



UNCONFIRMED MINUTES
OF THE AUDIT COMMITTEE

HELD ON

FRIDAY 11 MARCH 2016

AT 11:00 AM



DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Yalgoo for any act, Omission or statement or intimation occurring during Council/Committee meetings or during formal/informal conversations with staff. The Shire of Yalgoo disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council/Committee meetings or discussions. Any person or legal entity who acts or fails to act in reliance upon any statement does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or limitation of approval made by a member or officer of the Shire of Yalgoo during the course of any meeting is not intended to be and is not taken as notice or approval from the Shire of Yalgoo. The Shire of Yalgoo warns that anyone who has an application lodged with the Shire of Yalgoo must obtain and only should rely on WRITTEN CONFIRMATION of the outcome of the application, and any conditions attaching to the decision made by the Shire of Yalgoo in respect of the application.



CONTENTS

1.	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS	2
2.	RECORD OF ATTENDANCE/APOLOGIES	2
3.	DISCLOSURE OF INTERESTS.....	3
4.	CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE	3
	A2016-0101 Minutes of the Audit Committee Meeting.....	3
5.	BUSINESS AS NOTIFIED	3
5.1	Report on Audit Management Letter for the Year Ended 30th June 2015	3
	A2016-0102 Report on Audit Management Letter for the Year Ended 30th June 2015 ...	9
5.2	Report on Compliance Audit Return 2015	10
	A2016-0103 Report on Compliance Audit Return 2015	12
6.	URGENT BUSINESS	12
7.	MEETING CLOSURE	12



Minutes of the Audit Committee Meeting
 held in the Council Chambers, 37 Gibbons Street, Yalgoo,
 on Friday 11 March 2016, commencing at 11:00 am.

Members of the Audit Committee

Council has historically nominated all Councillors to be members of the Audit committee. Nominations to the Audit Committee must be by absolute majority.

At the Ordinary Meeting of Council 22 October 2015, resolution C2015-1007 declared all positions on the Audit Committee vacant.

Council subsequently appointed, by absolute majority, all Councillors as members of the audit committee:

- *Cr Neil Grinham*
- *Cr Robert (Bob) Grinham*
- *Cr MR (Raul) Valenzuela*
- *Cr Percy Lawson*
- *Cr J Kanny*
- *Cr G Trenfield*

The term of office is until the next ordinary elections in October 2017.

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairman Neil Grinham declared the Audit Committee Meeting open at 11:02 am.

2. RECORD OF ATTENDANCE/APOLOGIES

MEMBERS	Cr Neil Grinham Cr Raul Valenzuela Cr Percy Lawson Cr Joanne Kanny Cr Gail Trenfield
STAFF	Silvio Brenzi , CEO Dominic Carbone Steven Cosgrove, Coordinator Governance & Technical Services (CGTS) Karen Malloch, Executive Assistant (EA)

Diane Hodder, Administration & Finance Officer (AFO)

GUESTS

OBSERVERS

APOLOGIES Cr Robert Grinham

3. DISCLOSURE OF INTERESTS

Disclosures of interest made before the Meeting

Nil

4. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE

Background

Minutes of the Audit Committee meeting held on Tuesday 31 March 2015 were previously distributed to members and received by Council at the Special (b) Meeting, held on 31 March 2015 at 10:30 am.

Voting Requirements

Simple majority

OFFICER RECOMMENDATION/COMMITTEE DECISION

A2016-0101 Minutes of the Audit Committee Meeting

That the minutes of the Audit Committee meeting held on 31 March 2015, as circulated, be confirmed as a true and correct record of proceedings.

Moved: Cr R Valenzuela

Seconded: Cr P Lawson

Motion put and carried 5/0

5. BUSINESS AS NOTIFIED

5.1 Report on Audit Management Letter for the Year Ended 30th June 2015

File:	
Author:	Steven Cosgrove
Interest Declared:	No interest to disclose
Date:	9 March 2016
Attachments:	Nil

Matter for Consideration

That Council give consideration to the Audit Management letter for the year 30th June 2015 together with the responses provided by the Acting Chief Executive Officer.

Background

Council is required to examine the report of the Auditor and take appropriate action in relation to matters raised.

Statutory Environment

Local Government Act 1995

7.12A. Duties of local government with respect to audits

(3) 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.

(4) A local government is to —

- (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
- (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

Business Implications

Nil

Consultation

Nil

Comment

Findings identified during the Audit of the Shire's Financial Statements for the year ended 30th June 2015 are as follows, together with the response provided by the acting Chief Executive Officer under the heading of "Management Comment"

1. Credit Card Support

Findings:

During our review of the monthly credit statements it was noted that not all transactions had supporting invoices attached to them or the supporting invoices could not be located.

Rating:

Moderate

Implication:

This increases the risk of non-compliance with the Local Government Act 1995 section 6.5(a) where the Act requires the Chief Executive Officer to ensure that proper accounts and records of the transactions and affairs of the local government are kept in accordance with regulations.

Recommendation:

All credit card transactions need to be supported by a valid invoice.

Management Comment:

Council Policy 7.3 Credit Card Facilities, requires cardholders to provide transaction slips and tax invoices for reconciliations.

A written instruction will be issued to all cardholders to request that they comply with the requirements as detailed in the above mentioned Council Policy.

Responsible Person:

Chief Executive Officer

Completion Date:

12 December 2015

2. Monthly Bank Reconciliation

Findings:

During the testing of the monthly bank reconciliation process, it was identified that monthly bank reconciliations did not agree back to the monthly general ledger maintained within the Synergy accounting system. It was identified that the Shire's cut-off policies and procedures for the posting of accounting entries are not being adhered to.

In addition to the above it was noted during the testing of the monthly bank reconciliation process, it was identified that some bank reconciliations had no evidence of review and they are not performed in a timely manner.

Rating:

Moderate

Implication:

Failure to properly reconcile the monthly bank reconciliations and to comply with the Shire's cut-off policies for the posting of accounting entries after the transactions have been processed, increases the risk of inaccurate reporting of the Shire's financial position and operating results and may cause delays in detecting and correcting errors.

Increased risk of inaccurate, untimely or unavailable information regarding cash inflows and outflows and increased risk of erroneous financial reporting.

Recommendation:

Employees should be reminded of the need to properly complete the monthly bank reconciliations and the requirement to comply with the Shire's policies regarding the posting of accounting entries to ensure they are recorded in the correct reporting period.

All bank reconciliations should provide evidence of timely review by a senior staff member who is independent to the preparer.

Management Comment:

Accounting transactions are posted in the right accounting period i.e. the date when a receipt is posted, the date when an invoice is raised or received or when payment is received or payment made, or the date that appears on the bank statements. It is noted that while the bank reconciliations were reviewed that no certification was made on the bank reconciliation, this procedure has been amended to ensure this occurs.

Responsible Person:

Chief Executive Officer

Completion Date:

12 December 2015

3. Tenders Register

Findings:

The Tenders Register did not include the name of the successful tenderer or the amount of the consideration sought in the tender accepted by the Shire as required by Regulation 17 of the Local Government (Functions and General) Regulations 1996.

Rating:

Moderate

Implication:

Increased risk of non-compliance with Local Government (Functions and General) Regulations 1996.

Recommendation:

The name of the successful tenderer and the amount of the consideration sought in the tender accepted by the Shire should be included in the Tenders Register to ensure compliance with Local Government (Functions and General) Regulations 1996.

Management Comment:

Noted: staff responsible for the Tender Register will be informed of the requirement.

Responsible Person:

Chief Executive Officer

Completion Date:

12 December 2015

4. High Leave Balances

Findings:

During the course of the audit it was noted that some employees have annual leave accrued balances in excess of 300 hours.

Rating:

Moderate

Implication:

Excessive annual leave balances accrued increases the risk of an adverse impact through excessive financial liabilities and may also indicate over-reliance on key individuals. This over-reliance can result in business interruption when the employee takes extended leave or is no longer employed by the Shire. Failure to take leave can also mask fraud.

Recommendation:

The Shire should continue to manage and monitor the excessive annual leave accruals to reduce the financial liability, risk of business interruption and fraud.

Management Comment:

Noted: an advice will be issued to staff that have excessive annual leave accrued to make appropriate arrangements for the taking of leave.

Responsible Person:

Chief Executive Officer

Completion Date:

12 December 2015

5. Submission of Annual Financial Report to Auditors

Findings:

The annual financial report for the year ended 30 June 2015 was not submitted to the auditor by 30 September 2015 as required by Local Government Act S6.4(3)(b).

Rating:

Significant

Implication:

The Shire has not complied with the requirements of Local Government Act S6.4(3)(b).

Recommendation:

The annual financial report should be submitted to the auditor by 30 September each year in order to comply with the requirements of Local Government Act S6.4(3)(b).

Management Comment:

Refer attachment: A request was made to the Minister for Local Government for an extension of time to complete the annual financial report which was duly granted to 31 October 2015.

Responsible Person:

Chief Executive Officer

Completion Date:

12 December 2015

6. Submission of Statement of Financial Activity to Council

Findings:

The November 2014, December 2014, January 2015 and March 2015 Statements of Financial Activity were not presented at an ordinary meeting of Council within 2 months after the end of the month to which the statement relates as required by Local Government (Financial Management) Regulations 1996 regulation 34(4)(a).

Rating:

Significant

Implication:

The Shire has not complied with the requirements of Local Government (Financial Management) Regulations 1996 regulation 34(4)(a).

Recommendation:

The monthly Statements of Financial Activity should be presented at an ordinary meeting of Council within 2 months after the end of the month to which the statement relates in accordance with the requirements of Local Government (Financial Management) Regulations 1996 regulation 34(4)(a).

Management Comment:

Noted: the Shire is now complying with its requirements of the Local Government (Financial Management) Regulations.

Responsible Person:

Chief Executive Officer

Completion Date:

12 December 2015

Voting Requirements

Simple Majority

The Chairman requested Mr D Carbone to present the report.

Questions by the Committee members were duly answered.

It was then moved:

OFFICERS RECOMMENDATION/COMMITTEE RECOMMENDATION

A2016-0102 Report on Audit Management Letter for the Year Ended 30th June 2015

That Council:

1/. Receives the Report on Audit Management Letter for the year ended 30th June 2015: and

2/. Forward a copy of the report to the Minister for Local Government and Community.

Moved: Cr MR Valenzuela

Seconded: Cr J Kanny

Motion put and carried 5/0

ATTENDANCE: *12:02 pm Cr J Kanny left the meeting;*

12:03 pm Cr J Kanny rejoined the meeting.

5.2 Report on Compliance Audit Return 2015

File:	
Author:	Steven Cosgrove
Interest Declared:	No interest to disclose
Date:	9 March 2016
Attachments :	P1 2015 Draft Compliance Audit Return

Matter for Consideration

That Council give consideration to the draft Compliance Audit Return 2015 and certified by the President and Chief Executive Officer and a copy to be forwarded to the Department of Local Government by 31st March 2015.

Background

Section 14 and 15 of the Local Government (Audit) Regulations 1996 requires that the Council carry out a Compliance Audit for the period 1st January to the 31st December in each year and be submitted to the Executive Director by the 31st March of the following year.

Statutory Environment

Local Government Act 1995.13. Regulations as to audits

- (i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are —
- (i) of a financial nature or not; or
- (ii) under this Act or another written law.

Local Government (Audit) Regulations 1996

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.

(3)

(3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.

(3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —

- (a) presented to the council at a meeting of the council; and
- (b) adopted by the council; and
- (c) recorded in the minutes of the meeting at which it is adopted.

15. Compliance audit return, certified copy of etc. to be given to Executive Director

(1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —

- (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
- (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Executive Director by 31 March next following the period to which the return relates.

(2) In this regulation —

certified in relation to a compliance audit return means signed by —

- (a) the mayor or president; and
- (b) the CEO.

Business Implications

Nil

Consultation

Dominic Carbone & Associates

Comment

The Shire of Yalgoo is required to carry out an Annual Compliance Audit for the period 1st January 2015 to 31st of December 2015. The Draft Compliance Return for 2015 has been completed online at the Department of Local Government and Communities website and is attached for consideration.

A number of areas of non-compliance were identified and are detailed in the return with comments in relation too.

The Compliance Return is to be adopted by Council and certified by the President and Executive Officer along with a copy of the relevant section of the Minutes be forwarded to the Director General by the 31st March 2016.

ATTENDANCE: *12:44 pm Cr G Trenfield left the meeting;*
 12:45 pm Cr G Trenfield rejoined the meeting.

Voting Requirements

Simple Majority

The Chairman requested Mr D Carbone to present the report.

Questions by the Committee members were duly answered.

It was then moved:

OFFICERS RECOMMENDATION/ COMMITTEE RECOMMENDATION

A2016-0103 Report on Compliance Audit Return 2015

That the Audit Committee recommend to Council that the draft 2015 Compliance Audit Return be adopted and certified by the President and Chief Executive Officer and forwarded to the Department of Local Government along with the relevant section of the Minutes.

Moved: Cr J Kanny

Seconded: Cr G Trenfield

Motion put and carried 5/0

6. URGENT BUSINESS

Nil

7. MEETING CLOSURE

There being no further business, the Audit Committee Chairman Cr Neil A Grinham, declared the Audit meeting closed at 12:49 pm.

DECLARATION

These minutes were confirmed by Council at the Ordinary Meeting held on 18 March 2016 at 11:00 am.

Signed: _____
Person presiding at the meeting at which these minutes were confirmed