



## AUDIT COMMITTEE MEETING

# MINUTES

### Committee Brief

- *Recommend the appointment of the auditor to the Council;*
- *Assist the auditor to ensure audits are conducted successfully and timely;*
- *Examine the audit report and ensure appropriate action is taken;*
- *Prepare reports on actions taken and forward to the Minister;*
- *Meet with the auditor at least once a year;*
- *Review enhanced scope of audit;*
- *Development and review of the Shire's Long Term Financial Plan and Forward Capital Works Plan; and*
- *The review of the Shire's annual compliance audit return and to report to the Council on the results of that review, pursuant to Regulation 3A of the Local Government (Audit) Regulations 1996.*

A meeting of the Audit Committee was held in the Committee Room, Lowood Road, Mount Barker WA 6324, at 1.30pm on Tuesday 14 August 2012

**Rob Stewart**  
**CHIEF EXECUTIVE OFFICER**

### Committee Members

*Cr K Clements, Cr L Handasyde, Cr J Moir, Cr Skinner*

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## TABLE OF CONTENTS

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ITEM	SUBJECT	PAGE NO
1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS	1
2	RECORD OF ATTENDANCE / APOLOGIES	1
3	CONFIRMATION OF MINUTES	1
4	REPORTS OF COMMITTEE MEMBERS AND OFFICERS	2
4.1	INTERIM AUDIT REPORT AND REPORT ON ADDITIONAL SCOPE	2
5	GENERAL BUSINESS / MATTERS ARISING	8
5.1	SHIRE PRESIDENT'S MEETING WITH AUDITORS	8
6	NEXT MEETING	8
7	MEETING CLOSURE	8

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

1.34pm Cr Skinner declared the meeting open.

**2 RECORD OF ATTENDANCE / APOLOGIES**Members Present

Cr M Skinner (Presiding Member)

Cr K Clements

Cr L Handasyde

Cr J Moir

Staff

Mr Rob Stewart - Chief Executive Officer

Mr John Fathers - Deputy Chief Executive Officer

Mr Brendan Webb - Accountant / Office Manager

**3 CONFIRMATION OF MINUTES**

Minutes, as circulated, of the meeting of the Audit Committee held on 28 February 2012.

**Moved Cr J Moir, seconded Cr K Clements:**

**That the minutes of the meeting of the Audit Committee held on 28 February 2012, as circulated, be taken as read and adopted as a correct record.**

**CARRIED**

**MATTERS ARISING FROM THE MINUTES**

*The Committee noted the advice of the Chief Executive Officer in regard to the delay of the finalisation of a Strategic Plan for the Saleyards until November 2012.*

## 4 REPORTS OF COMMITTEE MEMBERS AND OFFICERS

### 4.1 INTERIM AUDIT REPORT AND REPORT ON ADDITIONAL SCOPE

<b>File No:</b>	<b>N23557</b>
<b>Attachment:</b>	<b>Interim Audit Report for Year Ending 30 June 2012 Report of Factual Findings – Month End Reconciliations</b>
<b>Responsible Officer:</b>	<b>John Fathers Deputy Chief Executive Officer</b>
<b>Author:</b>	<b>Brendan Webb Accountant/Office Manager</b>
<b>Proposed Meeting Date:</b>	<b>14 August 2012</b>

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#### **PURPOSE**

The purpose of this report is to consider the interim audit report and additional audit scope, as conducted by the Shire's auditors, Lincolns in July 2012.

#### **BACKGROUND**

On 31 May and 1 June 2012, Mr Chris Harrison and Mr Chris Martain of Lincolns Accountants attended the Shire office to conduct an interim audit for 2011/2012. In line with the request from the Audit Committee, the auditors have also undertaken additional scope of works and reviewed the month end sub-ledger reconciliations process.

#### **FINANCIAL IMPLICATIONS**

There are no direct financial implications for this report.

#### **POLICY IMPLICATIONS**

There are no policy implications for this report.

#### **STRATEGIC IMPLICATIONS**

There are no strategic implications for this report.

#### **OFFICER COMMENT**

A copy of the reports from the Shire's auditor, Russell Harrison have been attached. In regard to the interim audit, Mr Harrison expressed satisfaction for procedures and processes currently practiced by Shire staff with no issues being raised.

The additional checks performed on the month end sub-ledger reconciliations process revealed a number of matters which required clarification. The following comments are offered (in italics).

#### **1 – Trust Sub Ledger Reconciliation**

The Trust account sub ledger is generally reconciled on an annual basis. Whilst the Regulations are silent about this we recommend that a reconciliation be made at the end of each month. The bank account is reconciled monthly, however, the sub-ledger reconciliation does not form part of this. We recommend that the sub ledger trial balance and a review of the same form part of the month end bank account reconciliation process, and standard form.

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*Management Comment*

*The trust sub ledger has been integrated into the trust bank account reconciliation process, and will be done quarterly, as the trust bank reconciliation is performed. Due to the limited activity within the trust, monthly reconciliations are not considered warranted.*

There was no evidence that the Trust bank reconciliation presented to us had been reviewed, by a person independent to who prepared it.

*Management Comment*

*The Trust bank reconciliation is signed by both the Accountant (Preparer) and the Deputy Chief Executive Officer (Reviewer).*

The documentation of Trust Funds is inconsistent with copies of correspondence and cash register slips kept on file. We recommend that a standard form be completed on receipt of money to Trust, documenting customer information, amounts, and more particularly Authority to hold and conditions by which Trust Funds may be released.

*Management Comment*

*This detail is all contained within the current Trust file, however, a cover page will be created to capture all of the above suggestions on one document, with supporting documents attached. This form will be designed and in use by 1 Jan 2013.*

Within the Trust Fund sub ledger account a balance of \$3,144.49 is held, being unidentified receipts as of 30 June 2008. We understand the receipt information has been lost, when computers malfunctioned, and that this amount could not be identified when attempts were made to reconstruct the record. We recommend that these funds be disbursed (if money belongs to third parties it should be sent to the Receiver of Public Money otherwise if it is Council Funds it should be deposited into the Municipal account).

*Management Comment*

*The item mentioned will be transferred out of the Trust account and into the Municipal account forthwith.*

Our review of documentation relating to Authority receipting procedures indicated that Cashiers are not given clear instruction about identification of what is Trust funds and importantly, the need to deposit Trust funds into a separate bank account. We recommend that Cashiers be specifically trained and instruction documented concerning Trust funds receipting procedures.

*Management Comment*

*Cashiers are aware of which payments are for the Trust fund. Currently, the only option for over the counter EFT payments is for them to be deposited first into the Municipal fund, and then transferred manually via online banking into the Trust fund. Given the limited number of these types of transactions, it has been decided not to install a separate EFT machine to cater for them.*

A central record of accounting procedures is not maintained. A record of step by step procedures relative to the accounting software is kept by function and held by individuals performing those tasks. We recommend that a central Accounting Procedures Manual be established to ensure a record be maintained of standard forms, document flows, procedures and responsibilities. The Accounting Procedures Manual will ensure a consistency, particularly when there is a change of staff in key accounting roles.

*Management Comment*

*Staff are endeavouring complete and compile a Procedures Manual to be in place by 30 June 2013. This document will contain work flows and list specific roles and responsibilities for the staff within the Finance department. Some work has been prepared for most of the procedures; many of them simply need testing and verifying for completeness.*

## **2 – Sundry Debtors Sub ledger Reconciliation**

The Debtors ledger account (01014.0140.99) is reconciled monthly, and the Accountant signs the general ledger balance screen dump and debtor trial balance, to verify that the amounts agree. There was no evidence that the Debtor reconciliation presented to us had been reviewed, by a person independent to who prepared it.

*Management Comment*

*Currently the reconciliation is signed only by the Accountant (Reviewer). As of July 2012 the Accounts Officer (Preparer) will be required to sign this reconciliation as well.*

We recommend that a standard form be established which provides a quick reference to the two balances being reconciled at the end of each month. This form should highlight any variance and then detail its cause. The Form should contain the signature of both the responsible officer who prepared it and reviewed it.

*Management Comment*

*This covering form will be prepared and put into place by 1 January 2013, and in light of the comment above, will contain both signatures.*

The Debtors trial balance contains several credit balances. We recommend that an explanation and subsequent adjustment for any credit balance be made in a timely manner, soon after the monthly reconciliation is prepared.

*Management Comment*

*Aged listing will be reviewed for credits and provision made in the covering document to show any debtors who have a credit item against them. Credit notes will be issued against any outstanding invoices, or refunds offered in other cases.*

There is no evidence that the Debtors trial balance is reviewed for long outstanding amounts, and the status of follow up procedures noted. We recommend that this function form part of the month end sub ledger reconciliation.

*Management Comment*

*Aged Debtors will be reviewed at month end, and the new covering document will have provision for any outstanding amounts to be highlighted. Long outstanding items are currently presented to Council annually to determine whether to write them off or continue with debt recovery.*

### **3 – Creditors Sub Ledger Reconciliation**

We note that trade creditors are paid out at the end of each fortnight, the balance of the general ledger account (03000.0051.99) is consequently nil at the end of each month. Separate Sundry Creditors general ledger accounts records Bonds (03000.0055.99), GST payable (03000.0057.99), Payroll Creditors (superannuation) (03000.0164.99) and PAYG Withholding (03000.0183.99). A reconciliation is conducted on all general ledger accounts at the end of each month and the Accountant signs the general ledger balance screen dump and debtor trial balance to verify that the amounts agree. There was no evidence that the Trade Creditors reconciliation presented to us had been reviewed by a person independent to who prepared it. We recommend that a standard form be established which provides a quick reference to the three accounts being reconciled at the end of each month. This form should highlight any variance and then detail its cause. The form should contain the signature of both the responsible officer who prepared and reviewed it.

*Management Comment*

*Currently the reconciliation is signed only by the Accountant (Reviewer). As of July 2012 the Accounts Officer (Preparer) will be required to sign this reconciliation as well. A form will also be created to capture information with the reconciliation process and be in use by 1 Jan 2013. This form will have provision for a signature from both the Preparer and a Reviewer.*

### **4 – Rates Debtors Sub Ledger Reconciliation**

The rates trial balance is a summary record which reconciles rates debtors at the beginning of the period, adds rates raised during the period, less rates paid / rebated to agree with the rates debtors at the end of the period. This trial balance report is reconciled to the general ledger rates debtor balances at the end of each month. No detailed aged trial balance of rates debtors is produced which identifies ratepayers and rates outstanding. An Arrears and Instalment listing which does identify ratepayers and amounts outstanding is produced, from which recovery procedures are instigated. There was no evidence that the Rates Debtors reconciliation process presented to us had been reviewed by an independent person. We recommend that a standard form be established which provides a quick reference to the two balances being reconciled at the end of each month. This form should highlight any variances and then detail its cause. The form should contain the signature of both the responsible officer who prepared it and reviewed it.

*A form will be created to capture information with the reconciliation process and be in use by 1 Jan 2012. This form will have provision for a signature from both the Preparer and a Reviewer*

There has been a change in Rates Officer. Leanne Briggs took over from Vanessa Ward on 14 November 2011. Rates debtors follow up procedures were not documented for the new Rates Officer to adopt, nor had the status of procedures under way for delinquent ratepayers. We recommend a standard debtors follow procedures be adopted, documented and that the status of follow up procedures also be documented.

*Currently we are setting out objective plans for late rates payments, with a view to being able to follow a consistent debt recovery procedure. At present documentation takes many different formats, and we will look at a file setup where each delinquent payer can have their own folder containing all their documentation, with a summary cover page.*

## **5 – Property Valuation Sub Ledger Reconciliation**

A file is maintained of Interim Valuation changes. The file contains the Landgate reports of individual changes and the total Landgate register value by town as they are made. These are signed by the Accountant and filed as a record of batch processing, however, there is no evidence that the batch processing report or that any reconciliation has been reviewed.

### *Management Comment*

*The preparer (Rates Officer) will be required to print evidence of the batch being processed, and attach it to the reconciliation form as described below.*

We recommend that a standard form be established which provides a quick reference to the Property Register and Landgate Valuation Roll balances being reconciled at the end of each month. This form should highlight any variances and then detail its cause. The Form should contain the signature of both the responsible officer who prepared and reviewed it. Attached to the form should be the evidence of the amounts being reconciled. A monthly reconciliation will ensure all or any interim valuation changes are accounted for within the month it was made.

### *Management Comment*

*A Reconciliation form will be created and put into use by 1 January 2013. This will include a notation for the batch processing documentation from Civica. There will be provision for both the Preparer and Reviewer to sign.*

## **VOTING REQUIREMENTS**

Simple Majority



**OFFICER RECOMMENDATION / COMMITTEE DECISION**

**Moved Cr J Moir, seconded Cr L Handasyde:**

**That:**

- 1. The attached report from Lincolns Accountants titled 'Interim Audit for the Year Ending 30 June 2012' be received.**
- 2. The attached additional report from Lincolns Accountants titled 'Report of Factual Findings' be received and the comments from the administration be noted.**

**CARRIED**

**5 GENERAL BUSINESS / MATTERS ARISING**

**5.1 SHIRE PRESIDENT'S MEETING WITH AUDITORS**

The Shire President, Cr K Clements, advised that he had recently been requested to meet with the Shire's auditors to answer a series of high level organisational questions, which is a newly imposed audit requirement.

**6 NEXT MEETING**

TBA

**7 MEETING CLOSURE**

2.00pm            The Presiding Member declared the meeting closed.

**CONFIRMED: PRESIDING MEMBER** \_\_\_\_\_ **DATE:** \_\_\_\_ / \_\_\_\_ / \_\_\_\_