

SHIRE OF SHARK BAY UNCONFIRMED MINUTES AUDIT COMMITTEE MEETING

5 February 2025



5 FEBRUARY 2025



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The unconfirmed minutes of the Audit Committee held in the Council Chamber at the Shark Bay Recreation Centre, Francis Street, Denham on Wednesday 5 February 2025 commencing at 12.33pm.

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AC1.0 DECLARATION OF OPENING

The Chief Executive Officer, Mr Dale Chapman, declared the Audit Committee open at 12.33 pm.

Moved Cr Fenny
Seconded Cr Bellottie

Audit Committee Resolution

That Cr Stubberfield be appointed at the Chairperson for the meeting.

FOR: Cr's Bellottie, Fenny, Ridgley, Smith and Stubberfield

AGAINST: Nil

ABSENT: Cr's Cowell and Vankova

5/0 CARRIED

Cr Stubberfield assumed the chair.

AC2.0 ACKNOWLEDGEMENT OF COUNTRY

I would like to acknowledge the Malgana Peoples as the traditional custodians of the land and sea in and around the Shire of Shark Bay.

I pay my respects to their Elders past, present and emerging.

AC3.0 RECORD OF ATTENDANCES / APOLOGIES / LEAVE OF ABSENCE GRANTED

ATTENDANCES

Cr P Stubberfield	Chair Person
Cr L Bellottie	
Cr E Fenny	
Cr G Ridgley	
Cr M Smith	

Mr D Chapman	Chief Executive Officer
Mrs R Mettam	Executive Assistant

APOLOGIES

Cr C Cowell
Cr M Vankova

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AC4.0 CONFIRMATION OF MINUTES

AC4.1 CONFIRMATION OF THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 12 FEBRUARY 2024

Moved Cr Fenny
Seconded Cr Smith

Audit Committee Resolution

That the minutes of the Audit Committee meeting held on 12 February 2024, as circulated to all Committee members, be confirmed as a true and accurate record.

FOR: Cr's Bellottie, Fenny, Ridgley, Smith and Stubberfield

AGAINST: Nil

ABSENT: Cr's Cowell and Vankova

5/0 CARRIED

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AC5.0 AUDIT COMMITTEE REPORTS

AC5.1 LOCAL GOVERNMENT COMPLIANCE AUDIT REPORT
CM00013

Author

Executive Assistant

Disclosure of Any Interest

Nil

Moved Cr Ridgley
Seconded Cr Fenny

Audit Committee Resolution

That the Audit Committee recommend that Council adopt the Local Government Compliance Audit Return for the period 1 January 2024 to 31 December 2024 as completed and for it to be forwarded to the Department of Local Government as a true and correct record of the information contained therein.

FOR: Cr's Bellottie, Fenny, Ridgley, Smith and Stubberfield

AGAINST: Nil

ABSENT: Cr's Cowell and Vankova

5/0 CARRIED

Comments

The Audit Compliance Return now focuses on areas of compliance that are considered high risk, such as financial interest disclosures, procurement and tendering, delegation and use of delegated power and the recruitment and appointment of the Chief Executive Officer and Senior Staff.

The Compliance Audit Return has been completed and checked. It is now presented to the Audit Committee. The Audit Committee now needs to recommend that it be adopted by the Council. A certified copy of the Return is to be submitted to the Department of Local Government by 31 March 2025.

The Compliance Return is an excellent internal control to assess the Shire of Shark Bay's statutory compliance.

Background

The Statutory Compliance Audit Return for the period 1 January 2024 to 31 December 2024 is due. Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996* require all local governments to complete the Statutory Compliance Audit Return.

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The Compliance Audit Return is to be -

- 1 Presented to the Audit Committee
- 2 Presented to Council at a meeting of the Council.
- 3 Adopted by the Council.
- 4 The adoption recorded in the minutes of the meeting at which it is adopted.

After the Compliance Audit Return has been presented to the Council, a certified copy of the Return along with the relevant section of the minutes and any additional information explaining or qualifying the Compliance Audit Return is to be submitted to the Director General, Department of Local Government by 31 March 2025.

Legal Implications

Section 7.13 (1)(i) of the *Local Government Act 1995*.

Regulation 14 – Compliance audit return to be prepared – *Local Government (Audit) Regulations 1996*

Regulation 15 – Completion of compliance audit return – *Local Government (Audit) Regulations 1996*

Policy Implications

There are no policy implications relative to this report

Financial Implications

There are no financial implications relative to this report

Strategic Implications

There are no strategic implications relative to this report

Voting Requirements

Simple Majority Required

Signatures

Chief Executive Officer

D Chapman

Date of Report

13 January 2025

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return 2024



COMPLIANCE AUDIT RETURN 2024

Commercial Enterprises by Local Governments				
No	Reference	Question	Response	Comments
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2024?	N/A	
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2024?	N/A	
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2024?	N/A	
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2024?	N/A	
5	s3.59(5)	During 2024, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A	

Delegation of Power/Duty				
No	Reference	Question	Response	Comments
1	s5.16 (1)	Were all delegations to committees resolved by absolute majority?	N/A	
2	s5.16 (2)	Were all delegations to committees in writing?	N/A	
3	s5.17	Were all delegations to committees within the limits specified in section 5.17 of the <i>Local Government Act 1995</i> ?	N/A	
4	s5.18	Were all delegations to committees recorded in a register of delegations?	N/A	
5	s5.18	Has council reviewed delegations to its committees in the 2023/2024 financial year?	N/A	

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6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the <i>Local Government Act 1995</i> ?	YES	
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	YES	28/08/2024 Ordinary Council meeting ITEM 10.1
8	s5.42(2)	Were all delegations to the CEO in writing?	YES	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	YES	
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	N/A	
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	YES	
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2023/2024 financial year?	YES	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act, keep, on all occasions, a written record in accordance with <i>Local Government (Administration) Regulations 1996</i> , regulation 19?	YES	

Disclosure of Interest				
No	Reference	Question	Response	Comments
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the <i>Local Government Act 1995</i> , did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	YES	
2	s5.68(2) & s5.69(5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by the <i>Local Government (Administration) Regulations 1996</i> regulation 21A, recorded in the minutes of the relevant council or committee meeting?	YES	

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3	s5.73	Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the <i>Local Government Act 1995</i> recorded in the minutes of the meeting at which the disclosures were made?	YES	
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	YES	
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2024?	YES	
6	s5.77	On receipt of a primary or annual return, did the CEO, or the Mayor/President, give written acknowledgment of having received the return?	YES	
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the <i>Local Government Act 1995</i> ?	YES	
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the <i>Local Government Act 1995</i> , in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28?	YES	
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the <i>Local Government Act 1995</i> , did the CEO remove from the register all returns relating to that person?	YES	
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) of the <i>Local Government Act 1995</i> been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	YES	
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the <i>Local Government Act 1995</i> , in the form prescribed in the <i>Local Government (Administration) Regulations 1996</i> , regulation 28A?	YES	
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	YES	
13	s5.89A(6)	When people cease to be a person who is required to make a disclosure under section 5.87A or 5.87B of the <i>Local Government Act 1995</i> , did the CEO remove from the register all records relating to those people?	YES	

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14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A(6) <i>Local Government Act 1995</i> been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	YES	
15	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	YES	
16	s5.71A & s5.71B(5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under section 5.71A(1) of the <i>Local Government Act 1995</i> relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A	
17	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under section 5.71B(6) of the <i>Local Government Act 1995</i> , recorded in the minutes of the council meeting at which the decision was considered?	N/A	
18	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates that incorporates the model code of conduct?	YES	
19	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4) of the <i>Local Government Act 1995</i> ?	N/A	
20	s5.104(7)	Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website?	YES	
21	s5.51A(1) & (3)	Has the CEO prepared and implemented a code of conduct to be observed by employee of the local government? If yes, has the CEO published an up-to-date version of the code of conduct for employees on the local government's website?	YES	

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Disposal of Property				
No	Reference	Question	Response	Comments
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the <i>Local Government Act 1995</i> (unless section 3.58(5) applies)?	YES	
2	s3.58(4)	Where the local government disposed of property under section 3.58(3) of the <i>Local Government Act 1995</i> , did it provide details, as prescribed by section 3.58(4) of the Act, in the required local public notice for each disposal of property?	YES	

Elections				
No	Reference	Question	Response	Comments
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the <i>Local Government (Elections) Regulations 1997</i> ?	N/A	No Election
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the <i>Local Government (Elections) Regulations 1997</i> ?	N/A	No Election
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the <i>Local Government (Elections) Regulations 1997</i> ?	N/A	No Election

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Finance				
No	Reference	Question	Response	Comments
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the <i>Local Government Act 1995</i> ?	YES	Special Council meeting 25 October 2023 Item 8.1
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the <i>Local Government Act 1995</i> , did it do so by absolute majority?	N/A	
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2024 received by the local government by 31 December 2024?	Yes	Received on the 16 December 2024
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the <i>Local Government Act 1995</i> required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	N/A	Only received on the 16 December 2024 – Action being undertaken in 2025
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	Only received on the 16 December 2024 – Action being undertaken in 2025
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the <i>Local Government Act 1995</i> , did the CEO publish a copy of the report on the local government's official website?	N/A	Not yet adopted by Council
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June 2024 received by the local government within 30 days of completion of the audit?	YES	

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Integrated Planning and Reporting				
No	Reference	Question	Response	Comments
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If yes, please provide the adoption date or the date of the most recent review in the Comments section?	YES	28 June 2023 Ordinary Council meeting Item 10.2
2	Admin Reg 19DA(1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If yes, please provide the adoption date or the date of the most recent review in the Comments section?	YES	16 August 2024 Special Council meeting Item 5.0
3	Admin Reg 19DA(2) & (3)	Does the corporate business plan comply with the requirements of <i>Local Government (Administration) Regulations 1996</i> 19DA(2) & (3)?	YES	

Local Government Employees				
No	Reference	Question	Response	Comments
1	s5.36(4) & s5.37(3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with <i>Local Government (Administration) Regulations 1996</i> , regulation 18A?	N/A	No Vacancies
2	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A	
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the <i>Local Government Act 1995</i> ?	N/A	
4	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A	
5	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A	

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Official Conduct				
No	Reference	Question	Response	Comments
1	s5.120	Has the local government designated an employee to be its complaints officer?	YES	Chief Executive Officer
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a) of the <i>Local Government Act 1995</i> ?	N/A	No complaints received
3	S5.121(2)	Does the complaints register include all information required by section 5.121(2) of the <i>Local Government Act 1995</i> ?	N/A	
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	N/A	

Optional Questions				
No	Reference	Question	Response	Comments
1	Financial Management Reg 5(2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the <i>Local Government (Financial Management) Regulations 1996</i> regulations 5(2)(c) within the three financial years prior to 31 December 2024? If yes, please provide the date of council's resolution to accept the report.	NO	Last Report adopted by Council on the 31 July 2019 Item 12.4. Moore-Australia have been engaged on the 8 October 2024 to undertake review in February 2025.
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with <i>Local Government (Audit) Regulations 1996</i> regulation 17 within the three financial years prior to 31 December 2024? If yes, please provide date of council's resolution to accept the report.	NO	Last Report adopted by Council on the 31 July 2019 Item 12.4. Moore-Australia have been engaged on the 8 October 2024 to undertake review in February 2025.

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3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B of the <i>Local Government Act 1995</i> , were the disclosures made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C of the Act?	YES	
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events?	YES	
5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the <i>Local Government Act 1995</i> ?	YES	
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	YES	
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2022/2023 financial year and publish it on the local government's official website by 31 July 2024?	YES	
8	s6.4(3)	By 30 September 2024, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2024?	YES	
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all its expenditure, revenue and income?	YES	

Tenders for Providing Goods and Services				
No	Reference	Question	Response	Comments
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy, adopted under the <i>Local Government (Functions and General) Regulations 1996</i> , regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	YES	

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2	s3.57 F&G Reg 11	Subject to <i>Local Government (Functions and General) Regulations 1996</i> , regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations?	YES	
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 of the <i>Local Government Functions and General) Regulations 1996</i> , required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with Regulation 14(3) and (4)?	YES	
4	F&G Reg 12	Did the local government comply with <i>Local Government (Functions and General) Regulations 1996</i> , Regulation 12 when deciding to enter into multiple contracts rather than a single contract?	N/A	
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents, or each acceptable tenderer notice of the variation?	YES	We extended the date for submission of Tenders and supplied additional technical information to all who applied for a copy of tender documents by way of addendums
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of <i>Local Government (Functions and General) Regulations 1996</i> , Regulation 15 and 16?	YES	
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of the <i>Local Government (Functions and General) Regulations 1996</i> , Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	YES	
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	N/A	
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	N/A	
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	YES	

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11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of the <i>Local Government (Functions and General) Regulations 1996</i> , Regulations 21 and 22?	YES	
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A	
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under the <i>Local Government (Functions and General) Regulations 1996</i> , Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	N/A	
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with <i>Local Government (Functions and General) Regulations 1996</i> , Regulation 24?	YES	
15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with <i>Local Government (Functions & General) Regulations 1996</i> regulations 24AD(4) and 24AE?	N/A	
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A	
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of <i>Local Government (Functions and General) Regulations 1996</i> , Regulation 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A	
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of <i>Local Government (Functions and General) Regulations 1996</i> , Regulation 24AG?	N/A	
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A	

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20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A	
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A	
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of <i>Local Government (Functions and General) Regulations 1996</i> , Regulation 24E and 24F?	N/A	

Chief Executive Officer

Date

Mayor/President

Date

5 FEBRUARY 2025

AC5.2 ANNUAL REPORT 2023/2024

FM00009

Author

Chief Executive Officer

Disclosure of Any Interest

Nil

Moved Cr Smith
Seconded Cr Fenny

Audit Committee Resolution

That Audit Committee recommend to Council the following:

- 1. Receive and Accept the Annual Report for the 2023/2024 financial year (under separate cover).**
- 2. Receive and Accept the Annual Financial and Auditors reports for the 2023/2024 financial year.**
- 3. Set the date for the Annual General Meeting of electors for Wednesday 26 February 2025 commencing at 5.00 pm at the Shark Bay Recreation Centre in accordance with section 5.27(2) of the *Local Government Act 1995*.**

FOR: Cr's Bellottie, Fenny, Ridgley, Smith and Stubberfield

AGAINST: Nil

ABSENT: Cr's Cowell and Vankova

5/0 CARRIED

Background

The 2023/2024 Annual Report, which includes the annual financial statements and auditor's report, has been prepared in accordance with section 5.53 of the *Local Government Act 1995* and is attached under separate cover. The Audit Committee now needs to recommended that the Annual Report, the Annual Financial and Auditors report for 2023/2024 be adopted by Council.

The Annual Report highlights the Shire's achievements in 2023/2024 under the outcomes in the Strategic Community Plan.

Following the acceptance of the Annual Report the Council must have a meeting of electors not more than 56 days after the acceptance of the Annual Report for the previous financial year. This means that the last day that the Council can hold an electors' meeting is 2 April 2025.

Comment

The annual financial statements are included in the Annual Report and reflect an unqualified audit report.

The management letter highlights seven (7) areas identified by the auditors as areas for improvement:

5 FEBRUARY 2025

- Failure to reach level two (2) in the Australian Cyber Security Centre (ACSC) Essential Eight.
- Bank reconciliation.
- Risk management framework.
- Employment contract not signed.
- Unrecorded liabilities.
- Depreciation expense.
- Local Roads and Community Infrastructure Program Phase 1 Accrued Income.

A full copy of the Management Letter is attached to this agenda item for your information which incorporates the details of the findings as well as Managements comments.

Legal Implications

Sections 5.53, 5.54 and 5.55 of the *Local Government Act 1995* refer to the acceptance of the annual report.

Policy Implications

There are no policy implications associated with this report.

Financial Implications

The annual report includes the Shire's audited annual financial statements, which present the Shire's financial position as at 30 June 2024 and is a useful tool for evaluating the Shire's operations.

Strategic Implications

Strategy 4.1 / 4.2 The Shire is a strategically focused, unified Council and organisation, functioning efficiently and effectively.

Risk Management

There is a low risk associated with this item. The Council needs to adopt the annual report to maintain compliance with the *Local Government Act 1995*.

Voting Requirements

Simple Majority required

Signatures

Chief Executive Officer

D Chapman

Date of Report

20 January 2025

5 FEBRUARY 2025



Auditor General

INDEPENDENT AUDITOR'S REPORT

2024

Shire of Shark Bay

To the Council of the Shire of Shark Bay

Opinion

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

- the statement of financial position as at 30 June 2024, the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of financial activity for the year then ended
- notes comprising a summary of material accounting policies and other explanatory information.

In my opinion, the financial report:

- is based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2024 and its financial position at the end of that period
- is in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

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

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

Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2024, but not the financial report and my auditor's report.

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

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

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

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

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

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Shark Bay for the year ended 30 June 2024 included in the annual report on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.



Tim Sanya
Senior Director Financial Audit
Delegate of the Auditor General for Western Australia
Perth, Western Australia
13 December 2024

AUDIT COMMITTEE AGENDA

5 FEBRUARY 2025

ATTACHMENT

SHIRE OF SHARK BAY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Failure to reach level two in the Australian Cyber Security Centre (ACSC) Essential Eight	No	✓			
2. Bank reconciliation	No	✓			✓
3. Risk management framework	No		✓		✓
4. Employment contract not signed	No		✓		
5. Unrecorded liabilities	No		✓		
6. Depreciation expense	No		✓		
7. Local Roads and Community Infrastructure Program Phase 1 Accrued Income	No			✓	

Key to ratings

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT

SHIRE OF SHARK BAY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

1. Failure to reach level two in the Australian Cyber Security Centre (ACSC) Essential Eight

An ACSC Essential Eight Cybersecurity maturity assessment undertaken by LGIS in September 2022 where it was recommended the Shire should achieve level 2 maturity across all 8 categories. The assessment found that the Shire has not yet reached level 1 maturity, for any of the Essential Eight categories except for the Regular Backups category which has reached maturity level 2. There was particularly a significant number of gaps identified where the Shire has not met the requirements set out in the Essential Eight mitigation strategies. As per discussion with Dale Chapman (CEO) on 29 October 2024, the Shire are currently in discussions with their external IT provider, XL2, to assist them in reaching the maturity level 2.

Rating: Significant

Implication

There is a risk the Shire currently has a very low level of preparation for cyber security threats.

Recommendation

It is recommended that the Shire adopts the recommendations of the LGIS assessment, to ensure ACSC Essential Eight maturity level 2 is reached.

Management comment

The process of achieving Level 2 maturity was commenced prior to the audit and will be completed/achieved by the end of February 2025.

Responsible person: Dale Chapman CEO
Completion date: February 2025

SHIRE OF SHARK BAY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

2. Bank reconciliation

As part of the monthly financial reporting process, the Shire completes a monthly bank reconciliation for which we noted the following:

- There was no evidence of the reviewer's approval of the monthly bank reconciliation.
- The bank reconciliation for the Municipal Fund as at 30 June 2024 included a reconciling entry of \$189,421.72 which was made up of four EFT payments made between the period 8 July 2024 to 22 July 2024 which were incorrectly recorded as cash payments within the general ledger in the 2024 financial year, resulting in the material misstatement of cash and cash equivalents and trade payables in the financial statements. This error has subsequently been rectified.
The same issue around the timing of year end payments was included in the prior year management letter.

Rating: Significant (2023: Significant)

Implication

There is a risk that unauthorised or fraudulent transactions are unidentified. In addition, bank reconciliations that do not completely reconcile the bank statement balances to the general ledger, increase the risk of errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reports. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

It is recommended that evidence be maintained to show that the bank reconciliation has been reviewed.

Management should ensure that payments are recorded in the correct period and that all differences between the bank statement and general ledger balances are promptly identified, investigated, and reconciled.

Management comment

Finding and recommendation noted, process will be put into place to ensure early identification, investigation and reconciliation.

Responsible person: Jane Green Manager Finance and Administration
Completion date: February 2025

SHIRE OF SHARK BAY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

3. Risk management framework

We noted that the Shire's risk management policy and plan have not been updated since February 2017 & September 2016 respectively. In addition, the Shire's risk register has not been updated since May 2016. Per discussion with Dale Chapman (CEO) on 29 October 2024, the Shire have engaged an external provider to perform a regulation 17 review in January – February 2025 whereby, the findings of that review will help the shire update their risk management policy and risk register.

This finding was first reported in 2022.

Rating: Moderate (2023: Moderate)

Implication

There is a risk that the risk management policy and plan may no longer be fit for purpose for the Shire.

Further, without an up-to-date risk register, the Shire might not have appropriate or effective processes in place to sufficiently mitigate risks to its operations or to take advantage of opportunities.

Recommendation

Management should review the Shire's risk management policy and plan and risk register on a regular basis, to make sure that it reflects all current risks and the related treatment action plans.

The Shire should also consider providing a regular report to the audit committee on the status of the risk register and the progress made in completing required treatment action plans.

Management comment

Risk Management Policy currently being updated, Regulation 17 review scheduled for January/February 2025 to be undertaken by Moore Australia, this will feed into the finalisation of the policy.

Responsible person: Dale Chapman CEO/Jane Green Manager Finance and Administration

Completion date: June 2025

ATTACHMENT

SHIRE OF SHARK BAY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

4. Employment contract not signed

During our payroll testing, we noted that management could not provide a signed employment contract for one casual employee.

Rating: Moderate

Implication

There is a risk that the employee is not being paid the correct remuneration entitlements in line with the terms and conditions of their employment contract.

Recommendation

We recommend that management ensure that all employees have signed contracts in place.

Management comment

Unique circumstances where a casual employee commenced work had a small workplace accident after which he did not return.

Process to be implemented to ensure prompt execution of employment contracts.

Responsible person: Jane Green Manager Finance and Administration
Completion date: February 2025

ATTACHMENT

SHIRE OF SHARK BAY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

5. Unrecorded Liabilities

During our unrecorded liabilities test, we found 5 invoices amounting to \$915,465.67 relating to services received in the year ending 30 June 2024 that had not been recorded in the 30 June 2024 financial year. This error has subsequently been rectified.

Rating: Moderate

Implication

There is a risk of misstatement for the Shire's liabilities, operating and capital expenditure.

Recommendation

We recommend that management considers any services received prior to the new financial year and ensures these expenses are accrued for in the accounts as at year end for future financial years.

Management comment

Finding and recommendation acknowledged, process to be implemented to ensure expenses are accrued for in accounts as at year end.

Responsible person: Jane Green Manager Finance and Administration

Completion date: February 2025

ATTACHMENT

SHIRE OF SHARK BAY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

6. Depreciation expense

On review of depreciation expense for the year ended 30 June 2024 we noted for 152 assets the depreciation rate was applied to the opening accumulated depreciation, not the revalued carrying amount and therefore an adjustment to depreciation expense was required to correct the depreciation expense.

Rating: Moderate

Implication

There is a risk of misstatement for the Shire's property, plant, and equipment and infrastructure including depreciation expense.

Recommendation

We recommend that management appropriately review the depreciation calculation methodology for assets as part of the year end reporting process.

Management comment

Noted error in not applying the depreciation rate to the revalued carrying amount, depreciated calculation methodology for assets to e reviewed as part of the year end reporting process.

Responsible person: Dale Chapman CEO/Jane Green Manager Finance and Administration

Completion date: June 2025

ATTACHMENT

SHIRE OF SHARK BAY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

7. Local Roads and Community Infrastructure Program Phase 1 Accrued Income

As at 30 June 2023 \$33,406 accrued income was recognised in relation to funding receivable from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (Department) for Phase 1 of the Local Roads and Community Infrastructure (LRCI) Program. During the 30 June 2024 financial year this receivable balance was written off but the basis and evidence for this write off could not be provided by management.

Rating: Minor

Implication

There is a risk that the Shire's accrued income may be misstated.

Recommendation

We recommend that the basis and evidence for asset write off should be obtained prior to being written off and retained to maintain an appropriate audit trail. The Shire should develop a formal written policy for the assessment of expected credit loss and financial asset write off.

Management comment

Finding and recommendation acknowledged, further investigation highlights the amount (income) in question not received, due to the audit of phase 1 in 2022/23 not being received. It was assumed by the administration that the audit report was sent to the Department by the audit firm. Nevertheless, the amount should have been retained as accrued income.

Responsible person: Deb Wilkes Deputy CEO
Completion date: March 2025

5 FEBRUARY 2025

AC6.0 NEXT AUDIT COMMITTEE MEETING

The next meeting of the Audit Committee will be held as required.

AC7.0 CLOSURE OF MEETING

The Chairperson, Cr Stubberfield closed the Audit Committee meeting at 1.16 pm.