

## Shire of Tammin



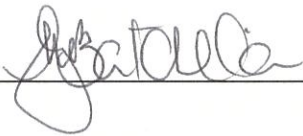
### DECLARATION

I declare that the minutes of the:

Audit Committee Meeting held on 24 June 2021 was confirmed at the Audit Committee Meeting held on 13 December 2021.

Name: Glenice Batchelor

Signed: \_\_\_\_\_



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

Date: \_\_\_\_\_

13/12/2021

# Shire of Tammin

## AUDIT COMMITTEE MEETING

### CONFIRMED MINUTES



1 Donnan Street, Tammin  
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A meeting of the Audit Committee of the Shire of Tammin was held on **Thursday 24 June 2021** in the Council Chambers, 1 Donnan Street Tammin, commencing at **3:42pm**.

Fabian Houbrechts  
Acting Chief Executive Officer

24 June 2021

#### 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
- 6.1 Audit Committee Meeting Minutes – 22 October 2020
7. Agenda Items
  - 7.1 Review of Risk Management, Internal Control and Legislative Compliance – Risk Management Governance Framework – *Local Government (Audit) Regulations 1996* - eg. 17
  - 7.2 Financial Management Review Audit for period ended 30 June 2021
  - 7.3 Interim Audit Findings for period ended 30 June 2021
  - 7.4 Section 7.12A(4) – Significant adverse finding - Interim Audit Report - 2020/21 Financial Year
8. Closure of meeting

**1. DECLARATION OF OPENING**

The Chairperson declared the meeting open at 3:42pm.

**2. RECORD OF ATTENDANCE**

**Present:**

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

**In Attendance:**

Fabian Houbrechts	Acting Chief Executive Officer
Morgan Ware	Manager Finance & Administration

**Leave of Absence:**

Nil

**Apologies:**

Cr N Caffell	Member
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**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 25 February 2021 are included as an attachment to this Agenda.

**6.1 Audit Committee Meeting Minutes – 25 February 2021**

**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 03/21 MOTION**

**That the minutes of the Audit Committee meeting held on 25 February 2021 be confirmed as a true and accurate record of proceedings.**

**Moved: Cr Batchelor**

**Seconded: Cr Nicholls**

**Vote: Simple Majority**

**Carried: 5/0**

## 7. AGENDA ITEMS

### 7.1 Review of Risk Management, Internal Control and Legislative Compliance – Risk Management Governance Framework – *Local Government (Audit) Regulations 1996 - eg. 17*

<b>Location:</b>	Shire of Tammin
<b>Applicant:</b>	Council
<b>Date:</b>	14 June 2021
<b>Author:</b>	Morgan Ware
<b>Item Approved by:</b>	Manager of Finance & Administration
<b>Disclosure of Interest:</b>	Nil
<b>File Reference:</b>	Nil
<b>Attachment/s:</b>	Attachment Item 7.1 – SOTA Risk Profile Reporting Tool May 2021

#### Proposal / Summary

For the Committee to consider the CEO's May 2021 Risk Dashboard Review Report, undertaken by staff, of the "*Risk Management Governance Framework*" as prepared by LGIS and adopted by Council in December 2014 in response to the introduction of Reg 17 of the Local Government (Audit) Regulations 1996 and recommend its adoption by Council.

#### Background

The Framework is a comprehensive overview of identified risks likely to impact the operations of the Shire and reflects the appropriateness and effectiveness of the Shire's systems in regard to risk management, internal control and legislative compliance.

The Risk Framework was first adopted by Council in October 2014 and was the subject of a desk-top review in August 2015. A further review was undertaken in February 2019, October 2019, April 2020 and October 2020. Should the Committee so identify, additional areas of risk can be added to the Report and assessed in accordance with the risk matrix included in the Framework document.

The *Local Government (Audit) Regulations 1996* prescribe the requirements for local governments in relation to the engagement of auditors, the annual compliance Audit Return and the functions of the Audit Committee.

The amendments extend the responsibilities of the Audit Committee and Chief Executive Officer of local governments in relation to the reviewing and reporting of the local government's systems and procedures in regard to risk management, internal control and legislative compliance.

The Risk Management Governance Framework, developed by LGIS, is in response to the requirements of Reg.17 of the Local Government (Audit) Regulations, 1996 and encapsulates those requirements.

#### Comment

The Acting Chief Executive Officer has reviewed the Shire's systems in relation to risk management, internal control and legislative compliance and considers that they are appropriate and effective with the exception of those identified on the attached Dashboard Report. The details of the review are outlined below.



In 2019 Council adopted a Fraud and Corruption Plan and associated Policy in relation to Fraud and Corruption as per AS8001-2008. In 2020 Council as part of its COVID-19 response adopted a COVID 19 Financial Hardship Policy as part of its rates revenue risk mitigation strategy, and Attendance at Events Policy in February 2020.

Furthermore, Council at its 25 November Ordinary Council meeting adopted a revised delegation register to reflect relevance to current circumstance and operational effectiveness following amendments to legislation. The "Model CEO standards" for recruitment, selection, performance review and early termination, and Model code of conduct in accordance with the Local Government Regulation 2021 was adopted at the 25 February 2021 Council Meeting. Additionally the Audit and Risk Committee adopted the Compliance Audit Return 2021.

### Informing / Guiding Documents

#### *Risk Management Framework*

Council adopted the *Risk Management Governance Framework* ("the Framework") at its October 2014 Meeting. The Framework describes the principles of risk management and details the roles and responsibilities of risk management from the Audit Committee to individual employees. The Framework includes a risk level matrix and criteria for assessing risks in terms of likelihood and consequences. The Chief Executive Officer, Manager of Finance and Administration and Manager Works & Services are to regularly review the Framework with assistance from Council Staff to ensure it is current and reflects the latest Australian Standards.

#### *Risk Management Policy*

The Shire has previously developed a *Risk Management Policy* which states the objectives for, and commitment to, risk management. The policy is designed to align with this and make a statement on the Shire's objectives, approach and commitment to effective risk management across all its operations. The policy includes the following statement:

*"It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public."*

This Framework, in support of Council's Risk Management Policy, is subject to six monthly review. The previous review was undertaken in October 2020 and presented to Council by the Audit Committee for adoption at the 22 October 2020 Council Meeting. This current review was completed in May 2021.

#### *Emergency Management Risk Register*

Local government has statutory obligations for emergency management and the risk register. The Risk Framework identifies a number of areas of emergency management to be reviewed on a regular basis. Council's Emergency Management Arrangements are overseen by the Kellerberrin- Tammin Local Emergency Management Committee chaired by the Kellerberrin Shire President. The process is essential to identify risks, their severity and to identify the agencies responsible for mitigation of the risk.

The Shire's Local Emergency Management Arrangements have recently been updated following recent workshops held in September 2020 in both Merredin and Quairading in regard to the Shire's disaster recovery obligations and responsibilities.

Council has, at its September 2020 Ordinary Meeting, adopted its updated Local Emergency Management Arrangements in compliance with the Emergency Management Act 2005. Contacts and Resources have been updated and moved at the recent LEMC meeting held on 9 June 2021.

### *Purchasing Policy*

Council reviewed and adopted its *Purchasing Policy* at the Ordinary Meeting of Council held 28 June 2018. The Policy identifies purchasing protocols that ensure that goods and services are procured in an equitable and transparent manner that complies with legislative requirements and delivers value for money.

The Purchasing Policy was the subject of Audit qualification in 2019 and subsequent staff training and revised procedures have been undertaken.

The Policy was amended by Council in May 2020 to reflect the increase to the tender threshold for expenditures of \$250,000 or more.

### Audits / Reviews / Assessments

#### *Financial Management Review*

Pursuant to Regulation 5(2)(c) of the Local Government Financial Management Regulations, Council engaged Billy-Joe Thomas of Auditors Anderson Munroe Wyllie to undertake the "Financial Management Review" and the resultant Report was received by Council at its Ordinary Meeting on 21<sup>nd</sup> August 2018. The 2021 required review conducted by AMW auditors has been completed with the resultant report to be received by the audit committee at the 24 June 2021 meeting.

#### *Compliance Audit Return*

The Return focuses on key areas of legislation and the Shire has consistently demonstrated a high level of compliance. Council's latest return for the Period ended 31<sup>st</sup> December 2020 was considered by both the Audit Committee and Council Meetings held on the 25 February 2021 and subsequently forwarded to the Department of Local Government, Sport and Cultural Industries.

#### *External Audit Services*

The Local Government Amendment (Auditing) Act 2017, giving the Auditor General a mandate to audit local governments, was assented to on 1 September 2017. On 13 April 2021 the Auditor General's Office advised the Shire that it had appointed MACRI Partners as OAG's contract Auditor for the year ended 30 June 2021 for a term of 3 years.

MACRI Partners have recently completed their Interim Audit for the 2020/21 Financial year ending 30 June 2020 identifying one significant finding and seven areas of moderate risk in need of remedial action to overcome process deficiency. Management has provided comment on each finding and are undertaking the necessary action to ensure compliance. MACRI Auditors will be undertaking its final audit for the financial year ended 30 June 2021 in October 2021 and the Audit Report and Management Letter will be considered by the Audit Committee and presented to Council.

#### *Other Matters*

In response to the outbreak of COVID 19, a number of the risk areas have been amended to reflect the potential impact on staff, shire operations and the community. In accordance with Directions from the State Government, facilities such as the Library, Recreation Pavilion, Town Hall and Coinda were closed to the public for a period of time. Council has utilised electronic meeting options where considered necessary and or appropriate. Social distancing has been put in place as to increased social hygiene practices.

To date, it has not proven necessary to implement working from home requirements.

The Shire has made available services to seniors in regard to shopping for food and other essentials, with pick up and home delivery being arranged by staff and community volunteers. Library services have been made available on-line with book exchanges being facilitated.



COVID 19 Safety Plans have been developed for the return to more normal services and have been adjusted to reflect the latest guideline requirements. This is an ongoing requirement and ever-changing with State and Federal restrictions.

RISK MANAGEMENT CONSIDERATIONS – The amendments to the *Local Government (Audit) Regulations 1996* will enhance the reporting of the Shire’s approach to risk management, internal controls and legislative compliance with increased transparency and involvement for the Elected Members.

ACTING CHIEF EXECUTIVE OFFICER’S OVERVIEW – I consider that with the Measures and Systems in place, that Council’s Risk Management, Internal Control and Legislative Compliance is appropriate and effective notwithstanding areas identified in need of improvement as outlined within the attached Dashboard Report.

### **Consultation**

Manager Finance & Administration	- Morgan Ware
Acting Chief Executive Officer & Manager of Works and Services	- Fabian Houbrechts

### **Legislative Requirements**

#### **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.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

### **Policy Implications**

Policy 2.5 Administration/Organisation Risk Management

This Framework sets out the areas of risk that have been identified and the actions necessary and or taken to mitigate those risks.

### **Financial Implications**

Nil

### **Strategic Implications**

Tammin Community Strategic Plan

#### **Civic Leadership**

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

**TAC 04/21 MOTION**

For Council's Audit Committee to receive the results of the May 2021 Risk Dashboard Report undertaken in accordance with the "*Risk Management Governance Framework*" previously prepared by LGIS and adopted by Council in December 2014 in response to the introduction of Reg 17 of the Local Government (Audit) Regulations 1996 and recommend its adoption by Council.

Moved: Cr Nicholls

Seconded: Cr Daniels

Vote: Simple Majority

Carried: 5/0

## 7.2 Financial Management Review Audit for period ended 30 June 2021

<b>Location:</b>	Shire of Tammin
<b>Applicant:</b>	AMW Auditors
<b>Date:</b>	17 June 2021
<b>Author:</b>	Manager of Finance & Administration
<b>Item Approved by:</b>	Acting Chief Executive Officer
<b>Disclosure of Interest:</b>	Performance indicators
<b>File Reference:</b>	FIN - 02
<b>Attachment/s:</b>	Attachment Item 7.2 –Financial Management Review Report – Shire of Tammin.

### Proposal/Summary

For the Audit Committee to consider the attached Financial Management Review Report presented by AMW Auditors for the period ended 30 June 2021.

### Background

AMW were appointed for the Financial Management Review Audit 2021. The objective of the review is to assist Council in discharging its responsibility to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the Shire as required by Local Government, Financial Management Regulation 5 (2)(c). The review focusses on four areas, Review of Financial Management, Risk Management, Legislative Compliance and Internal Control.

The Audit fieldwork was conducted electronically throughout February 2021 to May 2021 utilising Dropbox. The Final Management Review letter was delivered on 17 June 2021 following management responses.

### Comment

The Financial Management Review Letter has identified five areas in need of mitigation to overcome process deficiency. Management have provided comment on each finding and will undertake the necessary action to ensure compliance within the time frame specified.

INDEX OF FINDINGS	RATING		
	High	Medium	Low
1. Procedure Manual			✓
2. Council Policies			✓
3. Disaster Recovery and Business Continuity Plan and Implementation		✓	
4. Trust Fund			✓
5. Office of the Auditor General (OAG) also conducted an Interim Audit			✓

In respect to matters raised in the Financial Management Review Report, the findings and response, as detailed in attachment 7.2, are summarised as:

1. **Procedure Manual**

**Findings:**

The procedures documentation currently existing is in the form of several detailed step-by-step guide of the individual processes which are not yet digitally formalised. Further, we note that the involvement of the officers is not identified.

**Management Comment:**

Create procedural template for officers to complete on all internal procedures. Formalised template to include officer involvement and controls to ensure segregation of duties. Documents to be maintained in one file on server and reviewed to ensure accuracy and completeness.

2. **Council Policies**

**Findings**

The council policy manual was adopted on 28 June 2018 and amended to 28 February 2021. This manual is a comprehensive compilation of the general guidelines for Council Governance, Administration/Organisation, Financial Management, Order/Public Safety, Fire Control, and other classified and unclassified aspects.

**Management Comment:**

To ensure an easier dissemination and review of policies, the policy manual will be simplified. The policy will note the reference to the corresponding procedure in the Procedure Manual.

3. **Disaster Recovery and Business Continuity Plan and Implementation**

**Findings**

Shire's BCP adopted in July 2019 does not have evidence of a current review, updated contacts of the responsible personnel and outside service providers for e.g email addresses to contact in the event of a disaster. Shire does not seem to have a Service Level Agreement (SLA) with the IT service provider detailing agreed service levels during recovery from disaster. The plan has no mention of the data backups to use for recovery. We are unsure if this BCP has been tested and mock drills conducted to test the efficacy of the plan.

**Management Comment:**

The BCP is currently under review with IT Consultant, contact details to be updated and reviewed frequently. Data backups are currently being performed as per requirements and recorded daily.

4. **Trust Fund**

**Findings**

Trust bank account was forced closed by the ADI due to nil balance and inactivity over a period of time.

**Management Comment:**

The Shire held a trust account in which was forced closure due to a nil balance. The provider was requested to maintain opening the account although unsuccessful. Investigation into financial services allowing a nil balance to be held or as recommended an eftpos facility directly into Trust.



## **5. Office of the Auditor General (OAG) also conducted an Interim Audit**

### **Findings**

Council has disposed of and implemented most of the recommendations made in the OAG Interim audit report. However, although not mandatory, Council is yet to establish an Internal audit function or avail the services of an outsourced Internal audit service provider to test the design and operative effectiveness of internal controls in the organisation.

### **Management Comment:**

An audit committee is established consisting of members of Council. The function of the audit committee is to provide an independent oversight of the financial systems and meet as required. Council will review the need for establishing an internal audit function.

### **Consultation**

AMW Director – Billy-Joe Thomas

AMW Director – Aswin Kumar

AMW Auditor – April Murillo

### **Statutory Environment**

*Local Government Act 1995 – Section 5*

#### **5. CEO's duties as to financial management**

- (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; and*
  - (b) *for the safe custody and security of all money collected or held by the local government; and*
  - (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); and*
  - (d) *to ensure proper accounting for municipal or trust —*
    - (i) *revenue received or receivable; and*
    - (ii) *expenses paid or payable; and*
    - (iii) *assets and liabilities;**and*
  - (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
  - (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; and*
  - (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 3 financial years) and report to the local government the results of those reviews.*

**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

**TAC 05/21 MOTION**

The Audit Committee, having reviewed the Auditors comments and discussed, recommend to Council that the Financial Management Review Findings for period ended 30 June 2021 for the Shire of Tammin be actioned by staff and addressed within the time frame specified.

Moved: Cr Thomson

Seconded: Cr Daniels

Vote: Absolute Majority

Carried: 5/0

### 7.3 Interim Audit Findings for period ended 30 June 2021

<b>Location:</b>	Shire of Tammin
<b>Applicant:</b>	MACRI Auditors
<b>Date:</b>	18 June 2021
<b>Author:</b>	Manager of Finance & Administration
<b>Item Approved by:</b>	Acting Chief Executive Officer
<b>Disclosure of Interest:</b>	Performance indicators
<b>File Reference:</b>	FIN - 02
<b>Attachment/s:</b>	Attachment Item 7.3 – Draft Management Letter – Interim Audit for year ended 30 June 2021.

#### Proposal/Summary

For the Audit Committee to consider the attached Interim Audit Management letter presented by MACRI Auditors for the period ended 30 June 2021.

#### Background

MACRI were appointed as the Council's Auditors for 2020/21. President Michael Greenwood, CEO Neville Hale and Manager of Finance and Administration Morgan Ware attended an electronic entrance meeting on 28 April 2021 with MACRI auditors for the presentation and discussion of the Audit Planning Memorandum.

Interim audit fieldwork was conducted electronically throughout May and June, with a site visit on Monday 10 to Tuesday 11 May 2021. 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 one significant risk and seven moderate risks 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
<b>Current year issues</b>			
1. Lack of segregation of duties	✓		
2. Common log-in and password for the cash register		✓	
3. Lack of investment register, procedures and outdated investment policy		✓	
4. Long outstanding rate debtors		✓	
5. Lack of key policies and procedures		✓	
6. No IT security policy		✓	
7. Delayed Invoice requisition forms		✓	
8. No Asset Disposal Forms		✓	

<b>Significant</b>	-	Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
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<b>Moderate</b>	-	Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
<b>Minor</b>	-	Those findings that are not of primary concern but still warrant action being taken.

The Auditors identified one area which has a significant rating, being:

1. **Lack of Segregation of duties:** providing comment as follows:

We noted 9 out of 18 purchase transactions, where the same staff receipted goods/services, individually issued and approved the purchase orders, and authorised the related supplier invoices. However, all these transactions were for business purposes. Management should implement appropriate segregation of duties, particularly between authorisation of purchase order and the relevant supplier invoices.

Non-compliance with segregation of duties being rated as “significant” is subject to a separate report to this Committee and Council.

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

2. **Common log-in and password for the cash register**

**Findings:**

We noted all operators of the front counter cash register use the same password although the Shire’s Cash Handling Policy requires a unique log in and password for each operator. Management should ensure that the each operator adheres to the requirements of the Cash Handling Policy.

**Management Comment:**

All staff enter a unique reference code when performing transactions. This reference is recorded in Synergy Soft and is visible on end of day reports. Although, investigation will be undertaken with system provider IT Vision to create a login/password for each operator for front counter transactions.

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

**Findings:**

We noted that the Shire does not have a formally established and documented 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 requires 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. The Shire should establish and document internal control procedures that should be followed by employees to ensure control over investments, in accordance with Regulation 19(1) of the Local Government (Financial Management) Regulations. Also, an investment register should be established and the investment policy be reviewed in a timely manner.

**Management Comment:**

A review of the Investment Policy will be conducted and authorised by Council prior to the September 2021 Ordinary Council Meeting, establishing an Investment procedure inclusive of an Investment Register template.

4. **Long outstanding rates debtors**

**Findings:**

We noted that approximately 32% of the total rates debtors totalling \$ 71,212.39 at 7 May 2021 had been outstanding for more than 2 years. The Shire should follow up long outstanding debts and put procedures in place for the recovery of such debts in a timely manner.

**Management Comment:**

The Shire to establish a Management of outstanding rates debtors procedure to ensure recovery within a timely manner. Outstanding rates making up the 32% include properties awaiting the 3 year rule for action for repossession, a small number in liquidation and the remaining outstanding rates debtors will be sent to debt recovery following the due date of the 2021 rates billing.

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

**Findings:**

We noted that the Shire does not have comprehensively documented policies, procedures for guidelines for many operational 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.

We recommend that management develops and implement comprehensive policies and procedures for the processes noted above. These policies and procedure should also be approved by the Council prior to being implemented.

**Management Comment:**

The Shire will establish policies and procedures as per the recommendation at its earliest, and be approved by Council prior to being implemented.

6. **No IT Security Policy**

**Findings:**

We noted that the Shire does not have a formal IT Security Policy. Management should develop a formal IT Security Policy at the earliest and it should be reviewed and updated regularly as changes occur.

**Management Comment:**

Formal IT Security policy is being established and implemented with consultant IT provider. The Shire will review and update regularly as changes occur.

7. **Delayed Invoice Requisition Forms**

**Findings:**

We noted 3 instances out of a sample of 8 transactions where the invoice requisition forms were dated after the date of the invoices raised by the Shire to customers. Invoices should be raised based on duly authorised invoice requisition form.

**Management Comment:**

Generally invoices raised by the Shire of Tammin are generated based on details on the authorised requisition form however; in this instance 3 out of the 8 samples did not comply with this procedure. Going forward the Shire will ensure that the invoices are not raised without an approved invoice requisition form.

8. **No Asset Disposal Forms**

**Findings:**

We noted that currently there is no process of formally documenting the disposal of assets i.e. *Asset Disposal Form*, and obtaining management's approval prior to disposing individual assets. We however acknowledge that potential disposals are included in the Shire's approved budget. Management should introduce an Asset Disposal/Deletion form to formalise the asset disposals/deletions process, which should also be subject to appropriate authorisation.

**Management Comment:**

To ensure clarity and completeness of disposals notwithstanding that disposals are a budgeted item, an Asset Disposal form will be established and added as an attachment to the Formal Procedure manual. The Shire will ensure that this form is properly authorised by the responsible officer prior to disposal of any asset.

**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 06/21 MOTION**

**The Audit Committee, having reviewed the Auditors comments and discussed, recommend to Council that the Interim Audit Findings for period ended 30 June 2021 for the Shire of Tammin be actioned by staff and addressed within the time specified.**

**Moved: Cr Nicholls**

**Seconded: Cr Batchelor**

**Vote: Absolute Majority**

**Carried: 5/0**



#### 7.4 Section 7.12A(4) – Significant adverse finding - Interim Audit Report - 2020/21 Financial Year

<b>Location:</b>	Shire of Tammin
<b>Applicant:</b>	MACRI Auditors
<b>Date:</b>	18 June 2021
<b>Author:</b>	Manager of Finance & Administration
<b>Item Approved by:</b>	Acting Chief Executive Officer
<b>Disclosure of Interest:</b>	Nil
<b>File Reference:</b>	Nil
<b>Attachment/s:</b>	Nil

#### Purpose/Summary

For the Committee to be advised of a significant adverse finding identified by MACRI Auditors, during the Interim Audit and for it to make appropriate recommendations to Council.

#### Background

The Shire's Auditors, MACRI Partners, recently completed its interim audit for the 2020/21 Financial Year and identified one matter it regards as significant with potential significant risk to the entity should the finding not be addressed by the entity promptly.

#### Comment

##### **Significant Finding: Lack of Segregation of duties.**

We noted 9 out of 18 purchase transactions, where the same staff receipted goods/services, individually issued and approved the purchase orders, and authorised the related supplier invoices. However, all these transactions were for business purposes.

##### **Rating: Significant Implication**

Lack of segregation of duties increases the risk of unauthorised purchases occurring without detection, resulting in financial loss to the Shire.

##### **Recommendation**

Management should implement appropriate segregation of duties, particularly between authorisation of purchase order and the relevant supplier invoices.

##### **Management Comment**

Going forward, the Shire will implement strategies to ensure sound segregation of functions where the officer generating the purchase order is not signing off on the goods received. This process will decrease the risk of unauthorised purchases or potential financial loss.

**Responsible Person:** Manager of Finance & Administration & all staff

**Completion Date:** Prior to final audit

#### Consultation

N/A

## **Statutory Implications**

### **Division 4 — General**

#### **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 07/21 MOTION**

That the Audit Committee recommend that Council:

1. note the adverse Audit finding in respect to lack of segregation of duties and the actions proposed to be taken to address the issue;
2. in accepting this report, authorise the Acting Chief Executive Officer to forward a copy of the Report to the Minister in accordance with section 7.12A(4)(b) of the Local Government Act, 1995; and,
3. publish a copy of this Report on its website in accordance with the provisions of section 7.12A(4)(b).

Moved: Cr Batchelor

Seconded: Cr Nicholls

Vote: Simple Majority

Carried: 5/0

**8. CLOSURE OF MEETING**

There being no further business, the Chairperson declared the meeting closed at 4:13pm.

