



Audit Committee Meeting Minutes

Held on

Friday, 21 December 2018

Commencing at 8.00am

Council Chambers

51 – 53 Collins Street, Donnybrook WA

Ben Rose
Chief Executive Officer

21 December 2018

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.

Please note this agenda contains recommendations, which have not yet been adopted by Council.



AUDIT COMMITTEE MEETING MINUTES

21 December 2018

TABLE OF CONTENTS

1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS	3
2	ATTENDANCE	3
3	ANNOUNCEMENTS FROM PRESIDING MEMBER	4
4	PUBLIC QUESTION TIME	4
5	DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST	4
6	PETITIONS/DEPUTATIONS/PRESENTATIONS	4
7	CONFIRMATION OF MINUTES	4
8	REPORTS OF OFFICERS	4
8.1	<i>Chief Executive Officer</i>	4
8.1.1	<i>2017/18 ANNUAL FINANCIAL REPORT</i>	5
8.1.2	<i>2017/18 AUDITOR'S MANAGEMENT REPORT</i>	6
8.1.3	<i>2017/18 AUDIT REPORT</i>	14
8.1.4	<i>ORGANISATIONAL RISK MANAGEMENT AND FINANCIAL MANAGEMENT SYSTEMS</i>	16
6	CLOSURE OF MEETING	18

SHIRE OF DONNYBROOK BALINGUP

AUDIT COMMITTEE MEETING MINUTES

Held in the Council Chamber, 51 – 53 Collins Street, Donnybrook
on Friday, 21 December 2018 at 8.00am

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairperson declared the meeting open at 8.05am and welcomed Mr Tim Partridge, Auditor, and Ms Emily McKelvie, Client Advisor – Audit, from AMD Chartered Accountants to the meeting.

Shire President – Acknowledgment of Country

The Shire President acknowledged the traditional custodians of the land, the Noongar People, paying respects to Elders, past and present.

Shire President – Public Notification of Recording of Meetings

The Shire President advised that the meeting is being digitally recorded to assist with minute taking in accordance with Council Policy 1.25. The Shire President further states the following:

Participants were advised that if you do not give permission for your participation to be recorded, please indicate this at the meeting. Members are reminded that no other visual or audio recording of this meeting by any other means is allowed without the permission of the Chairperson.

2 ATTENDANCE

MEMBERS PRESENT

COUNCILLORS

Cr Piesse (President)
Cr Wringe (Deputy President)
Cr King
Cr Lindemann
Cr Mills
Cr Mitchell
Cr Tan (arrived 8.07am)

STAFF

Ben Rose - Chief Executive Officer
Greg Harris – Manager Finance and Administration
Belinda Richards – Accountant (from 8.12am)
Kate O’Keeffe – Executive Assistant

GUESTS

Tim Partridge, Partner AMD Chartered Accountants
and Council Appointed Auditor
Emily McKelvie, Client Advisor – Audit, AMD Chartered
Accountants

PUBLIC GALLERY

Nil

APOLOGIES

Nil

3 ANNOUNCEMENTS FROM PRESIDING MEMBER

Nil

4 PUBLIC QUESTION TIME

Nil

5 DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the Act.

Nil

6 PETITIONS/DEPUTATIONS/PRESENTATIONS

Mr Tim Partridge, Auditor from AMD Chartered Accountants presented the Audit Report and Auditor's Management Reports for the year ended 30 June 2018. The presentation commenced at 8.08am and concluded at 9.04am.

7 CONFIRMATION OF MINUTES

Moved: Cr Wringe

Seconded: Cr Lindemann

That the Minutes of the Audit Committee Meeting held on 29 March 2018 be confirmed as a true and correct record.

Carried 6/0

8 REPORTS OF OFFICERS

8.1 Chief Executive Officer

**8.07am - Cr Tan arrived.

COMMITTEE DECISION – EN BLOC RESOLUTION NO. 1

Moved: Cr Tan

Seconded: Cr Lindemann

That the following items be carried En Bloc:

8.1.1 – 2017/18 Annual Financial Report;

8.1.2 - 2017/18 Auditor's Management Report;

8.1.3 – 2017/18 Audit Report; and

8.1.4 – Organisational Risk Management and Financial Management Systems

Carried 7/0

8.1.1 2017/18 ANNUAL FINANCIAL REPORT

Location	Shire of Donnybrook Balingup
Applicant	Administration
File Reference	FNC 10/1
Author	Ben Rose – Chief Executive Officer (<i>Greg Harris, Manager Finance & Administration</i>)
Attachments	8.1.1 - 2017/18 Annual Financial Report
Voting Requirements	Simple Majority
Executive Summary	Its recommended Council receive the 2017/18 Annual Financial Report

STRATEGIC ALIGNMENT

The recommendation aligns with the following objectives within the Corporate Business Plan:

Strategy	Action No.	Actions
4.2 Effective and efficient operations and service provision	4.2.1.1	Maintain effective and efficient policies, planning, operating procedures and practices
	4.2.1.2	Seek a high level of legislative compliance and effective internal controls
	4.2.1.3	Monitor and measure organisational performance
	4.2.1.4	Demonstrate sound financial planning and management, including revenue/ expenditure review and revenue diversification strategies and long term financial planning

BACKGROUND

The Annual Financial Report for the year ended 30 June 2018 has been prepared and was provided to Council's Auditors, AMD Chartered Accountants.

AMD Chartered Accountants conducted their on-site review of the Shire's books of accounts between 3 December and 5 December 2018 and have now completed their audit of the final accounts, which are presented herewith as an attachment to this agenda.

The Audit Report for the year ended 30 June 2018 was received on 17 December 2018.

DETAILS

A copy of the Annual Financial Report document is provided in Attachment 5.1.1 and an abridged version of the report will be included in the Annual Report.

A full copy of the adopted Annual Financial report will be made available at the Shire Office and has also be placed on the Shire website.

Questions on the content of the report are welcome and may be directed to Council staff.

CONSULTATION

Internal consultation was undertaken with shire staff.

FINANCIAL IMPLICATIONS

N/A

POLICY COMPLIANCE

N/A

STATUTORY COMPLIANCE

The *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* prescribe the form and content of the Annual Financial Report.

The report has been prepared to comply with all relevant Australian Accounting Standards applicable to local government.

**8.10am – Manager Finance and Administration left the meeting and returned at 8.12am with Accountant, Belinda Richards.

Manager Finance and Administration, Greg Harris, thanked Shire Accountant, Belinda Richards for her support and assistance during the past 16 years of working together and acknowledged that her dedication and commitment during this time has been outstanding.

** 8.49am – Shire Accountant, Belinda Richards left the meeting.

The Councillors present acknowledged and thanked the Chief Executive Officer and Manager Finance and Administration for their contribution to preparing the Financial Reports.

COMMITTEE DECISION

(Executive Recommendation)

That Council receive the Annual Financial Report for the year ended 30 June 2018.

Carried by En Bloc Resolution No.1

8.1.2 2017/18 AUDITOR'S MANAGEMENT REPORT

Location	Shire of Donnybrook Balingup
Applicant	Administration
File Reference	FNC 02
Author	Ben Rose – Chief Executive Officer (<i>Greg Harris, Manager Finance & Administration</i>)
Attachments	8.1.2 - AMD Chartered Accountants Management Report – 30 June 2018
Voting Requirements	Simple Majority
Executive Summary	Its recommended Council receive the 2017/18 Auditors Management Report

STRATEGIC ALIGNMENT

The recommendation aligns with the following objectives within the Corporate Business Plan:

Strategy	Action No.	Actions
4.2 Effective and efficient operations and service provision	4.2.1.1	Maintain effective and efficient policies, planning, operating procedures and practices
	4.2.1.2	Seek a high level of legislative compliance and effective internal controls
	4.2.1.3	Monitor and measure organisational performance
	4.2.1.4	Demonstrate sound financial planning and management, including revenue/ expenditure review and revenue diversification strategies and long term financial planning

BACKGROUND

Council's Auditor's, AMD Chartered Accountants, completed on-site audit investigations between 3 December 2018 to 5 December 2018.

AMD Chartered Accountants have issued a Management Report to the Shire President and a copy is provided to the Audit Committee.

The Auditor's Management Report contains the Auditor's observations and recommendations in respect to improvements that are considered necessary to improve the internal controls and financial management of Council.

Council's Auditor, Mr Tim Partridge of AMD Chartered Accountants and Ms Emily McKelvie, Audit Client Advisor, AMD Chartered Accountants will be attending the Audit Committee Meeting on Friday 21st December to present the Audit Report and Auditor's Management Letter.

Mr Partridge and Ms McKelvie will provide an overview of the scope of the audit and expand on the procedures followed during the conduct of the audit. Elected members are encouraged to ask questions in regard to any financial, risk or governance matter, in particular those pertaining to the 2017/18 Annual Financial Report.

DETAILS

The Auditor's Management Report contains commentary on the following:

- 1.0 Audit Approach
- 2.0 Assessment of Fraud and Error
- 3.0 Accounting Policies
- 4.0 Commitments and Contingencies
- 5.0 Subsequent Events
- 6.0 Financial Ratio Performance Measures
- 7.0 Local Government Compliance Measures
- 8.0 Audit Recommendations
- 9.0 Audit Adjustments
- 10.0 Other Matters

Further to the general commentary provided in the above headings, specific commentary has been made in respect to the following matters:

2.0 Assessment of Fraud and Error

“We confirm that incidences of fraud, alleged fraud, or suspected fraud (two incidences) have been brought to our attention: Our audit procedures did not identify any instances of suspected or actual fraud, with the exception of the following two matter / alleged matters:

- Use of shire property (photocopier) for personal benefit (CEO investigation conducted and solved);
- Alleged access to restricted Shire system (Dog Registration software) for personal benefit (CEO investigation underway at time of audit).”

5.0 Subsequent Events

“We note that legal advice continues to be sought subsequent to 30 June 2018 in respect to funds formerly held in various bank accounts under the name of “Donnybrook Balingup Aged Homes” which were transferred to Council’s trust account during the 2015/16 year. This matter is disclosed in Note 20 within the 2018 Annual Financial Report.”

As indicated in the above statement, management are continuing to progress this matter with Council’s Solicitor’s, Slee Anderson and Pidgeon. At this stage the Shire is waiting for consent forms to be signed by the former Trustees of the funds. This action will then enable the State Solicitor’s Office to consider approval of a formal Trust Deed, with the Shire of Donnybrook Balingup as the principal Trustee.

6.0 Financial Ratio Performance Measures

“A review of Shire of Donnybrook-Balingup’s financial ratio as included within Note 19 of the financial report indicates the following adverse trend based on the Department of Local Government, Sport and Cultural Industries guidelines:

- Operating surplus ratio as reported in Note 19 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.57, 2017: -0.39 and 2018: -0.49).

We recommend Council continue to consider the impact on ratios and long term sustainability when making decisions regarding budgets and operational expenditures.

We note the following Shire of Donnybrook-Balingup ratios were within the guidelines:

- Asset sustainability ratio;
- Current ratio;
- Debt service ratio;
- Own source revenue ratio;
- Asset consumption ratio; and
- Asset renewal funding ratio. “

The Operating Surplus Ratio is a ratio that can be addressed through a long term strategy. The Long Term Financial Plan adopted by Council in 2017 attempts to address this ratios with the view to bridging the gap between the present ratio results and the target ratio set by the Department of Local Government, Sport and Cultural Industries.

7.0 Local Government Act Compliance Measures

The report notes the following areas of non-compliance:

- The annual financial report for 30 June 2018 was not submitted to the auditor by the extension date of 31 October 2018 previously approved by the Department of Local Government, Sport and Cultural Industries as required by section 6.4 of the Local Government Act 1995; and
- The compliance audit return for the year ended 31 December 2017 was not submitted to the Executive Director at Department of Local Government, Sport and Cultural Industries by 31 March 2018 as required by Regulation 19 of the Local Government (Audit) Regulations 1996.

The matter raised in the first dot point occurred due to a number of reasons. These included the late adoption of the 2018/19 budget which meant that work could not be finalised on the end of year accounts. Staff resourcing also contributed to the delay with some unavoidable periods of personal leave taken. Additionally one part-time finance position, plus that of the Asset Management Co-ordinator remain unfilled due to the necessity to reallocate funds to meet employee costs in other areas.

The above matters need to be read in conjunction with the audit recommendations contained within Appendix 1 of the Auditor's Management Report.

APPENDIX 1 Audit Recommendations for the year ended 30 June 2018

GUIDANCE TO FINDINGS RATING / IMPLICATION

Findings identified during the final audit have been weighted in accordance with the following scale:

Significant: Those findings where there is potentially a significant risk to the entity should the finding not be addressed promptly.

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 however still warrant action being taken.

AUDIT FINDINGS

1. GENERAL JOURNALS

Finding Rating: Significant

We note general journals raised are not signed to evidence independent review by a senior employee.

Implication

Increased risk of fraud or error.

Recommendation

We recommend all general journals raised be signed to evidence independent review by a senior employee.

Management Comment

General journals are generally only processed by senior accounting staff, however, the recommendation is supported. We will implement a process to ensure all journals are reviewed by a senior employee. In most cases this will be the Accountant or in the case where the journal is prepared by the Accountant, the Manager Finance and Administration will undertake the review.

2. INTERIM AUDIT RECOMMENDATIONS

Finding Rating: Moderate

Interim recommendations previously brought to management's attention following our June 2018 interim have been implemented with exception of the following:

- We note there is no termination checklist completed for employees following resignation or termination;
- We note a review of employee Synergy user access levels are required to ensure access is appropriate given responsibilities;
- We note a number of Council policies have not been reviewed by the scheduled review date, examples include: credit card policy, petty cash policy, regional price preference policy, investment policy and complaints management policy;
- We note there is no documented disaster recovery plan or IT policies in place and that there is no review of IT security logs and internet usage completed periodically throughout the year.

Implication

- Risk that tasks required to be undertaken following an employee's departure are not completed on a timely basis;
- Increased risk of fraud or error;
- Risk policies are not reviewed in accordance with stated review dates; and
- IT risks relating to disaster recovery and user access not adequacy addressed.

Recommendation

We recommend:

- A termination checklist be developed which is required to be completed and signed off. Items which may be relevant to include on the checklist include: return of laptop, return of gate and office keys, removal of IT access, redirection of team member emails, alarm codes deactivated and payroll data base to be updated;
- A review of Synergy user access be completed;
- Policies be reviewed in accordance with scheduled review dates;
- A documented disaster recovery plan and IT policies be prepared and a review of IT security logs and internet usage be completed periodically.

Management Comment

Recommendation supported and will be actioned.

- (i) Termination checklist to be implemented as a priority.
- (ii) Review of Synergysoft Access rights will be undertaken in the first half of 2019.

- (iii) Policy review has commenced (Works and Services completed) and the remainder of policies will be reviewed once the new Governance Officer commences in the position i.e. early 2019.
- (iv) It disaster recovery plan, IT policies and development of a process to review IT security logs and internet useage will be implemented as part of the overall development of an IT Plan which is scheduled for the first half of 2019. Additional staff resources have been approved with an IT Network Support Officer to be appointed in early 2019. This appointment will enable resources to be deployed to the production of the plans, policies and procedures identified in the recommendations.

3. AGED RATE DEBTORS

Finding Rating: Moderate

Our review of the aged rate debtor listing at 30 June 2018 and subsequent discussions with the rates officer indicated a number of debtors are required to be referred to debt collection.

We note the above recommendation was also raised in our 30 June 2016 and 30 June 2017 management reports.

Implication

Risk that rate debtors recorded are not recovered on a timely basis.

Recommendation

We recommend a review of the rate debtor listing be completed to identify debtors required to be referred to an external debt collection agency.

Management Comment

Recommendation noted and supported. Whilst debt collection has been ongoing, management have identified the need for a full review of rates debtors. This process has commenced and we have appointed an experienced Rates Officer to assist with a comprehensive review our rating database.

4. RELATED PARTY DISCLOSURE REQUIREMENTS

Finding Rating: Moderate

We understand related party disclosure forms for the year ending 30 June 2018 were provided to all Councillors and Key Management Personnel for completion, however only three councillor declarations were returned as at the date of our December audit visit.

Implication

Risk of non-compliance with AASB124 and risk that disclosures within the financial statements are incomplete.

Recommendation

We recommend related party disclosure forms be obtained from all Councillors and key management personnel.

Management Comment

Whilst disclosure documents were provided to all Elected Members, with reminders provided, the full return of these documents was not achieved. We will ensure all key management personnel complete this documentation for the 2018/19 financial year.

5. WORKS COSTINGS

Finding Rating: Moderate

We note there was a 15.4% under-allocation of plant operating costs for the year ended 30 June 2018, which was subsequently corrected via general journals raised as at 30 June 2018.

Implication

Risk that plant operating cost rates are inaccurate.

Recommendation

We recommend allocation rates and the method of allocations to jobs be reviewed periodically during the year to ensure there are no major under or over allocations.

Management Comment

Noted. Our monthly reporting processes do track the over/under allocation of plant operating costs, however, no adjustments were made to recovery rates during the year. To complete this process properly a more comprehensive review of recovery rates will need to be undertaken which we envisage will be completed during the formulation of the 2019/20 budget. In the interim we will continue to monitor recovery rates and make adjustments to rates as we consider appropriate to minimise an end-of-year under/over allocation.

6. SUPERANNUATION PAYMENT

Finding Rating: Minor

We note superannuation accrued for the month of June 2018 for Tuia Lodge employees was not paid within 28 days of quarter end (payment was subsequently made 4 September 2018).

Implication

Risk of non-compliance with statutory obligations not being met.

Recommendation

We recommend superannuation is paid to employee superfunds within 28 days of quarter end.

Management Comment

Recommendation supported. The remittance for the quarter was not lodged as we were waiting for superannuation forms to be returned by employees. We have since established that in cases where forms are not returned we are able to lodge the employee's superannuation payments with the default local government fund. In future, there is no reason why we should not be able to meet our obligations to pay the monies within 28 days of the quarter end.

7. REVIEW OF TRUST BALANCES

Finding Rating: Minor

A review of the detailed trust ledger balances listing and through discussions held with management indicated that a detailed review of old trust balances has not been completed for a number of years.

Implication

Risk that Shire of Donnybrook- Balingup continues to hold monies in trust which are to be refunded or recognised as income in the event that the amount relates to performance bonds where conditions have not been met.

Recommendation

We recommend a detailed review of the trust ledger balances listing be completed to determine if monies are required to be returned or recognised as income where related obligations have not been met.

Management Comment

Noted. Recommendation supported. We aim to have this detailed review completed prior to the end of the 2018/19 financial year.

CONSULTATION

Internal consultation was undertaken with shire staff.

FINANCIAL IMPLICATIONS

As per the findings of the Auditor's Management Report.

POLICY COMPLIANCE

N/A

STATUTORY COMPLIANCE

Statutory

Section 10 (4) of the *Local Government (Audit) Regulations 1996* state:

"Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9 (1) with the auditor's report".

Section 7.9 (1) identifies the relevant persons as:

- (a) the mayor or president;
- (b) the CEO of the local government; and
- (c) the Minister.

COMMITTEE DECISION

(Executive Recommendation)

1. That the Auditor's Management Report for the year ended 30 June 2018 be received by Council and the recommendations of the auditor be noted;

2. That the Chief Executive Officer prepare a report to the Minister for Local Government and Regional Development outlining the outcomes of the 2017/2018 year audit, in accordance with the requirements of section 7.12 (4) of the *Local Government Act 1995*.

Carried by En Bloc Decision No. 1

8.1.3 2017/18 AUDIT REPORT

Location	Shire of Donnybrook Balingup
Applicant	Administration
File Reference	FNC 02
Author	Ben Rose – Chief Executive Officer (<i>Greg Harris, Manager Finance & Administration</i>)
Attachments	8.1.3 - Independent Auditor’s Report (prepared by AMD Chartered Accountants)
Voting Requirements	Simple Majority
Executive Summary	Its recommended Council receive the 2017/18 Audit Report

STRATEGIC ALIGNMENT

The recommendation aligns with the following objectives within the Corporate Business Plan:

Strategy	Action No.	Actions
4.2 Effective and efficient operations and service provision	4.2.1.1	Maintain effective and efficient policies, planning, operating procedures and practices
	4.2.1.2	Seek a high level of legislative compliance and effective internal controls
	4.2.1.3	Monitor and measure organisational performance
	4.2.1.4	Demonstrate sound financial planning and management, including revenue/ expenditure review and revenue diversification strategies and long term financial planning

BACKGROUND

Council’s Auditors, AMD Chartered Accountants, have completed their audit for the 2017/18 Financial Year and have issued their Audit Report.

A full copy of the Audit Report has been provided with this agenda.

DETAILS

The report provides the following “Opinion” and note in regard to “Other Legal and Regulatory Requirements”:

AMD Opinion

We have audited the annual financial report of Shire of Donnybrook-Balingup which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In our opinion the annual financial report of Shire of Donnybrook-Balingup:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of Shire of Donnybrook-Balingup for the year ended 30 June 2018 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996* we report that:

- (i) In our opinion, the following matter indicate a significant adverse trend in the financial position of the Shire of Donnybrook-Balingup:
 - a. Operating surplus ratio as reported in Note 19 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.57, 2017: -0.39 and 2018: -0.49).
- (ii) There were no matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law identified during the course of our audit, with exception of the following:
 - The annual financial report for 30 June 2018 was not submitted to the auditor by the extension date of 31 October 2018 approved by the Department of Local Government, Sport and Cultural Industries as required by section 6.4 of the *Local Government Act 1995*; and
 - The compliance audit return for the year ended 31 December 2017 was not submitted to the Executive Director at Department of Local Government, Sport and Cultural Industries by 31 March 2018 as required by the *Local Government (Audit) Regulations 1996*.
- (iii) All required information and explanations were obtained by us.
- (iv) All audit procedures were satisfactorily completed.
- (v) In our opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

CONSULTATION

Internal consultation was undertaken with shire staff.

FINANCIAL IMPLICATIONS

N/A

POLICY COMPLIANCE

N/A

STATUTORY COMPLIANCE

Section 7.2 of the *Local Government Act 1995* states:

“The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.”

Section 7.12A (3) of the *Local Government Act 1995* states:

“A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to –

- (a) *determine if any matters raised by the report, or reports, require action to be taken by the local government; and*
- (b) *ensure that appropriate action is taken in respect of those matters.*

**COMMITTEE DECISION
(Executive Recommendation)**

That the Audit Report for the Financial Year ending 30 June 2018 be received by Council.

Carried by En Bloc Decision No. 1

8.1.4 ORGANISATIONAL RISK MANAGEMENT AND FINANCIAL MANAGEMENT SYSTEMS

Location	Shire of Donnybrook Balingup
Applicant	Administration
File Reference	ADM 24
Author	Ben Rose, CEO (Greg Harris, Manager Finance and Administration)
Attachments	Nil
Voting Requirements	Simple Majority
Executive Summary	It is recommended that the Audit Committee note the action of the CEO in engaging AMD Chartered Accountants to undertake the reviews required under Section 17 of the Local Government (Audit) Regulations 1996 and the Section 5 (2) (c) of the Local Government (Financial Management) Regulations 1996.

STRATEGIC ALIGNMENT

The recommendation aligns with the following objectives within the Corporate Business Plan:

Strategy	Action No.	Actions
4.2 Effective and efficient operations and service provision	4.2.1.1	Maintain effective and efficient policies, planning, operating procedures and practices
	4.2.1.2	Seek a high level of legislative compliance and effective internal controls
	4.2.1.3	Monitor and measure organisational performance
	4.2.1.4	Demonstrate sound financial planning and management, including revenue/ expenditure review and revenue diversification strategies and long term financial planning

BACKGROUND

Section 17 of the Local Government (Audit) Regulations 1996 requires the CEO 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.

The review may relate to any or all of the matters referred to above but each of those matters is to be subject of a review not less than once in every three (3) financial years.

The CEO is to report to the Audit Committee the results of the review.

Section 5 (2) (c) of the Local Government (Financial Management) Regulations 1996 require the CEO to;

- 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 3 financial years) and report to the local government the results of those reviews.

DETAILS

Previous reviews as required under the Audit Regulations and Financial Management Regulations were conducted in 2016 with the findings from both reviews reported to Council and progressively actioned by Council staff.

Since 2016 the Audit Committee have been monitoring progress in regard to the various recommendations identified in the review with particular focus on the Risk Management, Internal Controls and Governance Functions.

With the Auditor General taking over control over future Local Government Audits, it was considered timely to undertake both reviews shortly after the audit of the Annual Financial Audit to enable some cost efficiencies and to enable AMD Chartered Accountants to undertake these reviews prior to them becoming approved Auditors of the Auditor General. Once engaged by the Auditor General to audit the Shire of Donnybrook Balingup, a conflict of interest would prevent AMD from undertaking the reviews discussed in this report.

AMD Chartered Accountants were therefore recently engaged to undertake both reviews with onsite field work completed over the last two weeks.

The CEO will receive reports in relation to both reviews in mid to late January 2019 and the results of these reviews will be presented to the Audit Committee and Council.

The recommendations identified through the review will provide a good baseline for future improvements to the Governance, Risk Management and Internal Control framework within the Shire of Donnybrook Balingup..

Action plans will then be developed to progress and implement recommendations identified during these reviews in liaison with the Audit Committee.

CONSULTATION

Internal consultation was undertaken with shire staff.

FINANCIAL IMPLICATIONS

The 2018/19 budget contained a budget provision of \$7,500 to fund the Audit Regulation 17 Review.

The quoted price to undertake both reviews is \$11,150 therefore representing additional expenditure of \$3,650 above the budget provision. Adjustments will be made to the 2018/19 budget through the mid-year budget review process to accommodate the additional expenditure.

Undertaking both reviews, effectively concurrently and following the audit of the Annual Financial Report will result on considerable cost savings to Council.

POLICY COMPLIANCE

N/A

STATUTORY COMPLIANCE

Regulation 17 of the *Local Government (Audit) Regulations 1996*

Regulation 5 (2) (c) of the *Local Government (Financial Management) Regulations 1996*.

COMMITTEE DECISION

(Executive Recommendation)

That the Audit Committee note the action of the CEO in engaging AMD Chartered Accountants to undertake the reviews required under Section 17 of the Local Government (Audit) Regulations 1996 and the Section 5 (2) (c) of the Local Government (Financial Management) Regulations 1996.

Carried by En Bloc Decision No.1

PROCEDURAL MOTION

Moved: Cr Tan

Seconded: Cr Lindemann

That debate be closed.

Carried 7/0

****9.43am – Cr King left the meeting.**

6 CLOSURE OF MEETING

The Shire President advised members will be notified when the date for the next Audit Committee Meeting is set and wished everyone a happy and safe Christmas break and Thanked Tim and Emily from AMD Chartered Accountants for their contribution over the year.

The Shire President declared the meeting closed at 9.50am.

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