

# Audit Committee Meeting Minutes

*14 December 2021*

*3pm*



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## **SHIRE OF DALWALLINU**

**MINUTES** of the Audit Committee Meeting of Council held at the Council Chambers, Shire Administration Centre, Dalwallinu on Tuesday 14 December 2021 at 3.00pm.

### **1 OPENING & ANNOUNCEMENT OF VISITORS**

The Chief Executive Officer opened the meeting at 3.00pm and called for nominations for Chairperson.

Cr Noel Mills nominated Cr Steve Carter.

Cr Steve Carter accepted the nomination.

Cr Steve Carter was elected unopposed and assumed the chair at 3.01pm.

### **2 ANNOUNCEMENTS OF PRESIDING MEMBER**

Nil

### **3 ATTENDANCE RECORD**

#### **3.1 Present**

Cr SC Carter	(Chairperson)
Cr KL Carter	
Cr NW Mills	
Mr M Ambrose	(Office of Auditor General) <i>via Teams</i>
Mr F Fuad	(William Buck Australia) <i>via Teams</i>
Ms M Mathew	(William Buck Australia) <i>via Teams</i>
Mr C Manifis	(William Buck Australia) <i>via Teams</i>
Chief Executive Officer	Ms JM Knight
Manager Corporate Services	Mrs HK Jolly
Executive Assistant	Mrs DJ Whitehead

#### **3.2 Apologies**

Cr MM Harms

#### **3.3 Leave of Absence Previously Granted**

Nil

### **4 DECLARATIONS OF INTEREST**

Nil

### **5 PUBLIC QUESTION TIME**

Nil



## 6 MINUTES OF PREVIOUS MEETINGS

### 6.1 Audit Committee Meeting – 16 March 2021

#### **MOTION 9831**

Moved Cr NW Mills  
Seconded Cr KL Carter

That the Minutes of the Audit Committee Meeting held on the 16 March 2021 be confirmed.

**3/0**

## 7 REPORTS

### 7.1 Shire of Dalwallinu - Auditor Exit Meeting\*

#### **Purpose:**

The purpose of the meeting is for the Audit Committee to meet with the Auditors to conduct the audit exit meeting.

### 7.2 Shire of Dalwallinu –Matters Arising from the Audit

#### 7.2.1 Financial Statements – unqualified opinion will be recommended

- *No significant issues noted*

#### 7.2.2 Control and Legal Compliance Issues

- *No issues noted*

#### 7.2.3 Actions for Next Year's Audit

- *Valuation of roads and infrastructure due to be performed next year*

Attendance: Mr M Ambrose (Office of Auditor General) left the meeting at 3.23pm

Mr F Fuad (William Buck Australia) left the meeting at 3.23pm

Ms M Mathew (William Buck Australia) left the meeting at 3.23pm

Mr C Manifis (William Buck Australia) left the meeting at 3.23pm

## 8. GENERAL AND CLOSING COMMENTS

Nil

## 9 SCHEDULING OF MEETING

The next Audit Committee Meeting will be held on a 21 December 2021 at 3.00pm.

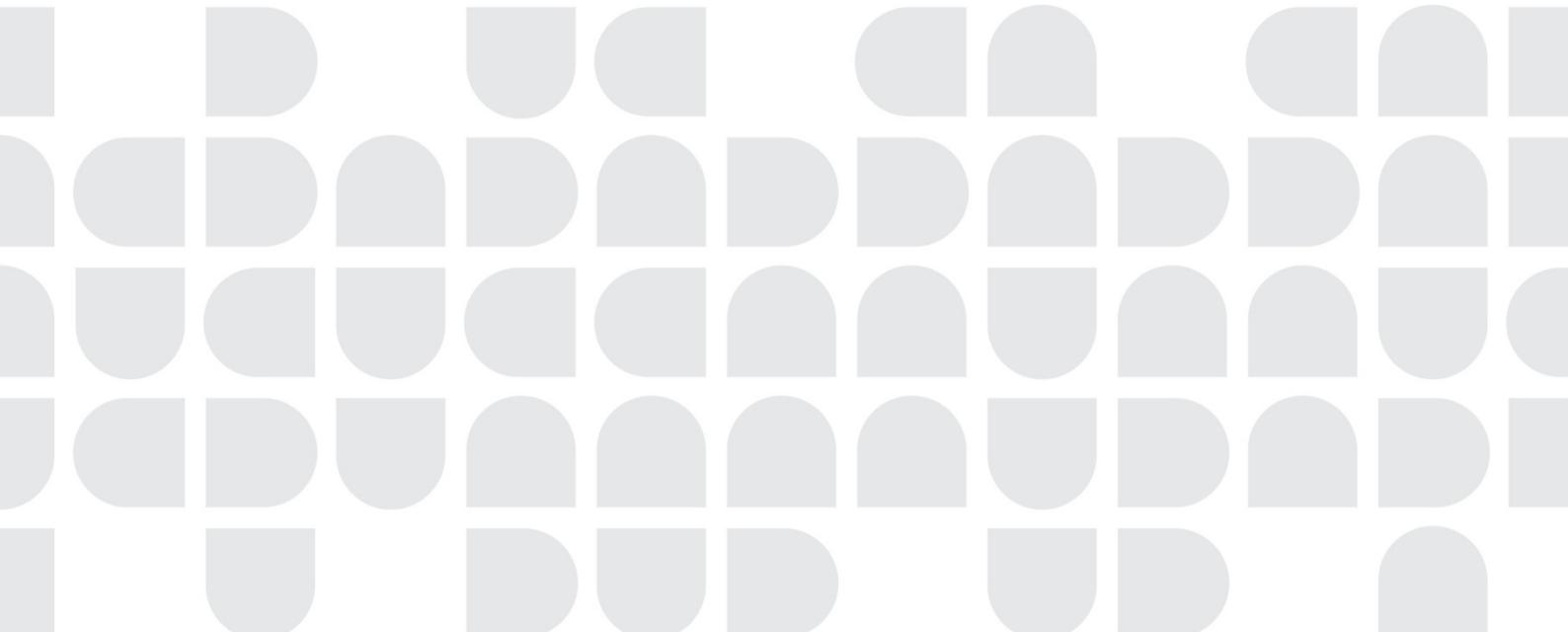
## 10 CLOSURE

There being no further business, the Chairperson closed the meeting at 3.26pm.



**Shire of Dalwallinu**  
Report to the Audit  
Committee for the year ended  
30 June 2021

14 December 2021



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# 1. Executive summary

This executive summary provides a brief overview of the more detailed sections covered in the remainder of this report.

Section	Overview
<b>Purpose and scope</b>	This report sets out the major matters arising from this year's audit, which has been performed in order to enable the Auditor General to express an opinion on the Shire of Dalwallinu's (the Shire) financial statements.
<b>Outstanding matters</b>	Our audit of the financial report is substantially complete. We propose to recommend to the Auditor General to issue an unmodified audit opinion on the financial report subject to the completion of: <ul style="list-style-type: none"><li>- Appropriate procedures relating to subsequent events;</li><li>- Receipt of the signed management representation letter;</li><li>- Certification of the financial report.</li></ul>
<b>Basis of preparation of the financial report</b>	The accounting policies adopted are materially consistent with the accounting policies in the 30 June 2020 annual financial report.
<b>Summary of unadjusted differences</b>	There was one unadjusted difference relating to the financial report in the financial year ended 30 June 2021.
<b>Key areas of focus and audit response</b>	Our audit procedures were focused on those activities that are considered to represent the key audit risks identified in our audit plan and through discussions with management during the course of our audit. These areas of focus are consistent with those set out in the Audit Strategy Memorandum tabled at the entrance meeting on 26 May 2021. We are satisfied that these key areas of focus have been addressed appropriately and are properly reflected in the financial report. Please refer to Section 3 of this report for a more detailed discussion on the key areas of focus.
<b>Independence</b>	We confirm that we are independent with respect to professional requirements.

## 2. Purpose and scope

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### Overview

We have conducted an audit of the Shire of Dalwallinu ('the Shire') for the year ended 30 June 2021.

Our audit is conducted in accordance with Australian Auditing Standards, with the objective of enabling the Auditor General to express an opinion on the financial report for the year ended 30 June 2021.

We perform audit procedures to assess whether, in all material respects, the annual financial report is presented fairly in accordance with *Local Government Act 1995*, *Local Government (Financial Management) Regulation 1996* and the Australian Accounting Standards. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements will be detected.

We form our audit opinion on the basis of these procedures, which include:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Shire.

This report has been prepared to:

- summarise any major changes affecting the Shire during the year;
- report the key issues arising from our audit;
- provide a summary of any significant changes in financial reporting; and
- draw to the attention of the Audit Committee for any other matters of relevance.

We also confirm that all significant matters that we have discussed with management are documented in this report and that we are not aware of any other matters that should be brought to the attention of the Audit Committee.

### Acknowledgement

We would like to take this opportunity to thank Jean Knight, Hanna Jolly and all the support staff of the Shire for their co-operation during the course of our audit, who helped to facilitate a smooth year-end audit process.

### 3. Key areas of focus and audit response

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Our audit procedures were focused on those areas of the Shire's activities that are considered to represent the key audit risks. These areas of focus were identified as a result of:

- The risk assessment process undertaken during the planning phase of our engagement and were presented to the Audit Committee in our Audit Strategy Memorandum; and
- Discussions with management during the course of our audit.

We are satisfied that the key areas of focus have been addressed appropriately and are properly reflected in the financial report:

#### 1) Revenue recognition

The Shire's main source of revenue is rates and fees. The Shire also receives significant grants, subsidies and contributions. Completeness, existence and accuracy of revenue are identified as a risk.

We reviewed management's revenue recognition policy and determined that the policy is in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income for Not For Profit Entities*. We also assessed contract liabilities by evaluating revenue transactions either side of the balance sheet date as well as grant funding received after year end.

Revenue from rates, fees, grants and subsidies have been recorded and accounted for appropriately.

#### 2) WSFN project

The WSFN program of works is a result of a collaborative approach between Regional Development Australia Wheatbelt, the Wheatbelt Development Commission, Main Roads Western Australian and WA Local Government Association Representatives. It has the full support of all 42 Wheatbelt Shires including the Shire of Dalwallinu. The project has commenced but not yet completed. The Shire has extended the date of completion to the next financial year. We reviewed the requirements of the funding arrangements and ensured appropriate revenue recognition. We reviewed the grant expenditure and ensured that it is appropriately recognised.

#### 3) Money paid in lieu of open space

The shire received in lieu open space payments in July 2020. The shire received the funds prior to 12 September 2020 when the amendment to the legislation took effect. The funds were transferred to a trust account on 13 August 2020 when the construction of the subdivision commenced. We sighted an approval from the Minister of Transport and Planning approving the expenditure from cash in lieu of open space fund and the approval was dated 10 September 2020. We ensured that the expenditure of cash in lieu funds are supported by appropriate requests for expenditure of cash in lieu and that they are acceptable uses of the cash in lieu funds.

#### 4) Employee expenses and provisions

Employee expenses are the Shire's largest cost components.

We documented and assessed controls relating to the payroll process. We also:

- Performed walkthroughs on the payroll process;
- Tested internal controls relating to payroll and employee related liabilities; and
- Performed substantive analytical review of employee costs and related liabilities.

Payroll expense has been accounted for and recorded appropriately.

#### 5) Property, Plant and Equipment, and Infrastructure

The Shire owns significant amounts of property, plant and equipment, and infrastructure. Impairment, accuracy of the depreciation charge, and appropriateness of asset capitalisation are identified as risks. Property, Plant and Equipment, and Infrastructure includes land, buildings and infrastructure assets, which

are measured at fair value and revalued at least every 5 years in accordance with Regulation 17A(4) of the Local Government (Financial Management) Regulations 1996.

We reviewed the asset capitalisation policy and its implementation to ensure that it is in accordance with AASB 116 Property, Plant and Equipment, and Regulation 17A(5) of the Local Government (Financial Management) Regulations. We also:

- Verified significant asset additions and disposals;
- Recalculated depreciation and review the reasonableness of assets useful life;
- Evaluate management's assessment of asset impairment; and
- Considered the appropriateness of the accounting treatment of costs incurred as either maintenance or capitalised as asset enhancements.

Some heavy rainfall and storms during the year caused significant damage to the roads. The Shire has assessed these damages to be \$1.7 million dollars. Repairs and maintenance work on account of this damage had not commenced at 30 June 2021. The expert valuer also revalued the roads and drainage back in financial year 2018. Same technique and assumptions were used to value the impairment.

We used as audit evidence information produced by an expert in a field other than accounting. We evaluated the work of the expert in accordance with the auditing standard. We assessed the experts qualification and experience. We also:

- Checked that the source data used is consistent with our knowledge of the Shire;
- Checked that the source data is relevant; and
- Reviewed assumptions used to ensure they are reasonable and comply with accounting standards.

Impairment has been assessed and accounted for appropriately. Property, plant and equipment, and infrastructure have been recorded and accounted for appropriately.

#### 6) Landfill Site Rehabilitation

The Shire has landfill sites in Dalwallinu and Kalanie. These sites are not licensed but they are recognised sites under the Department of Environment Regulation. The Shire has a post closure plan in place to rehabilitate these sites at the end of their useful life. Completeness and accuracy of this provision is identified as a risk.

We evaluated this provision by agreeing the estimated balance to the Shire's assessment. We evaluated the appropriateness of the valuation model and the experience and qualification of the valuers. We also evaluated judgements, assumptions and inputs used in the provision estimate. Provision for rehabilitation has been recorded and accounted for appropriately.

#### 7) Long service leave entitlements for casual employees under the Long Service Leave Act 1958

Long service leave is a paid leave entitlement for employees who have worked continuously in a business for a specified period of time. Casual employees may be entitled to long service leave under the Long Service Leave Act, even if paid a loading in lieu. The Shires employees were mostly employed on a full time or part time basis.

Leave provision has been recorded and accounted for appropriately.

#### 8) Disclosure of Related Party Transactions

We reviewed and determined whether the Shire's accounting policy is in line with AASB 124 *Related Party Disclosures*. We made enquiries to understand the process for identification of related parties, reviewed the register of related party transactions, and assessed whether disclosures (if any) in the notes to the annual financial report are appropriate.

We reviewed the signed declarations from Key Management Personnel and ensured appropriate disclosures (if any) had been included in the notes to the annual financial report.

9) Local government regulations

Regulation 10(3)(b) of the Local Government (Audit) Regulations 1996 (LG Audit Regulations) requires the auditor to report, in the auditor's report, any matters indicating non-compliance with Part 6 of the LG Act 1995, LG Financial Management Regulations 1996 or applicable financial controls in any other written law. These matters may relate to the financial report or to other financial management matters. There is a risk of breach of local government regulations.

a) Accounting journals and bank reconciliation

We reviewed controls over accounting journal entries and ensure that these are subject to adequate review. We reviewed the bank reconciliation process and ensured that these were independently reviewed and there is clear evidence of who prepared them.

b) Procurement

We reviewed controls over procurement and purchase. We tested a sample of purchases and ensured a sufficient number of quotations were obtained. In the event that no quotes were sought we ensured that there is adequate documentation explaining the reason.

Management is to ensure that the Shire complies with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulation 1996*. We are required by the *Local Government Act 1995* and *Local Government regulations 1996* to test compliance with the Act and Regulation. Based on our testing the Shire has complied with the regulation and no non compliances noted.

## Prior year findings

The Shire took action and rectified all issues identified by the predecessor auditor. Details noted below.

Issues	Risk rating	Action taken by the Shire
Payments batches not signed by preparer or reviewer	Moderate	Creditor's officer signs the reports to confirm payments have been checked prior to payment.
Reimbursement of expenses to employees not being paid through payroll	Moderate	Shire now pays reimbursements to employees through payroll.
IT server room not locked	Moderate	Lock was put in place.

## 4. Control environment

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### Accounting systems and controls

As part of our normal statutory audit procedures, we considered the systems and controls existing in respect of the operational and financial activities of the Shire. This allowed us to:

- develop our understanding of the financial and operating procedures;
- document the processes for our permanent files for future reference;
- review the systems for potential weaknesses and assess the likelihood that errors could occur;
- determine our audit approach (including the degree of reliance on internal controls); and
- ensure that the accounting systems and records were sufficient for the preparation of true and fair financial statements.

Our audit is planned and conducted so as to enable us to express a professional opinion on the statutory financial statements. It is not designed, nor can it be expected to disclose, all defalcations or irregularities. Such matters might be revealed during the course of our work. If this were the case, the matters would be reported to you.

### Design effectiveness

Our review indicated that, based on the size of the Shire, the current systems and processes are well designed and controlled. We are of the view that the Shire's controls are adequate and comply with relevant legislative provisions. We did not identify any control weaknesses.

## 5. Independence

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### Overview

Our audit services are subject to the Office of the Auditor General's, William Buck's and the profession's strict rules and policies regarding auditor independence, as well as certain statutory requirements. We enforce these policies and values in order to maintain objectivity and to be free of conflicts of interest when discharging our professional responsibilities.

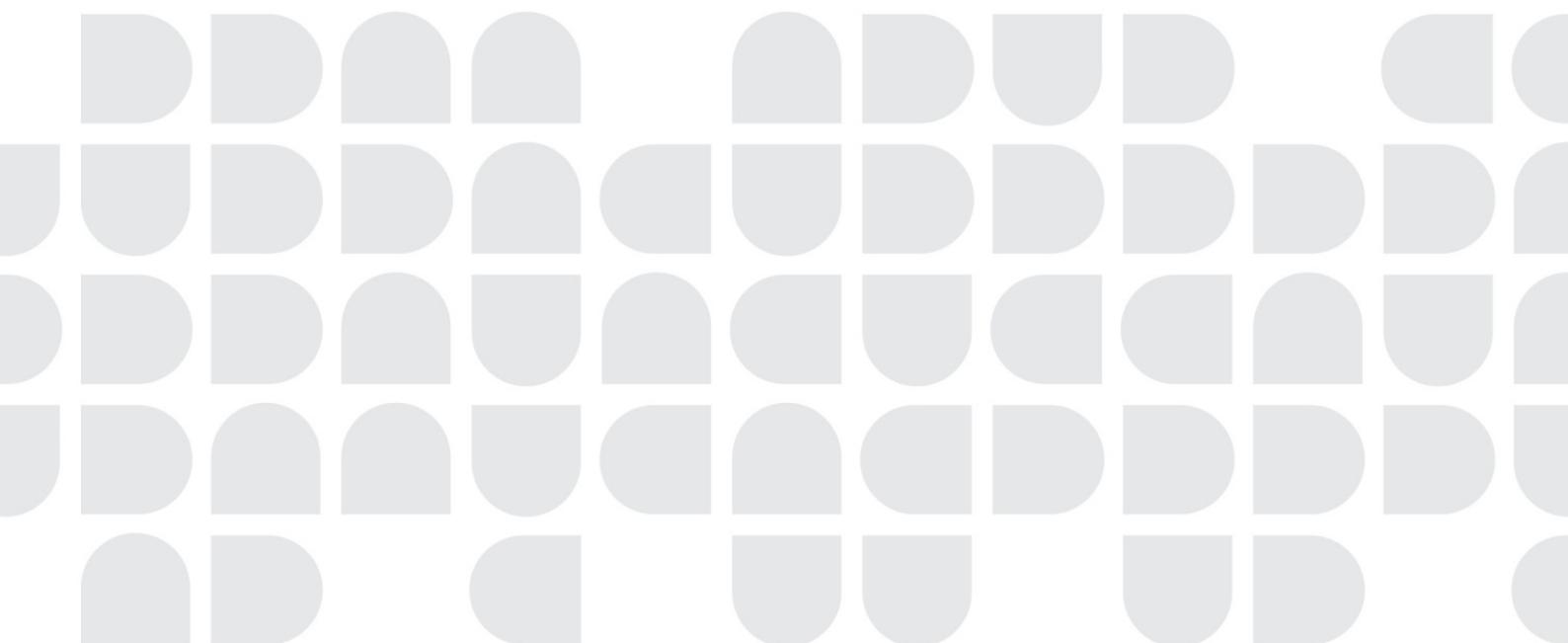
The Office of the Auditor General and William Buck understand the importance of our role as auditors in the external reporting framework and we work hard to maintain an extensive system of quality controls over our audit practices.

## 6. Summary of unadjusted audit differences

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In performing our audit of the Shire for the year ended 30 June 2021, we noted one uncorrected misstatement in the financial statements.

Account Description	Dr	Cr
Audit fees	11,340	
Accrued expenses		11,340
To record audit fees in relation to the 2021 audit		



*Changing  
Lives.*

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CHARTERED ACCOUNTANTS & ADVISORS

**11. CERTIFICATION**

1, Steven Clifford Carter, certify that the minutes of the Audit Committee meeting held on the 14 December, 2021 as shown on pages 1 to 16 were confirmed as a true record at the meeting held on 21 December 2021.



\_\_\_\_\_  
CHAIRPERSON

21/12/21  
DATE

