

Shire of Tammin



DECLARATION

I declare that the minutes of the:

Audit Committee Meeting held on 22 August 2022 was confirmed at the Ordinary Council Meeting held on 28 September 2022.

Name: Glenice Batchelor

Signed: _____

Being the person presiding at the meeting at which these minutes were confirmed.

Date: _____

Shire of Tammin

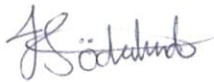
AUDIT COMMITTEE MEETING

UNCONFIRMED MINUTES



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A meeting of the Audit Committee of the Shire of Tammin was held on Monday 22 August 2022 in the Council Chambers, 1 Donnan Street Tammin, commencing at 3:00pm.



Joanne Soderlund
Chief Executive Officer

22 August 2022

CHARTER

The role of the Audit Committee is to provide an independent oversight of the financial systems of a local government on behalf of Council. The Council (unless delegated to the Audit Committee) is required to meet a minimum of once per year with the Auditor (which may be by video or telephone).

Members of the Audit Committee are Cr's, G. Batchelor, T. Nicholls and C (Charmaine) Thomson.

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1. DECLARATION OF OPENING

The Chairperson declared the meeting open at 3:00pm.

1.1 ACKNOWLEDGEMENT TO COUNTRY

We begin today by acknowledging the Ballardong Noongar People as traditional custodians of the land and skies on which we gather, and we pay our respects to their Elders, past, present and emerging.

2. RECORD OF ATTENDANCE

Present:

Cr G Batchelor	Chairperson
Cr T Nicholls	Member
Cr Thomson	Member

In Attendance:

Joanne Soderlund	Chief Executive Officer
Morgan Ware	Manager of Finance & Administration

Leave of Absence:

Nil

Apologies:

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

Nil

5. DECLARATIONS OF INTEREST

Nil

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

Minutes of the previous Audit Committee meeting, held on 23 February 2022 are included as an attachment to this Agenda.

6.1 Audit Committee Meeting Minutes – 23 February 2022

STATUTORY IMPLICATIONS

Section 5.22 (2) of the *Local Government Act 1995* Section 5.22 (2) requires minutes of all council and committee meetings to be submitted to the next meeting of the council or the committee, as the case requires, for confirmation

TAC 03/22 MOTION

That the minutes of the Audit Committee meeting held on 23 February 2022 be confirmed as a true and accurate record of proceedings.

Moved: Cr Nicholls

Seconded: Cr Thomson

Vote: Simple Majority

Carried: 3/0

7. AGENDA ITEMS

7.1 Interim Audit Findings for period ended 30 June 2022

Location:	Shire of Tammin
Applicant:	MACRI Auditors
Date:	21 August 2022
Author:	Manager of Finance & Administration
Item Approved by:	Chief Executive Officer
Disclosure of Interest:	Performance indicators
File Reference:	FIN - 02
Attachment/s:	Attachment Item 7.1 – Interim Management Letter Attachment Item 7.1 – Interim Management Letter Attachment.

Proposal/Summary

For the Audit Committee to consider the attached Interim Audit Management letter presented by MACRI Auditors for the period ended 30 June 2022.

Background

MACRI were appointed as the Council's Auditors in 2020/21 for a three year period. An electronic entrance meeting between MACRI and the Shire was held on the of 14 April 2022 for the presentation and discussion of the Audit Planning Memorandum.

Interim audit fieldwork was conducted electronically throughout April and May, with a site visit on Tuesday 26 April 2022 to Wednesday 27 April 2022. The audit is conducted in accordance with the Australian Auditing Standards with the objective of reducing the level of material misstatement in the financial report to an acceptably low level.

Comment

The MACRI Interim Audit Management Letter has identified eight moderate risks and one minor risk in need of remedial action to overcome process deficiency. Management have provided comment on each finding and are undertaking the necessary action to ensure compliance.

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Current year issues			
1. Rates and Emergency Service Levy reconciliations		✓	
2. Bank reconciliations			✓
3. Risk Management Policy		✓	
4. Annual Budget		✓	
5. Common log-in and password for the cash register			
6. Lack of investment register, procedures and outdated investment policy		✓	
7. Lack of key policies and procedures			
8. No IT security policy		✓	
9. No Asset Disposal Forms		✓	
10. No Asset Disposal Forms		✓	

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

In respect to matters raised in the Interim Management Letter, the findings and response, as detailed in attachment 7.1, are summarised as:

1. **Rates and Emergency Services Levy Reconciliations**

Findings:

We did not find any evidence of the review of the Rates and Emergency Services Levy (ESL) reconciliations for the months of February and March 2022.

Management Comment:

Whilst the Rates and ESL reconciliations were completed, they missed being reviewed on a couple of occasions. Changes have been made to end of month procedure to ensure this oversight does not happen again.

2. **Bank Reconciliations**

Findings:

We noted that monthly bank reconciliations for the Municipal and Maxi bank accounts in respect of the months of October and November 2021 and February 2022 have not been dated by the reviewer.

Management Comment:

Bank Reconciliations will be dated upon review by management going forward.

3. **Risk Management Policy**

Findings:

We noted that the Shires Risk Management Policy has not been reviewed and updated since June 2018.

Management Comment:

The Risk Management Policy has been reviewed and the amended policy was adopted by Council at its 22 June 2022 Ordinary Council Meeting.

4. **Annual Budget**

Findings:

We noted that the Shire has not sent a copy of the Annual Budget to the Department of Local Government, Sport and Cultural Industries (DLGSCI) within 30 days of adoption as required by regulation 33 of the Local Government (Financial Management) Regulations 1996.

Management Comment:

An oversight following the adoption of budget at the 30 June 2021 Special Council Meeting. This has been added to the compliance calendar to ensure this step is completed each year.

5. **Common log-in and passwords for the cash register**

Findings:

Status in 2022

We note that this issue has not been resolved as of date

Finding in 2021

We noted all operators of the front counter cash register use the same password although the Shires Cash Handling policy required a unique log in and password for each operator.

Management Comment:

After investigation with IT company and other Shires it is not practical to have multiple batches open throughout the day, this gives more room for error and increases the complexity of the bank reconciliations. Transactions include the officer initials and is considered sufficient. It is industry practice to operate the front counter in this manner and it is managements opinion that this should not be an auditor finding.

6. **Lack of investment register, procedures and outdated investment policy**

Findings:

Status in 2022

The Shire has since adopted an updated Investment Policy and established an Investment register. However, it still does not have a formal internal control procedure to be followed by employees.

Finding in 2021

We noted that the hire does not have a formally established and document internal control procedures for

- The placement of investments (i.e. recording of interest quotes from banks, confirmation and authorisation of deals and so on)
- The rollover of investments
- The redemption of investments
- The receipt of income

Current practice of the investments of surplus funds at the Shire appears to be at the discretion of the officers responsible for this function. Regulation 19 (1) of the Local Government (Financial

Management) Regulations 1996 required a local government to establish and document internal control procedures to be followed by employees to ensure control over investments.

We also noted that the Shire does not maintain an investment register as required by the Investment Policy. The Investment Policy however, has not been reviewed since November 2014.

Management Comment:

The Investment policy was adopted by Council at the 27 April 2022 Ordinary Council Meeting. A register has been in place since March 2022; however a procedure still needs to be added to the Formal Procedure Manual.

7. **Lack of key policies and procedures**

Findings:

Status in 2022

The finding has not been addressed as of date

Finding in 2021

We noted that the Shire does not have comprehensive documented policies, procedures or guidelines for many operation areas. Following are a few key examples:

- Employee recruitment and termination
- Employee performance appraisal, training and development
- Management of employee leave entitlements
- Use, authorisation and control over payroll processing
- Use, authorisation and control over journal entries

Management Comment:

A Formal Procedure manual is in development following the 2021 audit findings. Officers are required to input procedures relating to their role over time, to be completed by the 2022 audit.

8. **No IT Security Policy**

Findings:

Status in 2022

The Shire does not have a formal IT Policy as of date.

Finding in 2021

We noted that the Shire does not have a formal IT Security Policy.

Management Comment:

An Information and Communication Technology Acceptable Use Policy has been created and was adopted by Council at its 22 June 2022 Ordinary Council Meeting.

9. No Asset Disposal Forms

Findings:

Status in 2022

The Shire has since developed an asset disposal form. However, out of the 3 disposals we tested, there were no asset disposal forms for two disposals and the disposal form in respect of the other disposal was not approved by the responsible officer

Finding in 2021

We noted that currently there is no process of formally documenting the disposal of assets i.e. Asset Disposal Form, and obtaining managements approval prior to disposing individual assets. We however acknowledge that potential disposal are included in the Shires approved budget.

Management Comment:

A procedure is in place to ensure the asset disposal form is completed and will be included in the formal Procedure Manual.

Consultation

MACRI Audit Partner – Anthony Macri
MACRI Audit Manager – Suren Herathmudalige
OAG Representative – Suraj Karki

Statutory Environment

Local Government Act 1995 – Section 7.9

7.9. Audit to be conducted

- (1) *An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —*
 - (a) *the mayor or president; and*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*
- (2) *Without limiting the generality of subsection (1), where the auditor considers that —*
 - (a) *there is any error or deficiency in an account or financial report submitted for audit; or*
 - (b) *any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or*
 - (c) *there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,*
details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.
- (3) *The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —*
 - (a) *prepare a report thereon; and*
 - (b) *forward a copy of that report to the Minister,*
and that direction has effect according to its terms.

- (4) *If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government.*

[Section 7.9 amended: No. 49 of 2004 s. 7; No. 5 of 2017 s. 16.]

7.12A. Duties of local government with respect to audits

- (1) *A local government is to do everything in its power to —*
- (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government must —*
- (aa) *examine an audit report received by the local government; and*
 - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
 - (b) *ensure that appropriate action is taken in respect of those matters.*
- (4) *A local government must —*
- (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
 - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

Policy Implications

Nil

Financial Implications

Non-compliance could result in adverse financial outcomes

Strategic Implications

Civic Leadership Strategies

Outcome 6.1 Strong governance and leadership, demonstrating fair and equitable community values

6.1.1 *Deliver sustainable governance through transparent and robust policy and processes*

6.1.2 *Undertake the civic duties of Council with the highest degree of ethics*

TAC 04/22 MOTION

The Audit Committee, having reviewed the Auditors comments and discussed, recommend to Council that the Interim Audit Findings for period ended 30 June 2022 for the Shire of Tammin be actioned by staff and addressed within the time specified.

Moved: Cr Thomson

Seconded: Cr Nicholls

Vote: Absolute Majority

Carried: 3/0

8. CLOSURE OF MEETING

There being no further business, the Chairperson will declare the meeting closed at 3:17pm.

