

Audit & Risk Committee Minutes

September 2023



Minutes of an Audit & Risk Committee Meeting of Council held in the Council Chambers on Wednesday 20 September 2023 commencing at 3:01pm

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

President Grant Robins declared the meeting open at 3:01pm

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

ATTENDANCE

G Robins	President	Central Ward
R Bowey	Councillor	Town Ward
B West	Councillor	West Ward
B Smoker	Deputy President	West Ward
J Noble	Councillor	Town Ward
C Mullan	Councillor	West Ward
T Gangell	Councillor	Town Ward
L Varone	Councillor	East Ward
M Lucchesi	Councillor	Central Ward
A Leeson	Chief Executive Officer	
F Murphy	Executive Manager Financial Services	
J Hobson	Executive Manager of Works	
T Scadding	Executive Manager Community Services	
N Thompson	Manager of Executive Support Services	

APOLOGIES

C Lewis Executive Manager Corporate Governance

MEMBER OF THE PUBLIC

Brad Miller

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

3.1 Audit & Risk Committee Meeting Minutes – 15 March 2023

4. MATTERS REQUIRING DECISION

- 4.1 Procedural Fairness for the Auditor General's LG Audit Results Report 2021-22
- 4.2 Significant Findings in OAG Local Government 2021-22 Information Systems Audit
- 4.3 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 – 15 March 2023

AR 01/0923

Moved Cr Mullan Seconded Cr West that the minutes of the Audit & Risk Committee Meeting held on 15 March 2023 be confirmed as a true and correct record.

Carried 9/0

4. MATTERS REQUIRING DECISION

4.1 Procedural Fairness for the Auditor General's LG Audit Results Report 2021-22

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

SUMMARY:

The Auditor General will table it's 2021/22 audit results report on the annual financial audits of local government entities in Parliament. The Auditor General is required to seek the Shire of Kulin's regarding findings in the draft report that relate to the Shire.

BACKGROUND & COMMENT:

President Robins and the CEO received an e-mail from the Office of Auditor General on Monday 31 July 2023 as follows:

The Auditor General will shortly table in Parliament our Office's 2021-22 audit results report on the annual financial audits of local government entities.

Below is text from this report which refers to your entity:

Appendix 1: Status and timeliness of audits

Audit opinions issued to 146 of 148 entities for 2021-22 by 30 June 2023 are listed below.

The table lists each entity in alphabetical order, as well as the type of opinion they received, when the opinion was issued and the timeliness of providing their financial statements to us for audit.

Key

Type of audit opinion		Audit readiness	
Clear	✓	Met statutory deadline of 30 September 2022	🕒
Clear opinion with emphasis of matter or matter of significance paragraph	✓	Extension to the statutory deadline was granted and met	🕒
Material uncertainty related to going concern		Extension or statutory deadline was not met	🕒
Qualified or a disclaimer of opinion	✗		

	Entity	Type of opinion	Opinion issued	FS timeliness
84	Shire of Kulin	✓	21/12/2022	🕒

Appendix 5: Certifications issued

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Kulin	27/10/2022	10/11/2022

Our procedural fairness process requires that we seek your entity's comments on the draft text from the report.

Please note that this draft text is provided to you in strict confidence and must not be copied, reproduced, or disclosed to any other person within or outside your entity, except to the extent necessary to enable you to provide a response to the Office of the Auditor General or to obtain advice. Should you wish to or be required to disclose the draft text for any other reason, please contact me.

For completeness of our Office's procedural fairness process please provide your confirmation by email to the Report Coordinator by COB on Monday 7 August 2023 at Lisa.Swann@audit.wa.gov.au.

For all other queries concerning the text, before providing a response, please get in touch with your OAG contact.

Yours sincerely
Lisa Swann
On behalf of

Grant Robinson
Assistant Auditor General
Financial Audit
Office of the Auditor General for Western Australia
Tel: (08) 6557 7526
Mob: 0456 632 709
www.audit.wa.gov.au

The Statutory deadlines relating to the Annual report under the *Local Government Act 1995* are:

- Under s6.4 the Annual Financial Report is to be submitted to the auditor by 30 September
- Under s5.54 the Annual Report must be accepted by the local government no later the 31 December after that financial year. If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

A copy of the Shire's 30 June 2022 Financial Report was supplied to our auditors AMD on 30 September 2022 in compliance with s6.4 of the Act.

The signed auditors report was received from the OAG on 21 December 2022. We had a Special Council Meeting to accept the Financial Report on 18 January 2023, which was after 31 December. We should have applied for an extension from the Department. This will be noted on the compliance calendar to apply for an extension in early December if this deadline is unlikely to be met.

This non-compliance will be tabled in Parliament as part of the OAG's 2021-22 audit results report.

STATUTORY ENVIRONMENT:

Nil

POLICY IMPLICATIONS:

Nil

FINANCIAL IMPLICATIONS:

Nil

COMMUNITY CONSULTATION:

Nil

WORKFORCE IMPLICATIONS:

Nil

AUDIT & RISK COMMITTEE RECOMMENDATION

That the Audit & Risk Committee recommend to Council that they receive the correspondence from the Auditor General regarding the Status and Timeliness of 2021-22 audit and that Management ensure that the compliance calendar is updated to ensure an extension is obtained from the Department in the future if the 31 December audit deadline is not met.

VOTING REQUIREMENTS:

Simple Majority.

AR 02/0923

Moved Cr Smoker Seconded Cr Noble that the Audit and Risk Committee recommend to Council that they receive the correspondence from the Auditor General regarding the Status and Timeliness of 2021-22 audit and that Management ensure that the compliance calendar is updated to ensure an extension is obtained from the Department in the future if the 31 December audit deadline is not met.

Carried 9/0

For – Cr Robins, Cr Smoker, Cr Gangell, Cr West, Cr Varone, Cr Bowey, Cr Lucchesi, Cr Mullan & Cr Noble

Against - Nil

4.2 Significant Findings in OAG Local Government 2021-22 Information Systems Audit

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

SUMMARY:

The Office of Auditor General (OAG) presented a report to Parliament on 29 March 2023 regarding its 2021-22 Local Government Information Systems Audit. Management has written to the Minister for Local Government outlining the Shire's action plans in relation to significant items identified in the 2021-22 Information Systems Audit.

BACKGROUND & COMMENT:

The OAG presented a report to Parliament on 29 March 2023 regarding its Local Government Information Systems Audit. The introduction to this report states:

This is our fourth report on the audits of local government entities' general computer controls (GCC). The objective of our GCC audits is to determine if entities' computer controls effectively support preparation of financial statements, delivery of key services and the confidentiality, integrity and availability of information systems. Cyber criminals target organisations of all sizes and nature. Well operating controls help entities protect their information systems and IT environments against data breaches and cyber security threats.

For 2021-22, we reported GCC findings to 53 local government entities and provided 12 of the 53 entities with capability maturity assessments. These assessments look at how well-developed and capable entities' established IT controls are. We have not named the entities issued with GCC findings and capability assessments so as not to increase their exposure to cyber threats.

Under section 7.12A of the Local Government Act 1995, the 53 audited entities are required to prepare an action plan to address significant matters relevant to their entity for submission to the Minister for Local Government within three months of this report being tabled in Parliament, and for publication on the entity's website. This action plan should address the points above, to the extent they are relevant to their entity.

Management assumed that the 53 local governments referred to above had detailed performance audits of their Information Systems conducted by the OAG and therefore the report was sent to us for information purposes only.

We have since been contacted by the Department asking why we have not met our obligation to report on the two significant findings in our audit interim management letter issued to the Shire by the OAG in 2021/22. It appears that detailed performance audits were not conducted – the OAG reviewed the individual interim audit findings in the management letters of the 53 local governments and noted any significant items relating to information systems.

The Shire of Kulin had two IT related significant findings in our 2021-22 Interim Audit Management Letter being:

- Lack of Disposal of IT policy
- Lack of Disaster Recovery Plan

Both items have since been addressed by management with the new Disposal of IT policy being adopted by Council in August 2023 and the Draft Disaster Recovery Plan prepared by our IT consultants Sapio being currently being reviewed by management with the aim to have the adopted by Council in October 2023.

To satisfy the Department we have drafted a letter to outline our response to the two items raised. Refer to Attachment 2.

We are concerned about the precedent being set by the Department. There was lack of transparency regarding the 53 Councils having Information Systems audits. There is also confusion surrounding whether significant items in audit management letters should be reported to the Department.

There are two other non-IT related significant items in our 2021-22 interim and final management letters which were not reported to the Department. These were non-compliance with the purchasing policy and fair value of our non-financial assets. Both issues have been addressed by management with tighter adherence to the purchasing policy and an external valuation of non-financial assets being completed as of 30 June 2023.

We will seek clarity regarding reporting of significant items in management letters from both our auditors and the OAG prior to the final audit visit in October 2023.

STATUTORY ENVIRONMENT:

Nil

POLICY IMPLICATIONS:

Nil

FINANCIAL IMPLICATIONS:

Nil

COMMUNITY CONSULTATION:

Nil

WORKFORCE IMPLICATIONS:

Nil

AUDIT & RISK COMMITTEE RECOMMENDATION

That the Audit & Risk Committee recommend to Council that they retrospectively accept the letter sent to the Minister in response to the IT related findings in the 2021-22 Interim Audit Management Letter.

VOTING REQUIREMENTS:

Simple Majority.

AR 03/0923

Moved Cr Lucchesi Seconded Cr Gangell that the Audit and Risk Committee recommend to Council that they retrospectively accept the letter sent to the Minister in response to the IT related findings in the 2021-22 Interim Audit Management Letter.

Carried 9/0

For – Cr Robins, Cr Smoker, Cr Gangell, Cr West, Cr Varone, Cr Bowey, Cr Lucchesi, Cr Mullan & Cr Noble

Against - Nil

4.3 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 2022/23 which list the auditor’s findings and recommendations arising from the interim audit.

BACKGROUND & COMMENT:

As part of the audit of the 2022/23 Annual Financial Report, the Shire’s auditors AMD Chartered Accountants, conducted their interim audit visit from 6-8 June 2023.

- 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.

AMD’s Interim Management Letter for 2022/23 is attached which lists one significant finding. Management comments outlining finding will be addressed and resolved are contained in the attached management letter.

It should be noted that this finding has been addressed already by management, with a Disposal of IT policy adopted by Council at the August 2023 Council meeting.

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 Auditors Interim Management Letter.

VOTING REQUIREMENTS:

Simple Majority.

AR 04/0923

Moved Cr Lucchesi Seconded Cr Noble that the Audit and Risk Committee recommend to Council to accept Management's comments outlining how staff will address the finding in the Auditors Interim Management Letter

Carried 9/0

For – Cr Robins, Cr Smoker, Cr Gangell, Cr West, Cr Varone, Cr Bowey, Cr Lucchesi, Cr Mullan & Cr Noble

Against - Nil

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

Nil

6. DATE AND TIME OF NEXT MEETING

No date set

7. CLOSURE OF MEETING

There being no further business the meeting was closed at 3:06pm

Audit & Risk Committee Minutes

March 2023



Minutes of an Audit & Risk Committee Meeting of Council held in the Council Chambers on Wednesday 15 March 2023 commencing at 1:02pm

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

President Grant Robins declared the meeting open at 1:02pm

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

ATTENDANCE

In Person

G Robins	President	Central Ward
R Bowey	Councillor	Town Ward
B West	Councillor	West Ward
B Smoker	Deputy President	West Ward
J Noble	Councillor	Town Ward
C Mullan	Councillor	West Ward
T Gangell	Councillor	Town Ward
L Varone	Councillor	East Ward
M Lucchesi	Councillor	Central Ward
A Leeson	Acting Chief Executive Officer	

APOLOGIES

F Murphy, C Lewis

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

3.1 Audit & Risk Committee Meeting Minutes – 18 January 2023

4. MATTERS REQUIRING DECISION

4.1 Compliance Audit Return 2022 - Adoption

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 January 2023

AR 01/0323

Moved Cr Bowey Seconded Cr Smoker that the minutes of the Audit & Risk Committee Meeting held on 18 January 2023 be confirmed as a true and correct record.

Carried 9/0

4. MATTERS REQUIRING DECISION

4.1 Compliance Audit Return 2022 – Adoption

NAME OF APPLICANT: ACEO
RESPONSIBLE OFFICER: ACEO
FILE REFERENCE: 04.02 Local Government Act & Returns
STRATEGIC REFERENCE/S: CBP 4.1 Civic Leadership, 4.1.8 Compliance methods
AUTHOR: Cassi Lewis
DISCLOSURE OF INTEREST: NIL

SUMMARY:

To present the Compliance Audit Return to the Audit and Risk Committee who adopt the report and make recommendation to Council.

BACKGROUND:

Each year all local governments across the State are required by legislation to undertake a compliance audit for the period 1 January to 31 December. This audit is performed against the requirements of the Compliance Audit Return prepared by the Department of Local Government covering the following business areas considered to be 'high risk':

- Commercial Enterprises by Local Government;
- Delegation of Power / Duty;
- Disclosure of Interest;
- Disposal of Property;
- Elections;
- Finance;
- Local Government Employees;
- Official Conduct; and
- Tendering for Providing Goods & Services
- Optional Questions

The Officer notes one area of non-compliance relating to the establishment of the audit committee. After each election, Council appoint Councillors to various committees and portfolios. Section 7.1A requires the audit committee to be appointed by absolute majority. The voting requirement for this item was a simple majority. It should be noted that the item passed with 9 affirmative votes which would constitute an absolute majority.

COMMENT:

The Audit and Risk Committee's consideration and endorsement of the Compliance Audit Return (addressing those areas identified as high risk) is required prior to the report being submitted to the Department of Local Government and Communities. A completed return for the year ended 31 December 2022 is due to the Department by the 31 March 2023.

Please note that the Risk and Audit Committee is required to review the completed CAR and report the results to the Council, prior to the CAR's adoption by Council and submission to the Department by 31 March 2023.

The Compliance Audit Return is attached for the Committee's and Council's consideration. Note the report was prepared by Cassi Lewis.

STATUTORY IMPLICATIONS:

Regulation 14 of the Local Government (Audit) Regulations 1996 provides:

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under sub-regulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

Regulation 15 provides that:

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit,
 - (c) is to be submitted to the Executive Director by 31 March next following the period to which the return relates.
- (2) In this regulation, certified in relation to a compliance audit return means signed by;
 - (a) the mayor or president; and
 - (b) the CEO.

FINANCIAL IMPLICATIONS:

Nil

POLICY IMPLICATIONS:

Nil

COMMUNITY STRATEGIC PLAN IMPLICATIONS:

Nil

That the Audit and Risk Committee consider the Officer's recommendation and make recommendation to the Council.

COMMITTEE RECOMMENDATION:

That the Audit and Risk Committee recommend to Council that;

1. Council adopt the Compliance Audit Return 2022, as presented;
2. The Chief Executive Officer and the Shire President be authorised to sign the Compliance Audit Return 2022;
3. Endorse the return for submission to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.

VOTING REQUIREMENTS:

Absolute Majority Required

AR 02/0323

Moved Cr Mullan Seconded Cr Gangell that the Audit and Risk Committee recommend to Council that;

- 1. Council adopt the Compliance Audit Return 2022, as presented;**
- 2. The Chief Executive Officer and the Shire President be authorised to sign the Compliance Audit Return 2022;**
- 3. Endorse the return for submission to the Department of Local Government, Sport and Cultural Industries by 31 March 2023**

Carried by Absolut Majority

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

Nil

6. DATE AND TIME OF NEXT MEETING

No date set

7. CLOSURE OF MEETING

There being no further business the meeting was closed at 1:05pm



All correspondence to be addressed to:
Chief Executive Officer
PO Box 125 KULIN WA 6365
p: 08 9880 1204 f: 08 9880 1221
e: enquiries@kulin.wa.gov.au
www.kulin.wa.gov.au

16 August 2023

Hon. David Michael MLA
Minister for Local Government
7th Floor Dumas House
2 Havelock Street
West Perth WA 6005

Dear Minister Michael

RE: Significant findings in OAG Local Government 2021-22 Information Systems Audit

I am writing to address two significant findings identified in the Shire of Kulin's 2021-22 Interim Audit Management Letter relating to the Shire's information systems. It has been brought to our attention that these issues formed part of the Office of Auditor General's 2021-22 Local Government Information Systems Audit report (the report) tabled in Parliament on 29 March 2023. This report required the Shire to prepare an action plan to address these significant matters for submission to you within three months of the report being tabled (in accordance with section 7.12A of the *Local Government Act 1995*).

An extract of the Shires 2021-22 Interim Management Letter along with the Shire's action plan to address these issues is as follows:

1. Disaster recovery plan

Finding

Our inquiries indicated that the Shire of Kulin has no formal disaster recovery plan in place in respect to information technology systems and overall Shire operations. It was noted that limited progress has been made by the Shire in preparing the disaster recovery plan at the time of our interim audit.

Implication

Increased risks of significant interruption to business and operations in the event of unforeseen circumstances.

Recommendation

We recommend that a disaster recovery plan be developed, documented, and tested to ensure that in the event of a disaster, appropriate and effective recovery actions can be taken promptly.

Action

A draft Disaster Recovery Plan has been prepared by the Shire's IT consultants. The plan is currently being reviewed by management and will be presented to Council for



All correspondence to be addressed to:
Chief Executive Officer
PO Box 125 KULIN WA 6365
p: 08 9880 1204 f: 08 9880 1221
e: enquiries@kulin.wa.gov.au
www.kulin.wa.gov.au

adoption in October 2023. Staff will then be trained on the Plan to ensure it can be implemented effectively in the event of a disaster.

2. Disposal of IT policy Finding

We noted that there is no formal policy in place in relation to the disposal of Shire IT equipment, including the erasing and subsequent disposal of portable devices.

Implication

The absence of a formal policy increases the risk IT assets are disposed of inappropriately, additionally without defining data destruction requirements of IT assets being disposed, there is risk of inadvertent public disclosure of the Shire's information.

Recommendation

We recommend a policy be developed and endorsed by Council outlining the appropriate steps required when disposing of Shire's IT equipment, including the disposal of portable devices.

Action

A disposal of IT policy has been developed by management and was adopted by Council in August 2023. This policy will be distributed to the management team and implemented immediately after adoption.

As outlined above the significant items in our 2021-22 Interim Audit Management Letter have been addressed by the Shire.

The Shire of Kulin does not believe that reporting of significant items in Audit Management Letters is required under section 7.12A. Our understanding is that this section relates to significant items in the ***Audit Opinion attached to the Financial Statements***, not significant items in Management Letters. Historically we have only reported to the Department on significant items in the Audit Opinion. We are seeking clarity on this matter. Can you please confirm whether s7.12A applies to Audit Management Letters so that we can ensure compliance in the future?

Finally, the Shire of Kulin was unaware prior to the report being published that we were one of the 53 local government entities audited as part the OAG's Information Systems audit. When we received the report, we assumed that it was for information purposes only and that the 53 entities had had detailed information systems performance audits completed and therefore no action was required by our Shire. We were subsequently notified by the Department that the findings came from the OAG's 2021-22 financial statement audits – by way of reviewing management letters. It would be helpful in the future if we were given notice that the Shire is being included in such reports, and clarity to how the performance audit process works. This would result in the Shire responding in a timely and appropriate manner.



All correspondence to be addressed to:
Chief Executive Officer
PO Box 125 KULIN WA 6365
p: 08 9880 1204 f: 08 9880 1221
e: enquiries@kulin.wa.gov.au
www.kulin.wa.gov.au

Yours sincerely

Alan Leeson
Chief Executive Officer

SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	Potential impact on audit opinion	RATING			Prior year finding
		Significant	Moderate	Minor	
	Yes/No – Financial/Control/KPI				
1. Disposal of IT – policy	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 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Disposal of IT policy**Finding**

We noted that there is no formal policy in place in relation to the disposal of Shire IT equipment, including the erasing and subsequent disposal of portable devices.

Similar findings were raised in the 2021-22 and the 2020-21 financial years.

Rating: Significant (2022: Significant, 2021: Moderate)

Implication

The absence of a formal policy increases the risk IT assets are disposed of inappropriately, additionally without defining data destruction requirements of IT assets being disposed, there is risk of inadvertent public disclosure of the Shire's information.

Recommendation

We recommend a policy be developed and endorsed by Council as a priority, outlining the appropriate steps required when disposing of Shire's IT equipment, including the disposal of portable devices.

Management Comment

Management acknowledges that the Shire does not have a Disposal of IT Policy. Our IT consultants Sapio is currently developing the Shire's Disaster Recovery Plan. As part of this process, we will liaise with Sapio to develop a Disposal of IT policy. This policy will be documented and adopted by Council prior to the year-end audit visit.

Responsible Person: Cassi-Dee Lewis
Completion Date: October 2023