual Financial Report Independent Auditor's Report Findings identified during the final audit</i>

PURPOSE

The Office of the Auditor General has completed the audit of the annual financial report for your Shire. In accordance with section 7.12AD (2) of the Local Government Act 1995, please find enclosed the Auditor General's auditor's report, together with the audited annual financial report.

BACKGROUND

The Chief Executive Officer (CEO) of Shire of Boyup Brook is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are non- inconsistent with the Act, the Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines it necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

It is the Auditor's responsibility to obtain reasonable assurance about whether the financial report is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the Auditor's opinion.

COMMENT

The audit of the Shire's 2020/21 Financial Statements has been conducted in accordance with Australia Auditing Standards and the Auditor has determined the following:

Management Control Issues

Office of the Auditor General would like to draw your attention of the attached listing of deficiencies in internal control and others matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

Findings identified during the Final Audit

1. Grant revenue has not been recognized in accordance with AASB 15 or AASB 1058.

Finding

Our sample testing of revenue transactions noted that grant revenue has not been recognized in accordance with AASB 15 or AASB 1058.

For practical resourcing purposes, management have made a decision to rectify the revenue recognition error at year end as part of calculating the contract/grant liability balance.

Implication

Non-compliance with AASB 15 or 1058. As the application of these standards may result in delayed income recognition, the Shire's revenue may be overstated in the monthly statements of financial activity, which should be prepared in accordance with all relevant Australian Accounting Standards. This may impact the financial decision making of Council.

Recommendation

The Shire should complete a detailed revenue recognition assessment of all new grants on a regular basis rather than at year end. This is to conclude if a particular revenue stream or transaction arises from an enforceable contract with a customer and has sufficiently specific performance obligations. The assessment will trigger the revenue recognition requirements under AASB 15, or if it falls outside this scope, under AASB 1058, so that the revenue is not misstated for both monthly and annual financial reporting purposes.

Similarly, the achievement of performance obligations for the contract/grant liabilities carried over from last year should be monitored on a regular basis so that revenue is recognized appropriately and timely in the monthly financial reporting. This will also assist in expediting the year end process for preparing the annual financial report.

Management Comment

The Shire is in the process of establishing a detailed grant revenue review process. This review will be conducted on a quarterly basis, with a formal report presented to Council. The first review will take place in November 2021.

2. Purchase orders dated after invoice date

Finding

From our sample testing of 12 payments made during the year, we noted three instances where the approved purchase orders were raised after the date of the corresponding supplier invoices. However, we acknowledge that the quotations for those orders were obtained prior to ordering as per the Shire's purchasing policy.

Implication

Without evidence that the ordering of goods and services was approved prior to ordering, there is an increased risk of unauthorized expenditure being made.

Recommendation

Management to ensure that all purchase orders are approved and raised prior to ordering.

Management Comment

All staff members have been instructed that purchase orders must be approved prior to ordering or receiving any goods or services, and that the Shire's adopted Purchasing Policy must be strictly observed at all times. Breaches of this instruction will be brought to the attention of the Finance Manager and the CEO for action.

3. Lack of employment contract

Finding

Our review of the payroll system revealed one instance where the employment contract for an employee was not updated to reflect additional duties to be performed at a different and higher pay rate.

Implication

Without a properly executed and updated employment contract, there could be a dispute regarding the correct terms of employment, in particular the applicable pay rate.

Recommendation

To help ensure a legally enforceable agreement is in place and no dispute arises, all employees should have an employment contract which is up to date, duly signed and filed in their personnel files.

Management Comment

The Shire is finalising the Workforce Plan and will conduct a review of all staff position descriptions and employment contracts to ensure they accurately reflect officers' duties. Any future changes to duties will be reflected in the appropriate position descriptions and/or employment contract as required.

CONSULTATION

Moore Australia (WA) Pty Ltd
Office of the Auditor General

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

The Shire to improve the governance and administration services.

The Shire to provide strong collaborative leadership and display a commitment to progress.

VOTING REQUIREMENT

Simple Majority

SUSTAINABILITY IMPLICATIONS

N/A

COMMITTEE DECISION & OFFICER RECOMMENDATION – Item 8.1

MOVED: Cr Helen O’Connell

SECONDED: Cr Steele Alexander

- 1. That the Audit and Finance Committee recommends that Council accept the 2020/21 Annual Financial Reports, the Independent Auditor’s Report and Management Report for the 2020/21 financial year as presented by the Auditor General.**
- 2. That the Audit and Finance Committee recommends that Council note the Management Comments in relation to the matters raised in the Auditor’s Management Report.**

CARRIED 8/0

Res 22/9/128

9. CLOSURE OF MEETING

There being no further business the Presiding Member thanked all for their attendance and declared the meeting closed at 5.51pm.