

Unconfirmed  
Audit & Risk  
Committee Minutes  
October 2024



**Minutes of an Audit & Risk Committee Meeting of Council held in the Council Chambers on Wednesday 16 October 2024 commencing at 1:45pm**

**1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

President Grant Robins declared the meeting open at 1:45pm

**2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE**

**ATTENDANCE**

G Robins	President
B Smoker	Deputy President
J Noble	Councillor
R Bowey	Councillor
B Miller	Councillor
M Lucchesi	Councillor
A Leeson	Chief Executive Officer
F Murphy	Executive Manager Financial Services
N Thompson	Manager of Executive Support Services
J Hobson	Executive Manager Works
C Lewis	Executive Manager Corporate Governance

**APOLOGIES**

Nil

**LEAVE OF ABSENCE**

Cr Gangell

**3. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

3.1 Audit & Risk Committee Meeting Minutes – 18 September 2024

**4. MATTERS REQUIRING DECISION**

4.1 Response to Interim Management Letter

**5. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING**

**6. DATE AND TIME OF NEXT MEETING**

**7. CLOSURE OF MEETING**

### 3. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

#### 3.1 Shire of Kulin Audit & Risk Committee Meeting – 18 September 2024

**AR 01/1024**

**Moved Cr Noble Seconded Cr Miller that the minutes of the Audit & Risk Committee Meeting held on 18 September 2024 be confirmed as a true and correct record.**

**Carried 7/0**

***For – Cr Robins, Cr Smoker, Cr Noble, Cr Mullan Cr Bowey, Cr Miller, Cr Lucchesi***

***Against - Nil***

### 4. MATTERS REQUIRING DECISION

#### 4.1 Response to Interim Management Letter

**RESPONSIBLE OFFICER:** EMFS  
**FILE REFERENCE:** 12.03  
**AUTHOR:** EMFS  
**STRATEGIC REFERENCE/S:**  
**DISCLOSURE OF INTEREST:** Nil

**SUMMARY:**

The Shire has received the attached Interim Audit Management Letter for 2023/24 which list the auditor's findings and recommendations arising from the interim audit.

**BACKGROUND & COMMENT:**

As part of the audit of the 2023/24 Annual Financial Report, the Shire's auditors AMD Chartered Accountants, conducted their interim audit visit from 28-29 May 2024.

The interim audit includes the following processes:

- understanding the Shire of Kulin'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 auditors issue a management letter each year listing findings identified during the interim audit. The findings 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. Findings are rated as follows:

- 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 may be reported as a matter of non-compliance in the audit report if not addressed.
- Moderate – those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible
- Minor – those findings that are not of primary concern but still warrant action being taken.

The Interim Management Letter for 2023/24 is attached which lists one significant finding. Management comments outlining how staff will address and resolve the findings are contained in the attached management letter.

**STATUTORY ENVIRONMENT:** Nil

**POLICY IMPLICATIONS:** Nil

**FINANCIAL IMPLICATIONS:** Nil

**COMMUNITY CONSULTATION:** Nil

**WORKFORCE IMPLICATIONS:** Nil

**OFFICER'S RECOMMENDATION**

That the Audit and Risk Committee recommend to Council to accept Management's comments outlining how staff will address the finding in the 2023/24 Interim Audit Management Letter.

**VOTING REQUIREMENTS:**

Simple Majority.

**AR 02/1024**

Moved Cr Lucchesi Seconded Cr Bowey that Council receive the Interim Management Letter from AMD Chartered Accountants and accept Management's comments outlining how staff will address the findings in the 2023/2024 Interim Audit Management Letter.

Carried 7/0

*For – Cr Robins, Cr Smoker, Cr Gangell, Cr Noble, Cr Bowey, Cr Miller, Cr Lucchesi*

*Against - Nil*

## **5 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING**

Nil

## **6 DATE AND TIME OF NEXT MEETING**

To be confirmed.

## **7 CLOSURE OF MEETING**

There being no further business the President declared the meeting closed at 1:48pm

## 4.1 Response to Interim Management Letter

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**FILE REFERENCE:** 12.03  
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**DISCLOSURE OF INTEREST:** Nil

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The Interim Management Letter for 2023/24 is attached which lists one significant finding. Management comments outlining how staff will address and resolve the findings are contained in the attached management letter.

**STATUTORY ENVIRONMENT:** Nil

**POLICY IMPLICATIONS:** Nil

**FINANCIAL IMPLICATIONS:** Nil

**COMMUNITY CONSULTATION:** Nil

**WORKFORCE IMPLICATIONS:** Nil

### **OFFICER'S RECOMMENDATION**

That the Audit and Risk Committee recommend to Council to accept Management's comments outlining how staff will address the finding in the 2023/24 Interim Audit Management Letter.

### **VOTING REQUIREMENTS:**

Simple Majority.

Attachment 1 – Interim Management Letter

## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2024

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	Potential impact on audit opinion	RATING			Prior year finding
		Yes/No – Financial/Control/KPI	Significant	Moderate	
1. Risk Management Policy	No	✓			✓
2. Cybersecurity Plan	No	✓			
3. Daily Banking Exceptions	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.

The ratings included are preliminary ratings and could be modified pending other findings being identified, rated and the consideration of them collectively on the ratings and any potential impact on the audit opinion.

**SHIRE OF KULIN**

**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2024**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**1. Risk Management Policy**

**Finding**

Our enquiries indicated that the Shire of Kulin has no formal risk management policy in place, documenting assessed risks and risk management procedures.

**Rating: Significant**

**Implication**

The absence of a risk management policy and associated procedures increases the risk of strategic and operational risks being insufficiently understood or not identified by Shire Management and Council. Additionally, risk levels may unknowingly exceed the Council's appetite.

**Recommendation**

We recommend that a risk management policy be prepared as a priority, updated and subsequently reviewed on a regular basis.

**Management Comment**

*A risk management policy will be developed when the Executive Manager of Governance & Risk returns from maternity leave in October 2024.*

**Responsible Person: Executive Manager of Governance & Risk**

**Completion Date: December 2024**

## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2024

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**2. Cybersecurity Plan****Finding**

Our enquiry relating to cybersecurity of the Shire of Kulin identified that the Shire currently does not have any documented cybersecurity policies in place, nor is there a documented cybersecurity response plan in place.

**Rating: Significant****Implication**

Without documented cybersecurity policies and procedures outlining the controls regarding cybersecurity, there is an increased risk of vulnerability to cyber attacks such as malware or phishing attempts. Furthermore, without an appropriate plan in place, the Shire may not be sufficiently prepared to act in the event of a cybersecurity threat or staff may not be aware of processes that should be followed. This may lead to the Shire's system being compromised, impacts on service delivery, unauthorised access to sensitive information, and potentially financial loss to the Shire.

**Recommendation**

We recommend a documented cybersecurity policy be developed and communicated to all staff and the Shire also develop a cybersecurity plan, including (but not limited to) addressing the following key areas;

- Risk assessment of the Shire's IT security control environment;
- Identification of safeguards and protections in place; and
- Action plan in the event of a cybersecurity event, including outlining the roles and responsibilities of staff during such an event.

**Management Comment**

*The Shire implemented a Disaster Recovery Plan in April 2024. This covers all IT & cyber disasters that may occur. When the Plan is reviewed in April 2025 we will include more specific information regarding potential cyber-attacks.*

**Responsible Person: Executive Manager of Financial Services**

**Completion Date: April 2025**



SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**3. Daily Banking Exceptions**

**Finding**

Our sample testing of 24 daily banking reports identified two instances whereby the daily banking reconciliation were not signed by preparer nor reviewer to evidence the daily banking being subject to independent review.

**Rating: Moderate**

**Implication**

Increased risk is that error or fraud may not be detected on a timely basis.

**Recommendation**

We recommend the Daily Banking Reconciliations be reviewed by someone independent to the receipting function and signed by both preparer and reviewer as evidence of this independent review.

**Management Comment**

*All Daily Banking Reconciliations should be reviewed by an independent person. Management believe that this is occurring for the most part, however staff will be reminded that this must occur for every front counter receipting batch.*

**Responsible Person: Executive Manager of Financial Services**

**Completion Date: October 2024**