

# **SHIRE OF CARNARVON**

## **MINUTES**

### **AUDIT & RISK MANAGEMENT COMMITTEE**

**THURSDAY**

**9 MARCH 2023**

# INDEX

## 1.0 ATTENDANCES , APOLOGIES & APPLICATIONS FOR LEAVE OF ABSENCE

(The Local Government Act 1995 Section 2.25 provides that a Council may, by resolution, grant leave of absence to a member for Ordinary Council Meetings. The leave cannot be granted retrospectively and an apology for non-attendance at a meeting is not an application for leave of absence.)

## 2.0 PUBLIC QUESTION TIME

## 3.0 DECLARATIONS OF INTEREST

(Councillors and Staff are reminded of the requirements of Section 5.65 of the Local Government Act 1995, to disclose any interest during the meeting or when the matter is to be discussed.)

## 4.0 CONFIRMATION OF MINUTES

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## 6.0 MATTERS FOR WHICH MEETING MAY BE CLOSED TO THE PUBLIC

## 7.0 DATE OF NEXT MEETING

## 8.0 CLOSURE



**MINUTES OF THE AUDIT & RISK MANAGEMENT COMMITTEE MEETING HELD IN COUNCIL CHAMBERS, STUART STREET CARNARVON ON THURSDAY 9 MARCH 2023 COMMENCING AT 8.47AM**

**1.0 ATTENDANCES AND APOLOGIES**

Cr E Smith.....Shire President/Chairperson  
Cr B Maslen.....Councillor  
Cr L Vandeleur.....Councillor  
Cr A Fullarton.....Councillor

Mrs A Selvey..... Chief Executive Officer  
Mr A Thornton..... Deputy Chief Executive Officer  
Mrs C Ballard..... Governance & Information Management Coordinator  
Mrs D Hill.....Senior Executive Officer

Apologies ..... Cr Skender  
Observers ..... Nil

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**2.0 PUBLIC QUESTION TIME**

Nil

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**3.0 DECLARATIONS OF INTEREST:**

Nil

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**4.0 CONFIRMATION OF MINUTES**

**4.1 Audit Committee Minutes – 15 March 2022**

**ARMC 1/3/23**

**COMMITTEE RESOLUTION**

**Cr Fullarton/Cr Vandeleur**

*That the minutes of the Audit & Risk Management Committee Meeting held on 15 March 2022 be confirmed as a true record of proceedings.*

**CARRIED**  
**F4/AO**

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## 5.0 REPORTS

**ARMC 2/3/23**

### COMMITTEE RESOLUTION

*Cr Maslen/Cr Vandeleur*

*That Items 5.1, 5.2 and 5.3 be considered en-bloc.*

**CARRIED**

**F4/A0**

**ARMC 3/3/23**

### COMMITTEE RESOLUTION

*Cr Vandeleur/Cr Maslen*

*That Items 5.1, 5.2 and 5.3 be adopted en-bloc as follows -*

## **5.1 2021/2022 REPORT TO THE AUDIT AND RISK COMMITTEE, INDEPENDENT AUDITOR'S REPORT, FINAL MANAGEMENT LETTER, AND AUDITED ANNUAL FINANCIAL REPORT.**

Date of Meeting: 9/03/2023  
Location/Address: Shire of Carnarvon  
Name of Applicant: Shire of Carnarvon  
Name of Owner: Shire of Carnarvon  
Author/s: Alan Thornton – Deputy CEO  
Declaration of Interest: Nil  
Voting Requirements: Simple Majority

### Authority / Discretion

	<b>Advocacy</b>	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
X	<b>Executive</b>	The substantial direction setting and oversight role of the Council. E.g., adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
	<b>Legislative</b>	Includes adopting local laws, town planning schemes and policies.
	<b>Quasi-Judicial</b>	When Council determines an application / matter that directly affects a person's right and interest. The judicial character arises from the obligations to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licenses, applications for other permits / licenses.
	<b>Information</b>	Includes items provides to Council for information purposes only that do not require a decision of Council (i.e. – for noting).

### Summary of Item:

The purpose of this report is to present a copy of the audited annual Financial Report for the year ended 30 June 2022 including the Independent Auditor's Report and Management Letter to the Audit and Risk Committee for consideration.

### Background:

As part of the Council's committee structure, the Audit and Risk Committee has been established to review areas of an audit. The Independent Auditor's Report and the audited annual Financial Report are presented as Schedules to this report.

Each year the Shire is to produce its annual Financial Report and send the report to the Shire's auditor by 30 September (6.4 (3) of the Local Government Act). The Audit and Risk Committee accepts responsibility for reviewing the annual external audit documents and to liaise with the Auditor so that Council can be satisfied with the performance of the Local Government in managing its financial affairs.

Following the Exit Meeting with the Shire President (as Chair of the Audit and Risk Committee) and Shire officers, the Office of the Auditor General (OAG) meets with the Auditor to review the audit file, Management Letter, and annual Financial Report and then produces the audit report. This report is then forwarded to the President, CEO, and the Department of Local Government. Following the process as described above, the documents being presented to the committee relating to 2021-22 audit are:

- Exit and Entrance Meeting Agenda;
- Report to the Audit Committee;
- Independent Auditor's Report;
- Final Management Letter; and
- Annual Financial Report 2021-2022.

Shire staff and AccWest (financial advisor) have worked in collaboration to prepare the Financial Report that was presented to the Auditors. The Office of the Auditor General has now provided an Independent Auditor's Report as required under the relevant provisions of the Local Government Act 1995. The Independent Auditor's Report and annual Financial Report are presented to the Audit and Risk Committee for their information and review. On the finalisation of the Shire's 2021/2022 annual financial audit, it is appropriate that the Auditor's report also be presented to the Audit and Risk Committee and subsequently the Council for consideration and noting and attached as a confidential item.

#### **Consultation:**

The author has consulted with:

- Office of the Auditor General (OAG),
- William Buck Accountants & Advisors (contracted auditor by OAG),
- AccWest (the Shire's financial services provider); and

#### **Statutory Environment**

Division 3, Section 7.9 Local Government Act 1995  
Local Government (Audit) Regulations 1996.

#### **Relevant Plans & Policy:**

Nil

#### **Financial Implications:**

There are no financial implications from this report.

#### **Impact of New Accounting Standards:**

A number of Accounting Standards became operational over the last couple of years which have an impact on the workloads, understanding and timing of the Financial Reports. The relevant Accounting Standards are:

*AASB 15 Revenue from Contracts with Customers,*  
*AASB 16 Leases,* and  
*AASB 1058 Income of Not-for-Profit Entities.*

**Risk Assessment:**

The role of the Audit and Risk Committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

The Committee is required to examine the audit and management reports provided by the external auditor. The Committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.

Failure to prepare and adopt the annual Financial Report would result in non-compliance with its statutory responsibilities under the Local Government Act 1995

		STEP 3 – Risk Tolerance Chart Used to Determine Risk				
Consequence		Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 5
Likelihood						
Almost certain	A	High	High	Extreme	Extreme	Extreme
Likely	B	Moderate	High	High	Extreme	Extreme
Possible	C	Low	Moderate	High	Extreme	Extreme
Unlikely	D	Low	Low	Moderate	High	Extreme
Rare	E	Low	Low	Moderate	High	High
Risk Category	Description	Rating (Consequence x likelihood)		Mitigating Action/s		
Financial	N/A					
Health & Safety	N/A					
Reputation	Transparency in the Shire’s financial position and management of financial affairs is important to manage any reputational risk.	Low		The unqualified audit will assist in managing any reputational risk regarding the Shire’s financial position and management.		
Service disruption	N/A					
Compliance	The Shire does not maintain a high standard of governance and accountability	High		Determine if matters raised in the reports require action and ensure that appropriate action is implemented.		
Property	N/A					
Environment	N/A					
Fraud	The risk of fraud is always present in any financial management system and the audit considers that risk.	High		The audit progress is rigorous, involving the checking of many samples to check for potential fraud. The audit process also provides recommendations for improving internal controls to reduce the risk of fraud. These recommendations are with the Management Letter and will be actioned by Management as soon as possible.		

**Community & Strategic Objectives:**

The proposal aligns with the following desired objectives as expressed in the *Community Strategic Plan 2022-2032*:

**In 2040 Carnarvon is a place where:**

**Additional Focus Areas:**

- *Improve the trust between citizens and the Shire of Carnarvon*

### **Comment**

The OAG using, contractors William Buck, have completed their audit of Council's financial affairs for the financial year ended 30 June 2022. There are five primary financial statements which have been prepared to finalise the report for 2021-2022:

- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Rate Setting Statement; and
- Transfers to Reserves

### **Statement of Comprehensive Income**

The Statement of Comprehensive Income shown on pages 3 and 4 of the Financial Report shows a Net result (including capital grants) for the period of \$272,214.

### **Statement of Financial Position**

The Statement of Financial Position shows on page 4 of the Financial Report total equity of \$348,167,349 for the 2021-22.

### **Statement of changes in equity**

The Statement of Changes in Equity shows the movement of equity of \$272,214 (as per the Statement of Comprehensive Income).

### **Statement of Cash Flows**

The Statement of Cash Flows shown on page 6 of the Financial Report has an increase in cash flow of \$5,423,296 over the financial year leaving a total balance of Cash and Cash equivalents being \$14,542,670.

### **Rate Setting Statement**

The Rate Setting Statement shown on page 7 of the Financial Report shows a total surplus to be carried through to the 2022/23 year of \$6,591,094.

### **Transfers to Reserves**

Council has increased its reserve balance by \$201,461. As shown on page 50, significant transfers were made to the Leave Reserve and Waste Disposal Reserve \$100,076 and \$50,035 respectively.

After receiving the auditor reports, the Audit and Risk Committee is to examine the report of the auditor and determine if any matters raised by the report require action to be taken and ensure appropriate action is taken in the future. The Independent Auditor's Report is produced by the Office of the Auditor General after a detailed assessment and consultation process, including a requirement for the Chief Executive Officer to sign the annual Financial Report once satisfied that it is representative and accurate.

### **Schedules**

Schedule 5.1a - Exit and Entrance Meeting Agenda

Schedule 5.1b - Report to the Audit Committee

Schedule 5.1c - Independent Auditors Report

Schedule 5.1d - Final Management Letter

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee recommends that Council BY AN ABSOLUTE MAJORITY:

1. Adopts the audited 2021-2022 annual Financial Report;
2. Notes that the Independent Auditor's Report is to be included as the final page of the annual Financial Report;  
and
3. Notes the response from management to the items raised in the Auditor's Management Letter.

COMMITTEE RESOLUTION & OFFICER'S RECOMMENDATION

That the Audit and Risk Committee recommends that Council BY AN ABSOLUTE MAJORITY:

1. Adopts the audited 2021-2022 annual Financial Report;
2. Notes that the Independent Auditor's Report is to be included as the final page of the annual Financial Report;  
and
3. Notes the response from management to the items raised in the Auditor's Management Letter.

(\*\* Note to minute – a typographical error appears on Page 23 of the Financials – Item 10 (a) Right of Use Assets – the word “no” to be deleted.\*\* This has been confirmed in writing by the Office of the Auditor General – see attached email dated

**5.2 COMPLIANCE AUDIT RETURN 2023**

File No: ADM0011  
 Date of Meeting: 28 February 2023  
 Location/Address: N/A  
 Name of Applicant: Shire of Carnarvon  
 Name of Owner: Shire of Carnarvon  
 Author/s: Amanda Leighton, Manager People, Culture & Systems  
 Declaration of Interest: Nil  
 Previous Reports: 5.1 Compliance Audit Report 2021  
 Schedules: 7.1.3 Compliance Audit Return 2022 for review by Audit & Risk Committee

Authority / Discretion

	<b>Advocacy</b>	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
X	<b>Executive</b>	The substantial direction setting and oversight role of the Council. E.g., adopting plans and reports, accepting tenders, directing operations, setting, and amending budgets.
	<b>Legislative</b>	Includes adopting local laws, town planning schemes and policies.
	<b>Quasi-Judicial</b>	When Council determines an application / matter that directly affects a person's right and interest. The judicial character arises from the obligations to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licenses, applications for other permits / licenses.
	<b>Information</b>	Includes items provided to Council for information purposes only that do not require a decision of Council (i.e. – for noting).



**Summary of Item:**

The purpose of this report is to present to the Audit and Risk Committee (ARC) the 2022 Compliance Audit Return (CAR) for review, and to request that the ARC recommend that Council adopt the 2022 CAR for submission to the Department of Local Government, Sport and Cultural Industries (DLGSC) by 31 March 2023.

The 2021 CAR comprised of 11 categories with 94 questions. The questions require a response of YES, NO or N/A.

Yes- Indicates compliance.

No- Indicates non-compliance.

N/A- Indicates that this function was not required to be performed this year or is not a requirement for this Local Government.

**Background:**

Local governments are required to complete a compliance audit for the previous calendar year by 31 March. The DLGSC provides the questions each year with the compliance audit being an in-house self-audit that is undertaken by the appropriate responsible officer. In accordance with Regulation 14 of the Local Government (Audit) Regulations 1996, the ARC is to review the CAR and is to report to Council the results of that review. The CAR is to be:

1. Review by the Audit Committee
2. Present reviewed CAR at an Ordinary Meeting of Council
3. Adoption by Council; and
4. Recorded in the minutes of the meeting at which it is adopted.

Following the adoption by Council of the CAR, a certified copy of the return, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGSC by 31 March 2023.

The return requires the Shire President and the Chief Executive Officer to certify that the statutory obligations of the Shire of Carnarvon are compliant.

**Stakeholder and Public Consultation:**

Nil.

**Statutory Environment:**

Regulation 14, *Local Government (Audit) Regulations 1996*.

**Relevant Plans and Policy:**

Nil.

**Financial Implications:**

Nil.

Risk Assessment:

STEP 3 – Risk Tolerance Chart Used to Determine Risk						
Consequence		Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 5
Likelihood						
Almost certain	A	High	High	Extreme	Extreme	Extreme
Likely	B	Moderate	High	High	Extreme	Extreme
Possible	C	Low	Moderate	High	Extreme	Extreme
Unlikely	D	Low	Low	Moderate	High	Extreme
Rare	E	Low	Low	Moderate	High	High

Risk Category	Description	Rating	Mitigating Action/s
Financial	N/A		
Health & Safety	N/A		
Reputation	There is a reputational risk with the DLGSC should the CAR not be completed on time or if significant non-compliances are reported.	2D	Pending the decision of the ARC, this item can be presented to Council in time to meet the compliance requirement. The compliance % rate is acceptable and this report demonstrates improvements are being made.
Service disruption	N/A		
Compliance	There is a reputational risk with the DLGSC should the CAR not be completed on time or if significant non-compliances are reported.	2D	Pending the decision of the ARC, this item can be presented to Council in time to meet the compliance requirement. As the CAR serves as a self-audit tool for Local Governments, the non-compliances identified in the report have been addressed as outlined in the comment section of this report.
Property	N/A		
Environment	N/A		
Fraud	There is a risk that the responses provided by officers are fraudulent.	1E	Responses were verified by the CEO; the Manager People, Systems and Culture; and the Governance & Information Coordinator did a thorough audit of responses.

**Community & Strategic Objectives:**

The proposal aligns with the following desired objectives as expressed in the *Community Strategic Plan 2022-2032*:

In 2040 Carnarvon is a place where:

**Additional Focus Areas:**

- *Improve the trust between citizens and the Shire of Carnarvon*

**Comment:**

The process for completing the 2022 CAR involved individual officers for each area being delegated the questions by the Governance & Information Coordinator. As officers returned their information, it was then verified by the Governance & Information Coordinator. Once the whole document was complete, it was then subject to further

review by the Manager of People, Culture & Systems and the CEO which resulted no further changes being made, to ensure that a high quality and verified CAR was completed.

When comparing the 2022 CAR against the 2021 CAR, the Shire of Carnarvon has increased its level of compliance by 4% (rounded %).

Compliance Audit Return Categories	Number of 2021 Questions	Non Compliance	Compliance Rating	Number of 2022 Questions	Non Compliance	Compliance Rating
Commercial Enterprises by Local Government	5		100 %	5		100 %
Delegation of Power/Duty	13	1	92 %	13		100 %
Disclosure of Interest	25	2	92 %	21		100 %
Disposal of Property	2		100 %	2		100 %
Elections	3		100 %	3		100 %
Finance	7	5	29 %	7	5	29 %
Integrated Planning and Reporting	3		100 %	3		100 %
Local Government Employees	6		100 %	5		100 %
Official Conduct	3		100 %	4		100 %
Tenders for Providing Goods and Services	22		N/A	22		100 %
Optional Questions	9	1	89 %	9		100 %
<b>TOTAL</b>	<b>98</b>	<b>9</b>	<b>91 %</b>	<b>94</b>	<b>5</b>	<b>95 %</b>

The following are areas that were identified as being non-compliant:

Finance				
No	Reference	Question	Response	Comments
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2022 received by the local government by 31 December 2022?	No	"Letter of apology received from OAG for the delay in finalising the Shire's 30 June 2021 Annual Financial Statements. Final 30 June 2021 Annual Financial Statements received in October 2022.  The delay finalising 30 June 2021 audit has resulted in a delay with the commencement 30 June 2022 audit . Hence, no 30 June 2022 audit report available 31 December 2022."
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 Local Government Act 1995 required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	No	Audit report and management letter not received by the time this CAR response had been prepared.
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?	No	Audit report and management letter not received by the time this CAR response had been prepared.
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 Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website?	No	Audit report and management letter not received by the time this CAR response had been prepared.
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June 2022 received by the local government within 30 days of completion of the audit?	No	Audit report and management letter not received by the time this CAR response had been prepared.

The non-compliance in this area was due to timing issues as a result of the delays in finalizing the 2021/2022 Audit. These delays were due to timing issues and staffing issues that have been previously communicated to Council. The staffing issue has been resolved and the 2022/23 Audit is currently underway and due to be finalized as per the schedule agreed upon at the entry meeting held with the OAG and William Buck Accounting.

#### OFFICER'S RECOMMENDATION

That the Audit and Risk Committee, pursuant to Regulation 14 of the Local Government (Audit) Regulations 1996, resolves to:

1. Review the Shire of Carnarvon's Compliance Audit Return for the period 1 January 2022 to 31 December 2022 and report the results to Council via the minutes of the Audit and Risk Committee meeting; and
2. Recommend that Council, at its Ordinary Meeting on 28 March 2023, adopts the Shire of Carnarvon's Compliance Audit Return for the period 1 January 2022 to 31 December 2022 and that Council Pursuant to Regulation 15 of the Local Government (Audit) Regulations 1996, authorise the Shire President and Chief Executive Officer to certify the Shire of Carnarvon Compliance Audit Return for the period 1 January

2022 to 31 December 2022 and submit the certified copy to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.

**COMMITTEE RESOLUTION & OFFICER’S RECOMMENDATION**

*That the Audit and Risk Committee, pursuant to Regulation 14 of the Local Government (Audit) Regulations 1996, resolves to:*

1. *Review the Shire of Carnarvon’s Compliance Audit Return for the period 1 January 2022 to 31 December 2022 and report the results to Council via the minutes of the Audit and Risk Committee meeting; and*
2. *Recommend that Council, at its Ordinary Meeting on 28 March 2023, adopts the Shire of Carnarvon’s Compliance Audit Return for the period 1 January 2022 to 31 December 2022 and that Council Pursuant to Regulation 15 of the Local Government (Audit) Regulations 1996, authorise the Shire President and Chief Executive Officer to certify the Shire of Carnarvon Compliance Audit Return for the period 1 January 2022 to 31 December 2022 and submit the certified copy to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.*

**5.3 INDEPENDENT CHAIR OF AUDIT AND RISK COMMITTEE**

Date of Meeting: 9/03/2023  
 Location/Address: Shire of Carnarvon  
 Name of Applicant: Shire of Carnarvon  
 Name of Owner: Shire of Carnarvon  
 Author/s: Alan Thornton – Deputy CEO  
 Declaration of Interest: Nil  
 Voting Requirements: Nil

**Authority / Discretion**

	<b>Advocacy</b>	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
	<b>Executive</b>	The substantial direction setting and oversight role of the Council. E.g., adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
	<b>Legislative</b>	Includes adopting local laws, town planning schemes and policies.
	<b>Quasi-Judicial</b>	When Council determines an application / matter that directly affects a person’s right and interest. The judicial character arises from the obligations to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licenses, applications for other permits / licenses.
X	<b>Information</b>	Includes items provides to Council for information purposes only that do not require a decision of Council (i.e. – for noting).

**Summary of Item:**

The purpose of this report is to advise the Audit and Risk Committee of the Local Government Reforms that proposes that an independent Chair is appointed to Local Government Audit Committees. Department of Local Government, Sport and Cultural Industries (DLGSC) guidelines also recommend external Audit Committee members. The Office of the Auditor General’s better practice principles states that the Audit Committee be led by an independent Chair.

**Background:**

The Local Government Act 1995 (the Act) requires that all local governments establish an Audit Committee. The Audit Committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability, and internal and external audit functions.

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Shire’s auditor so that Council can be satisfied with the performance of the Shire in managing its financial affairs. Reports from the committee assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

As per DLGSC guidelines, if a local government wishes to appoint one or more persons other than elected members to the committee, which is currently recommended and likely to become a requirement in the future, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee. Effective Audit Committees have members with the right mix of skills and experience who understand the risks facing the entity.

**Consultation:**

Nil

**Statutory Environment**

*Local Government Act 1995*

**Relevant Plans & Policy:**

Nil

**Financial Implications:**

There are no financial implications from this report; however, should an independent chair be appointed Council may need to consider remuneration. The reforms suggest that local governments will be allowed to pay fees with the Salaries and Allowances Tribunal limits.

**Risk Assessment:**

The role of the Audit and Risk Committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

STEP 3 – Risk Tolerance Chart Used to Determine Risk						
Consequence		Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 5
Likelihood						
Almost certain	A	High	High	Extreme	Extreme	Extreme
Likely	B	Moderate	High	High	Extreme	Extreme
Possible	C	Low	Moderate	High	Extreme	Extreme
Unlikely	D	Low	Low	Moderate	High	Extreme
Rare	E	Low	Low	Moderate	High	High
Risk Category	Description	Rating (Consequence x likelihood)		Mitigating Action/s		
Financial	N/A					

Health & Safety	N/A		
Reputation	N/A		
Service disruption	N/A		
Compliance	The Shire does not keep pace with changes to legislation.	3B – High	This report ensures that the Committee is aware of and considering impacts of legislative changes.
Property	N/A		
Environment	N/A		
Fraud	N/A		

### Community & Strategic Objectives:

The proposal aligns with the following desired objectives as expressed in the *Community Strategic Plan 2022-2032*:

In 2040 Carnarvon is a place where:

Additional Focus Areas:

- *Improve the trust between citizens and the Shire of Carnarvon*

### COMMENT

This item is listed for noting and discussion with the Committee on:

When to implement this change – i.e., wait for reforms to be approved, anticipate later in 2023; or when the Committee is reformed after the October 2023 elections.

What recruitment strategies may be appropriate – e.g., targeted recruitment, advertising?

### OFFICER'S RECOMMENDATION

*That the Audit and Risk Committee notes the Office of the Auditor General's better practice principles, the Department of Local Government Sport and Cultural Industries guidelines and proposed local government reforms in relation to the appointment of an independent Chair for the Shire of Carnarvon Audit and Risk Committee.*

### COMMITTEE RESOLUTION & OFFICER'S RECOMMENDATION

*That the Audit and Risk Committee notes the Office of the Auditor General's better practice principles, the Department of Local Government Sport and Cultural Industries guidelines and proposed local government reforms in relation to the appointment of an independent Chair for the Shire of Carnarvon Audit and Risk Committee.*

CARRIED

F4/AO

### 6.0 MATTERS FOR WHICH MEETING MAY BE CLOSED TO THE PUBLIC

Nil

### 7.0 DATE OF NEXT MEETING

To be advised

### 9.0 CLOSE

The Chairperson closed the meeting at 8.58am.

**From:** Renuka Venkatraman <[Renuka.Venkatraman@audit.wa.gov.au](mailto:Renuka.Venkatraman@audit.wa.gov.au)>  
**Sent:** Tuesday, 7 March 2023 9:33 AM  
**To:** Megan Shirt <[megan@accwest.com.au](mailto:megan@accwest.com.au)>  
**Subject:** RE: Shire of Carnarvon - Note 10

Hi Megan,

You can update that page in the report to be adopted by Council and in the annual report.

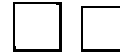
Kind regards,

Renuka

**Renuka Venkatraman**

Director | Financial Audit  
Office of the Auditor General for Western Australia

**T:** (08) 6557 7574 | **M:** 0452 074 055 | **W:** [audit.wa.gov.au](http://audit.wa.gov.au)



**From:** Megan Shirt <[megan@accwest.com.au](mailto:megan@accwest.com.au)>  
**Sent:** Tuesday, 7 March 2023 9:19 AM  
**To:** Renuka Venkatraman <[Renuka.Venkatraman@audit.wa.gov.au](mailto:Renuka.Venkatraman@audit.wa.gov.au)>  
**Subject:** Shire of Carnarvon - Note 10

Hi Renuka,

we have found a sneaky **no** on Note 10 that should not be there.

Are we able to replace that page for report to be the Adopted by Council later this week – or should they note that in the resolution – and perhaps publish in the Annual Report without the no?

I note that that note is not stamped by WB or the OAG.

Regards

Megan

SHIRE OF CARNARVON  
 NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
 FOR THE YEAR ENDED 30 JUNE 2022

10. LEASES

(a) Right-of-Use Assets

The Shire has no reportable lease or right of use assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use	Right-of-use	Right-of-use
		assets - Furniture and Equipment	assets - plant and equipment	assets Total
		\$	\$	\$
Balance at 1 July 2020		11,554	1,033,078	1,044,632
Depreciation		(9,243)	(333,418)	(342,661)
Balance at 30 June 2021		2,311	699,660	701,971
Additions		16,855	167,020	183,875
Depreciation	9(a)	(4,769)	(322,188)	(326,957)
Balance at 30 June 2022		14,397	544,492	558,889

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

		2022 Actual	2021 Actual
		\$	\$
Depreciation on right-of-use assets	9(a)	(326,957)	(342,661)
Interest expense on lease liabilities	27(c)	(17,992)	(25,802)
Total amount recognised in the statement of comprehensive income		(344,949)	(368,463)
Total cash outflow from leases		(338,297)	(368,641)
(b) Lease Liabilities			
Current		303,867	290,325
Non-current	27(c)	293,755	443,728
		597,622	734,053