



Audit Committee Meeting Minutes

Held on

Wednesday, 12 October 2016

Commencing at 5.06pm

SES Building, Bentley Street, Donnybrook WA

Ben Rose
Chief Executive Officer

13 October 2016

DISCLAIMER

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

These minutes may contain recommendations, which have not yet been adopted by Council.



AUDIT COMMITTEE MEETING MINUTES

12 October 2016

TABLE OF CONTENTS

1	PUBLIC QUESTION TIME	3
2	DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST	3
3	PETITIONS/DEPUTATIONS/PRESENTATIONS	3
4	CONFIRMATION OF MINUTES	3
5	REPORTS OF OFFICERS	4
5.1	<i>Chief Executive Officer</i>	4
5.1.1	SUBJECT: REVIEW OF FINANCIAL MANAGEMENT SYSTEMS	4
5.1.2	SUBJECT: ORGANISATIONAL RISK MANAGEMENT – ACTION PLAN	7
6	CLOSURE OF MEETING	8

5 REPORTS OF OFFICERS

5.1 Chief Executive Officer

5.1.1	SUBJECT:	REVIEW OF FINANCIAL MANAGEMENT SYSTEMS
	Location:	Shire of Donnybrook / Balingup
	Applicants:	Administration
	Zone:	N/A
	File Ref:	FNC 02
	Author:	Ben Rose, CEO (<i>Greg Harris, Manager Finance & Administration</i>)
	Report Date:	7 October 2016
	Attachments:	5.1.1 – Letter and Report from AMD Chartered Accountants

Background

Section 5 of the Local Government Financial Management Regulations refers to the Financial Management Duties of the CEO and states the following:

“Financial Management duties of the CEO

- (1) Efficient systems and procedures are to be established by the CEO of a local government –
 - (a) for the proper collection of all money owing to the local government;
 - (b) for the safe custody and security of all money collected or held by the local government;
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
 - (d) to ensure proper accounting for municipal and trust –
 - (i) income received or receivable;
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;
 - (f) for the maintenance of payroll, stock control and costing records; and
 - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

- (2) The CEO is to –
 - (a) ensure that the resources of the local government are effectively and efficiently managed;
 - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
 - (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.”

The review of financial management systems was last conducted by the CEO in the 2011/12 year therefore it was necessary for the review to be carried out again in the 2015/16 year.

To assist the CEO to discharge his responsibilities and to ensure the independence of the review, Council’s auditors, AMD Chartered Accountants, were engaged to undertake a review of Council’s financial management systems and procedures and to prepare a report to the CEO on the outcome of the review.

Comment

The review of the financial management systems was conducted in conjunction with the interim audit between 30/5/2016 and 1/6/2016 by the audit staff of AMD Chartered Accountants.

A copy of the report provided by AMD Chartered Accountants to the CEO is attached (Attachment 5.1.1).

The report from AMD Chartered Accountants provides a number of findings and recommendations in regard to the following Financial Management Systems Review (FMSR) areas:

- Appendix A – Collection of Council income;
- Appendix B – Custody and security of money;
- Appendix C – Maintenance and security of the financial records;
- Appendix D – Accounting for municipal or trust transactions;
- Appendix E – Authorisation for incurring liabilities and making payments;
- Appendix F – Maintenance of payroll, stock control and costing records; and
- Appendix G – Preparation of budgets, budget reviews, accounts and reports required by the Act or the regulations.

In addition to the findings and recommendations, Shire management have provided comment in regard to each matter addressed. These comments provide and outline as to how it is proposed each matter will be addressed by Council staff.

Following the completion of the FMSR on the areas outlined within appendices A to G, AMD Chartered Accounts reported that in the context of Council’s overall operations and size they consider procedures and systems in place are adequate and have operated effectively from July 2015 to the date of their site visit, with the exception of the recommendations within their report.

On the basis of the results of the review undertaken by AMD Chartered Accountants it is my opinion that efficient systems and procedures have been established to fulfil the requirements of section 6.10 of the *Local Government Act 1995* and section 5 of the *Local Government (Financial Management) Regulations 1996*.

It is therefore recommended that Council receive this report on the outcome of the FMSR conducted in May/June 2016, noting the recommendations for improvements and proposed actions indicated by management in the report from AMD Chartered Accountants.

Consultation

N/A

Policy/Statutory Implications

Section 6.10 of the *Local Government Act 1995*

Section 5 of the *Local Government (Financial Management) Regulations 1996*.

Financial Implications

The review of Council's financial management systems is a statutory requirement under section 6.10 of the *Local Government Act 1995* and section 5 of the *Local Government (Financial Management) Regulations 1996*, as described in the background section of this report.

Provision for the Financial Management System review to be undertaken by AMD Chartered Accountants was included in the 2015/16 budget.

Strategic Implications

Community Strategic Plan, Outcome 4.3: An open and accountable local government that is respected, professional and trusted.

Officer's Recommended Resolution

Moved: Cr Bailey

Seconded: Cr Tan

That Council receive the report from the CEO outlining the review of the Shire of Donnybrook-Balingup's Financial Management Systems, noting the opinion of the CEO, supported by the report prepared by AMD Chartered Accountants, that Council has appropriate and effective financial management systems and procedures.

That Council receive the recommendations outlined in the report prepared by AMD Chartered Accountants and endorse the proposed actions indicated by Shire staff.

Carried 5/0

5.1.2	SUBJECT:	ORGANISATIONAL RISK MANAGEMENT – ACTION PLAN
	Location:	Shire of Donnybrook / Balingup
	Applicants:	Administration
	Zone:	N/A
	File Ref:	ADM 24
	Author:	Ben Rose, CEO (Jeff Somes, PEHO)
	Report Date:	5 October 2016
	Attachments:	5.1.2 – Organisational Risk Management Plan

Background

At an Audit Committee meeting held on 11th February 2016 Council endorsed the Shire's Organisational Risk Management Action Plan for the period July 2015 to December 2016. This plan addresses in a systematic way the recommendations of a comprehensive assessment of the Shire's system by AMD Chartered Accountants in November 2014.

The Plan outlines the following information:

- Recommendations from the November 2014 review categorised into three different focus areas; risk management, internal controls and legislative compliance.
- The task required to address each recommendation from the report.
- A proposed timeline.
- Responsible Officer/s.
- Details of Action to date.

One of the recommendations was to include a standing agenda item to the Audit Committee for risk reports to be tabled.

Following the previous Audit Committee meeting a number of actions have been completed including:

1. Development of a register of current credit Shire credit cardholders with all card holders now having signed a User Agreement drafted in accordance with Operational Guidelines;
2. The Policy Register has been reviewed to ensure all key policies are included;
3. The Shire's investment policy has been updated to reflect the minimum and maximum terms of investments as required by Regulation 19c of the Local Government (Financial Management) Regulations 1996.

In addition to the completed items several of the remaining recommendations have either been assessed and or progressed.

Comment

Committee members are asked to review and note the updated Action Plan.

Consultation

N/A

Policy/Statutory Implications

Regulation 17 of the Local Government (Audit) Regulations 1996 states the following:

- “17. *CEO to review certain systems and procedures*
- (1) *The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —*
- (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.”*

Financial Implications

N/A

Strategic Implications

N/A

Officer’s Recommended Resolution

Moved: Cr Tan

Seconded: Cr Bailey

That Council receive and note the updated Organisational Risk Management Action Plan for the period from July 2015 to December 2016.

Carried 5/0

6 CLOSURE OF MEETING

The Shire President advised that the date of the next Audit Committee Meeting will be advised.

The Shire President declared the meeting closed at 6.19pm.

These Minutes were confirmed as a true and accurate record at the Audit Committee Meeting held on _____.		
Shire President		Presiding Member