



## AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

# MINUTES

SECTION 5.9(2)(a) LGA 1995

### Committee Brief

1. **Provide guidance and assistance to the local government -**
  - a) **as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and**
  - b) **as to the development of a process to be used to select and appoint a person to be an auditor; and**
2. **May provide guidance and assistance to the local government as to -**
  - a) **matters to be audited; and**
  - b) **the scope of audits; and**
  - c) **its functions under Part 6 of the Act; and**
  - d) **the carrying out of its functions relating to other audits and other matters related to financial management; and**
3. **Is to review a report given to it by the CEO under Regulation 17(3) (the CEO's report) and is to -**
  - a) **report to the Council the results of that review; and**
  - b) **give a copy of the CEO's report to the Council.**

A meeting of the Audit and Risk Management Committee was held in the Committee Room, Lowood Road, Mount Barker WA 6324, at 9.45am Tuesday 19 June 2018.

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

### Committee Members

*Cr J Moir, Cr M O'Dea, Cr J Oldfield and Cr C Pavlovich (Council 222/17)*

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**TABLE OF CONTENTS**

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<b>ITEM</b>	<b>SUBJECT</b>	<b>PAGE NO</b>
1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS	3
2	RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE	3
3	CONFIRMATION OF MINUTES	3
4	DISCLOSURE OF INTEREST	3
5	REPORTS OF COMMITTEE MEMBERS AND OFFICERS	4
	5.1 FINANCIAL MANAGEMENT REVIEW – 2017/2018	4
6	ORGANISATIONAL RISK MANAGEMENT	8
7	GENERAL BUSINESS	8
	7.1 AUDIT STRATEGY MEMORANDUM	8
8	NEXT MEETING	8
9	CLOSURE OF MEETING	8

**Membership**

Cr J Moir

Cr M O'Dea

Cr J Oldfield

Cr C Pavlovich

Cr B Lang (Deputy for any member)

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

9.45am The Presiding Member declared the meeting open.

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

### Members Present

Cr M O'Dea (Presiding Member)  
Cr J Moir  
Cr J Oldfield  
Cr C Pavlovich

### Visitors

Cr L Handasyde  
Cr B Lang

### Staff

Mr R Stewart - Chief Executive Officer  
Mr J Fathers - Deputy Chief Executive Officer

## **3 CONFIRMATION OF MINUTES**

**Moved Cr C Pavlovich, seconded Cr J Moir:**

**That the Minutes of the Meeting of the Audit and Risk Management Committee, held on 27 February 2018 as circulated, be taken as read and adopted as a correct record.**

**CARRIED**

## **4 DISCLOSURE OF INTEREST**

Nil

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## 5 REPORTS OF COMMITTEE MEMBERS AND OFFICERS

### 5.1 FINANCIAL MANAGEMENT REVIEW – 2017/2018

<b>File No:</b>	<b>N45676</b>
<b>Attachments:</b>	<b>Financial Management Review Report</b>
<b>Responsible Officer:</b>	<b>Rob Stewart Chief Executive Officer</b>
<b>Author:</b>	<b>John Fathers Deputy Chief Executive Officer</b>
<b>Proposed Meeting Date:</b>	<b>19 June 2018</b>

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#### **PURPOSE**

The purpose of this report is to consider a report from the Council's auditors, Moore Stephens, in relation to its investigation of the Council's financial management systems and procedures.

#### **BACKGROUND**

On 10-13 April 2018, representatives of Moore Stephens attended the Shire office to conduct a Financial Management Review of the Shire. This review is designed to test the financial management systems of the Shire and to report on the appropriateness and effectiveness of the control environment as required by Local Government (Financial Management) Regulation 5(2)(c).

#### **STATUTORY ENVIRONMENT**

Local Government (Financial Management) Regulations 1996

Section 5(2)(c) states:

'(2) *The CEO is to –*

(c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.'*

#### **FINANCIAL IMPLICATIONS**

There are no financial implications for this report.

#### **POLICY IMPLICATIONS**

There are no policy implications for this report.

#### **STRATEGIC IMPLICATIONS**

The Shire of Plantagenet Strategic Community Plan 2017-2026 provides at Outcome 4.6 (Effective and efficient corporate and administrative services) the following Strategy:

Strategy 4.6.1:

*'Provide a full range of financial services to support Shire's operations and to meet planning, reporting and accountability requirements.'*

Accordingly, the recommended outcome for this report aligns with the Strategic Community Plan.

### **OFFICER COMMENT**

A copy of the Financial Management Review has been attached. Overall the result is very good. Responses to the adverse findings made within the report are as follows:

- The fixed asset reconciliation is only updated and reconciled at year end.

Audit Comment: To help ensure fixed assets are completely and correctly posted to the general ledger, the corresponding general ledger control accounts should be reconciled regularly to the fixed asset register. These reconciliations should be signed and dated by the preparer and should be independently reviewed.

To help ensure an efficient year end audit, the fixed asset reconciliation should be brought up to date by 30 June 2018.

Management Comment: This year has been unusual in that we have not processed many transactions which impact the asset register as at February 2018. We are waiting on revised infrastructure depreciation rates from our RAMM 2 consultant. When these are to hand, we can bring the asset register up to date, do depreciation in the Live environment and then do the reconciliation.

Further, over the past few years, our statutory responsibilities have increased markedly and it is understood the CEO will make recommendations to the Council about resourcing the increased responsibilities.

- In two instances from five asset additions selected, purchase orders were raised after supplier tax invoices were received.

Audit Comment: All authorised officers to be 'reminded' of the need to ensure purchase orders are raised with purchase value recorded prior to the time of authorising works/services or ordering goods. This will help to ensure goods / services have been appropriately ordered and authorised. It also assists budget responsibility.

Management Comment: We have sent a communication to all staff reminding them that orders are dated the day goods/services were ordered. It is good practice to fill in an order when talking to suppliers. Passing orders to the Accounts Officer early also ensures that accounts are up to date, so that there is less risk of going over budget. We have also put in place a procedure regarding sign off when there is a material variance between order value and invoice.

- We noted three instances where the depreciation rate used, was not in accordance with Shire's accounting policy.

Audit Comment: To help ensure consistency between the depreciation rates in the accounting system and the accounting policies, a review of these depreciation rates should be performed. Discrepancies should be corrected by either amending the depreciation rates in the system or amending the adopted rates in Council's Accounting Policies.

Management Comment: We are currently reviewing Remaining Useful Life (RUL) assessments of all assets with a view to ensuring depreciation is correctly reflected and matches the Shire's accounting policy.

- Four Annual returns and two primary returns contained sections which had been left blank.

Audit Comment: To help ensure compliance with Departmental Circular 18-2005 and to help ensure returns submitted are not at risk of being amended, all sections should be completed. We note it is acceptable to record N/A, Nil or No Change or to rule a clear line through a N/A section. Leaving sections blank is not recommended practice. Whilst we note the CEO or any other Shire staff are not responsible for the content of returns submitted, we note it is acceptable, and quite common, for the content to be reviewed prior to receipt being acknowledged.

Management Comment: Noted. We normally keep an eye on these, but appear to have missed some.

- Two staff required to lodge a return, had resigned from the Shire and had not been removed from the register.

Audit Comment: To help ensure the compliance with LG Act 5.88(3), as soon as is practicable after a person ceases to be a person who is required under the Act to lodge a return, the CEO is to remove from the register all returns relating to that person.

Management Comment: Noted. The relatively new staff member controlling this is now aware of that requirement.

- Whilst reviewing the adequacy of the Shire's IT general environment, we noted that the Shire does not have documented procedures relating to business continuity and recovery in the event of a disaster.

Audit Comment: To help ensure the Shire's operations are restored with minimal disruption during times of disaster, a business continuity and recovery plan should be properly documented.

Management Comment: Noted. We have informal procedures in mind; we just need to document them.

## **VOTING REQUIREMENTS**

Simple Majority

## **OFFICER RECOMMENDATION**

That it be a recommendation to the Council:

That the results of the review of the appropriateness and effectiveness of the financial management systems and procedures of the Shire of Plantagenet, pursuant to Section 5(2)(c) of the Local Government (Financial Management) Regulations 1996, be noted.

*During discussion, the Committee noted that there is a lack of policy direction with regard to the strategic intention for many leased buildings, in terms of maintenance responsibility and future ownership.*

### **COMMITTEE DECISION**

**Moved Cr J Moir, seconded Cr J Oldfield:**

**That:**

- 1. It be a recommendation to the Council that the results of the review of the appropriateness and effectiveness of the financial management systems and procedures of the Shire of Plantagenet, pursuant to Section 5(2)(c) of the Local Government (Financial Management) Regulations 1996, be noted.**
- 2. The Chief Executive Officer be requested to present information to the Committee regarding leased Council assets, with a view to identifying the strategic intent of particular buildings.**

**CARRIED**



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## 6 ORGANISATIONAL RISK MANAGEMENT

In line with a previous Committee request, this item is listed as a permanent fixture on the agenda. The current Organisational Risk Register is attached for information.

*During discussion, the Committee noted the Chief Executive Officer's memorandum dated 15 May 2018 in response to its request that the Shire's auditor be requested to examine budgeting processes. The view was expressed that, in order to introduce further rigour into the budgeting processes for tenders and major projects, the Council should consider submitting its own internal tender, where it has the skillset to do so. The Committee agreed that this matter be included in Strategic Risk 8.8.1.*

## 7 GENERAL BUSINESS

### 7.1 AUDIT STRATEGY MEMORANDUM

Moore Stephens has been engaged to perform an audit of the Shire of Plantagenet's annual financial report for the year ending 30 June 2018.

For information, the attached memorandum sets out the proposed strategy for that audit. This is an initiative designed to meet the arrangements that the Auditor General will put in place when it takes over as auditor for the Shire at the conclusion of the current contract with Moore Stephens (2020/2021 financial year).

The key purposes of this memorandum are to:

- set out the audit scope and approach in summary;
- identify and communicate the key audit risk areas which we expect to be the focus of the audit procedures; and
- promote effective communication between the auditor and those charged with governance.

## 8 NEXT MEETING

To be advised.

## 9 CLOSURE OF MEETING

10.45am The Presiding Member declared the meeting closed.

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