

# Shire of Tammin

## AUDIT COMMITTEE MEETING

### AGENDA



1 Donnan Street, Tammin  
PO Box 53, Tammin WA 6409  
Telephone: 9637 0300 Facsimile: 9637 1117  
Email: shire@tammin.wa.gov.au

### NOTICE OF MEETING

Dear Elected Member,

Please be advised that a meeting of the Audit Committee of the Shire of Tammin will be held on Thursday 23 July 2020 in the Council Chambers, 1 Donnan Street Tammin, commencing at 3:30pm.



Neville Hale  
Chief Executive Officer  
17 June 2020

### 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, M. Greenwood, G. Batchelor, N. Caffell, T. Daniels, T. Nicholls & C. Thomson.

## **ORDER OF BUSINESS & TABLE OF CONTENTS**

1. Declaration of opening
2. Record of attendance
3. Response to Previous Questions taken on Notice
4. Public Question Time
- 5** Declarations of Interest
6. Confirmation of previous minutes
7. Agenda Items
- 7.1 Interim Audit Findings for period ended 30 June 2020
8. Closure of meeting

**1. DECLARATION OF OPENING**

The Chairperson will declare the meeting open at \_\_\_\_ pm.

**2. RECORD OF ATTENDANCE**

**Present:**

Cr M Greenwood	Chairperson
Cr G Batchelor	Member
Cr N Caffell	Member
Cr T Daniels	Member
Cr T Nicholls	Member
Cr C Thomson	Member

**In Attendance:**

Neville Hale	Chief Executive Officer
Morgan Ware	Manager Finance & Administration
Fabian Houbrechts	Manager of Works & Services

**Leave of Absence:**

Cr G Batchelor	Member
----------------	--------

**Apologies:**

Nil

**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 28 May 2020 are included as an attachment to this Agenda.

**6.1 Audit Committee Meeting Minutes – 28 May 2020**

**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

**Recommendation**

That the minutes of the Audit Committee meeting held on 28 May 2020 be confirmed.

Moved: Cr \_\_\_\_\_

Seconded: Cr \_\_\_\_\_

Vote: Simple Majority

Carried/Lost: \_/\_

## 7. AGENDA ITEMS

### 7.1 Interim Audit Findings for period ended 30 June 2020

<b>Location:</b>	Shire of Tammin
<b>Applicant:</b>	RSM Auditors
<b>Date:</b>	16 July 2020
<b>Author:</b>	Morgan Ware
<b>Item Approved by:</b>	Chief Executive Officer
<b>Disclosure of Interest:</b>	Performance indicators
<b>File Reference:</b>	FIN - 02
<b>Attachment/s:</b>	Attachment Item 7.1 – Management Letter Points – Interim Audit for year ended 30 June 2020.

#### Proposal/Summary

For the Audit Committee to consider the attached Interim Audit Management letter presented by RSM Auditors for the period ended 30 June 2020.

#### Background

RSM were appointed as the Council's Auditors for 2019/20. President Michael Greenwood, Deputy President Glenice Batchelor, CEO Neville Hale and A/Manager of Finance and Administration Morgan Ware attended an electronic entrance meeting on 23 April 2020 with RSM auditors for the presentation and discussion of the Audit Planning Memorandum.

Interim audit fieldwork was conducted electronically throughout April and May utilising RSM platform iManage due to COVID-19 restrictions. The audit was focussed on risk assessment, performance of cyclical controls testing, walkthrough of major business cycles and review of key reconciliation procedures for the 9 months ended 31 March 2020.

#### Comment

The RSM Interim Audit Management Letter has identified two areas in need of remedial action to overcome process deficiency. Staff have provided comment on each finding and have undertaken the necessary action to ensure compliance. In this regard, a Cash Handling Policy and appropriate procedures have been implemented along with Staff instruction. Furthermore, in respect to changes to employee and supplier masterfile data, a new procedure for the authorisation of audit trail reports for both, together with oversight sign-off has been introduced.

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Daily Cash Count (Finding identified in current year)		✓	
2. Changes to supplier and employee Masterfile (Finding identified in 2018/19 year)		✓	

**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. Daily Cash Count

#### **Findings:**

During our audit, we noted 2 out of 20 instances where the daily cash balancing sheet had been completed and reviewed by only one member of the management team; however, there was no evidence of it being reviewed (counter-signed) by another member of the management team.

The Shire's cash control procedures requires the daily cash count to be conducted and the daily cash balancing sheet to be completed and reviewed by a member of the management team and counter-signed by the CEO.

#### **Management Comment:**

The daily cash balancing sheet is to be completed and presented to a member of the management team for authorisation. On occasion, the MFA is required to complete the end of day tasks due to absence of administration staff, recognising that this will still need to be counter signed by a member of the management team. In this case it will be the CEO or MWS. Procedure is now in place to ensure this process is in place, when administration staff are absent.

### 2. Changes to supplier and employee masterfile

#### **Status of 2019/20 Findings**

There is no evidence retained to demonstrate whether changes to supplier details, including bank account details, are being authorised by an officer other than the person making the amendment.

An exception report is currently maintained outlining the changes made to supplier masterfiles; however, it is not subject to an independent review.

#### **Findings in 2018/19**

There is no evidence retained to demonstrate whether changes to supplier details, including bank account details, are being authorised by an officer other than the person making the amendment.

#### **Management Comment:**

Procedure is in place for changes to the supplier Masterfile. When details of a supplier require updating or upon new application, a Creditor application form must be completed and signed by the supplier before entry on the Synergy Soft system. On review, a procedure is now in place that these forms after entry into the system are to be presented by the officer and reviewed and authorised by a member of the management team. The office use only section of the form will then be completed to authorise these changes in the system to prevent errors and reduce risk.

An audit trail report is generated after each payroll and attached to the payroll reports, these are reviewed by the payroll officer and the Manager of Finance and Administration. Upon review the report will need to be signed by the payroll officer and the MFA to ensure these changes are confirmed, and appropriate. This process of authorisation is now in place.

## **Consultation**

RSM Manager – Pranjali Bhate  
RSM Senior Auditor – Drew Rhode  
RSM Senior Auditor – Larry Tan  
RSM Assurance & Advisory Team – Samuel Richard  
RSM Assurance & Advisory Team – Georgia Pettersson

## **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**

Nil

**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*

**Recommendation**

The Audit Committee, having reviewed the Auditors comments and discussed, recommend to Council that the Interim Audit Findings for period ended 30 June 2020 for the Shire of Tammin be actioned by staff and addressed prior to the End of Year Audit in October 2020.

Moved: Cr

Seconded: Cr

Vote: Absolute Majority

Carried/Lost: \_\_/\_\_



**8. CLOSURE OF MEETING**

There being no further business, the Chairperson will declare the meeting closed at \_\_\_\_pm.