



Shire of Pingelly

Minutes

Audit Committee Meeting
14 December 2016

SHIRE OF PINGELLY

Minutes of the Audit Committee Meeting of the Shire of Pingelly held in the Council Chambers, 17 Queen Street, Pingelly on 14 December 2016 at 10am.

Contents

1.	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS	3
1.1.	ACKNOWLEDGEMENT OF COUNTRY	3
2.	RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE	3
3.	RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE.....	3
4.	PUBLIC QUESTION TIME	3
5.	APPLICATIONS FOR LEAVE OF ABSENCE	3
6.	DISCLOSURES OF INTEREST	3
7.	CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS.....	4
7.1	Audit Committee Meeting – 27 June 2016	4
8.	ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION	4
9.	PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS	4
10.	BUSINESS	5
10.1	Audited Annual Financial Report 2016.....	5
10.2	Audit Management Letter	9
11.	CLOSURE OF MEETING	12

MEMBERS PRESENT

Cr SJ Lange President
Cr RJ Marshall
Cr DI Freebairn
Cr LN Steel
Cr E Hodges
Cr JM Walton-Hassell

STAFF IN ATTENDANCE

Mr G Pollock Chief Executive Officer
Mr S Billingham Director Corporate & Community Services
Mrs L Boddy Executive Assistant

APOLOGIES

Cr P Wood
Cr WV Mulroney Deputy President

OBSERVERS & VISITORS

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairman, Cr Shirley Lange, declared the meeting open at 10.03am.

1.1. ACKNOWLEDGEMENT OF COUNTRY

I respectfully acknowledge the past and present traditional owners of this land on which we are meeting, the Noongar people. It is a privilege to be standing on Noongar country. I also acknowledge the contributions of Aboriginal Australians and non-Aboriginal Australians to the security and wellbeing of all the people of this country where we live and that we share together – Australia.

2. RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

At the ordinary council meeting held on 16 November 2016 the following motion was passed:

12102 Moved Cr Walton-Hassell Seconded Cr Hodges

that Council approve:

- **Cr Mulroney taking leave from the 10th of December to the 17th of December 2016**
- **Cr Wood taking leave from the 13th of December to the 14th December 2016**

Carried 8:0

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

There were no members of the public present.

5. APPLICATIONS FOR LEAVE OF ABSENCE

Nil

6. DISCLOSURES OF INTEREST

Nil

7. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

7.1 Audit Committee Meeting – 27 June 2016

Statutory Environment:

Section 5.22 of the Local Government Act provides that minutes of all meeting to be kept and submitted to the next ordinary meeting of the council or the committee, as the case requires, for confirmation.

Voting Requirements:

Simple Majority

12115 Moved: Cr Steel

Seconded: Cr Marshall

Recommendation:

That the Minutes of the Audit Committee of the Shire of Pingelly held in the Council Chambers on 27 June 2016 be confirmed.

Carried 6:0

8. ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil

9. PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

Nil

10. BUSINESS

10.1 Audited Annual Financial Report 2016

File Reference: 00144
Location: Shire of Pingelly
Applicant: Stuart Billingham, Director Corporate & Community Services
Author: Stuart Billingham, Director Corporate & Community Services
Date: 5 December 2016
Disclosure of Interest: Nil
Attachments: Annual Financial Report 2016 (Attachment 1 following blue cover sheet)

Summary:

Council is required to receive the Annual Financial Report for the Financial Year ending 30th June 2016.

Background:

Section 7.9 of the *Local Government Act 1995* requires an audit to be undertaken and, on its completion, submitted to the Shire President and Chief Executive Officer of the Local Government, and to the Minister for Local Government.

It is a requirement that the Annual Audit be completed by 31 December following the close of the financial year. The audit was commenced on-site by AMD Chartered Accountants on 14th November to 16th November 2016. The Statutory Report and Management letter has been completed by AMD Chartered Accountants and received by the Shire President, Chief Executive Officer and Director Corporate & Community Services. The Auditor's Management Report is submitted to the Shire of Pingelly Audit Committee for further consideration.

Comment:

The Statutory Annual Financial Report for 2015/2016 has now been completed and is included as an attachment to this document. This Report will be available to the Public and Electors prior to the Annual Electors Meeting, subject to its acceptance by Council.

No statutory or non-compliance matters were raised in the Auditor's Report to the Shire President of the Shire of Pingelly. AMD's auditors indicated that procedures and controls in respect to the Shire of Pingelly internal controls, processes, procedures and financial reporting framework are adequately designed and have been maintained to adequate standards throughout the audit period subject to the comments and recommendations within the Management Report.

Consultation:

AMD Chartered Accountants
Chief Executive Officer
Beverley Webb – Jiriki Management
Bob Waddell – Local Government Consultant

Statutory Environment:

Local Government Act 1995 and Regulations

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 his or her 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 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.

[Section 7.12A inserted by No. 49 of 2004 s. 8.]

7.13. Regulations as to audits

(1) Regulations may make provision —

(aa) as to the functions of the CEO and the audit committee in relation to audits carried out under this Part and reports made on those audits;

(ab) as to the functions of audit committees, including the selection and recommendation of an auditor;

(ac) as to the procedure to be followed in selecting an auditor;

(ad) as to the contents of the annual report to be prepared by an audit committee;

(ae) as to monitoring action taken in respect of any matters raised in a report by an auditor;

(a) with respect to matters to be included in agreements between local governments and auditors;

(b) for notifications and reports to be given in relation to agreements between local governments and auditors, including any variations to, or termination of such agreements;

(ba) as to the copies of agreements between local governments and auditors being provided to the Department;

(c) as to the manner in which an application may be made to the Minister for approval as an auditor;

(d) in relation to approved auditors, for —

(i) reviews of, and reports on, the quality of audits conducted;

(ii) the withdrawal by the Minister of approval as an auditor;

(iii) applications to the State Administrative Tribunal for the review of decisions to withdraw approval;

(e) for the exercise or performance by auditors of their powers and duties under this Part;

(f) as to the matters to be addressed by auditors in their reports;

(g) requiring auditors to provide the Minister with such information as to audits carried out by them under this Part as is prescribed;

(h) prescribing the circumstances in which an auditor is to be considered to have a conflict of interest and requiring auditors to disclose in their reports such information as to a possible conflict of interest as is prescribed;

(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.

(2) Regulations may also make any provision about audit committees that may be made under section 5.25 in relation to committees.

[Section 7.13 amended by No. 64 of 1998 s. 40; No. 49 of 2004 s. 9; No. 55 of 2004 s. 700.]

Local Government (Financial Management) Regulations 1996

51. Annual financial report to be signed etc. by CEO and given to Department

(1) After the annual financial report has been audited in accordance with the Act the CEO is to sign and append to the report a declaration in the form of Form 1.

(2) A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

[Regulation 51 amended in Gazette 18 Jun 1999 p. 2639; 20 Jun 2008 p. 2726.]

Local Government (Administration) Regulations 1996

Part 3 — Electors' meetings

[Heading inserted in Gazette 26 Aug 2011 p. 3482.]

15. Matters to be discussed at general meeting (Act s. 5.27(3))

For the purposes of section 5.27(3), the matters to be discussed at a general electors' meeting are, firstly, the contents of the annual report for the previous financial year and then any other general business.

16. Request for special meeting, form of (Act s. 5.28(2))

A request for a special meeting of the electors of a district is to be in the form of Form 1.

17. Voting at meeting (Act s. 5.31)

(1) Each elector who is present at a general or special meeting of electors is entitled to one vote on each matter to be decided at the meeting but does not have to vote.

(2) All decisions at a general or special meeting of electors are to be made by a simple majority of votes.

(3) Voting at a general or special meeting of electors is to be conducted so that no voter's vote is secret.

18. Procedure at meeting (Act s. 5.31)

Subject to regulations 15 and 17, the procedure to be followed at a general or special meeting of electors is to be determined by the person presiding at the meeting.

5.27. Electors' general meetings

(1) A general meeting of the electors of a district is to be held once every financial year.

(2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.

(3) The matters to be discussed at general electors' meetings are to be those prescribed.

If Council adopts the Annual Report at its Council Meeting 14 December 2016, then in accordance with statutory requirements, Council must give a minimum of 14 days' notice in calling the Annual Electors Meeting following acceptance of the Annual Report. It is recommended that the Electors General Meeting be held on the evening of Wednesday 8 February 2017 in the Council Chambers, 17 Queen Street, Pingelly, commencing at 7:00 pm.

Policy Implications:

Nil

Financial Implications:

Nil

Strategic Implications:

While there are no direct strategic implications in receiving the Shire of Pingelly Statutory Annual Financial Report, the Auditors Management Report raises commentary regarding the Shire's financial ratios.

These comments need to be taken into account in Council future financial decisions including when reviewing the Shire's Integrated Planning Documents such as Asset Management Plans, Corporate Business Plan and Long Term Financial Plan.

Voting Requirements:

Simple Majority

12116 Moved: Cr Marshall

Seconded: Cr Freebairn

Recommendation:

That the Audit Committee recommends to Council that it:

- 1. accepts the Shire of Pingelly Annual Report for the Financial Year ended 30th June 2016;**
- 2. receives the Audit Report for 2015/16 from AMD Chartered Accountants;**
- 3. holds its Annual Electors Meeting in the Council Chambers, 17 Queen Street, Pingelly to be held on Wednesday 8 February 2017 at 7:00pm;**
- 4. submits a copy of the Shire of Pingelly Statutory Annual Financial Report to the Executive Director of the Department of Local Government and Communities as required by Local Government (Financial Management) Regulations clause 51(2).**

Carried: 6:0

10.2 Audit Management Letter

File Reference: 00144
Location: Shire of Pingelly
Applicant: Stuart Billingham, Director Corporate & Community Services
Author: Stuart Billingham, Director Corporate & Community Services
Date: 5 December 2016
Disclosure of Interest: Nil
Attachments: Audit Management Letter 2016 (Attachment 2 following blue cover sheet)

Summary:

Audit Committee is required to consider the contents of the Annual Management Report for the Financial Year ending 30th June 2016.

Background:

As part of the Annual Final Audit the Auditor's Management Report is submitted to the Shire of Pingelly Audit Committee for further consideration.

Matters raised by the auditor are as follows;

7.0 Financial Ratio Performance Measures

A review of Shire of Pingelly's financial ratios as included within Note 19 of the financial report indicates the following adverse trends based on Department of Local Government and Communities guidelines:

- The operating surplus ratio as at 30 June 2016 is calculated at -0.72 (a basic standard is achieved if the ratio is between 0.01-0.15); and
- The debt service ratio as at 30 June 2016 is calculated at 0.09 (a basic standard is achieved if the ratio is greater than or equal to 2).

We recommend Council continue to consider the impact on ratios and long term sustainability when making decisions regarding asset renewal, additional borrowings and setting rates for future years.

We note the following Shire of Pingelly ratios were within Department guidelines:

- Current ratio as at 30 June 2016 is calculated at 1.05 (a basic standard is achieved if the ratio is greater than 1);
- Asset sustainability ratio as at 30 June 2016 is calculated at 1.60 (a basic standard is achieved if greater than 0.9);
- Own source revenue ratio as at 30 June 2016 is calculated at 0.48 (a basic standard is achieved if between 0.4-0.6);
- Asset consumption ratio as at 30 June 2016 is calculated at 0.62 (a basic standard is achieved if greater than 0.5); and
- Asset renewal funding ratio as at 30 June 2016 is calculated at 0.77 (a basic standard is achieved if between 0.75-0.95).

Copy of the Department of Local Government and Communities Operational Guidelines No18 for Financial Ratios is submitted as a separate attachment for further information.

1. EMPLOYEE PROVISIONS

Finding Rating: Minor

We note the provision for annual leave reconciliation provided to us by management at commencement of the audit included various errors. Subsequent to our visit, management have completed a full review of employee provisions and the annual leave reconciliation has been updated.

This has identified a \$26,221 variance between the annual leave reconciliation as determined by management and provision for annual leave balance reported in the financial statements. This variance is deemed immaterial at an overall financial report level and has not been adjusted for in the 30 June 2016 financial statements.

Implication

Risk of misstatement of employee provisions.

Recommendation

We recommend reconciliations of employee provisions is completed regularly during the year.

Management Comment

Shire staff and consultant with IT Vision have updated SynergySoft with correct annual leave figures. Manual Spreadsheets being run in conjunction with SynergySoft to ensure systems align figures will be reviewed fortnightly to ensure if any errors are identified they can be rectified in a timely manner.

2. PURCHASE ORDERS

Finding Rating: Minor

During our testing of payments on a sample basis we identified instances whereby purchase orders were dated after the invoice date (examples can be provided upon request).

Implication

Risk of unauthorised goods and services being purchased and liabilities being incurred.

Recommendation

We recommend purchase orders be used for all purchases with exception of utilities and regular payments. These purchase orders should be authorised as approval that the goods or services are to be ordered.

Management Comment

Management to ensure all Purchase Orders are raised prior to Goods and Services being ordered.

3. CREDIT CARDS

Finding Rating: Minor

We acknowledge Council has a documented credit card policy including requirements whereby credit card statements are independently reconciled by the senior finance officer, matched to supplier invoices and individual payments approved by Council. We note however, there is no formal credit card statement sign off to evidence independent review occurring.

Implication

Increased risk of fraud or error.

Recommendation

We recommend monthly credit card statements be signed off by someone independent of the reconciliation function to evidence review occurring.

Management Comment

New procedure in place to have Director of Technical Services or other Senior officer independently review works by the second Finance Officer preparing reconciliation report.

4. RATES MODEL

Finding Rating: Minor

We note the information in the rates model provided to us by management did not agree to the 30 June 2016 budget adopted by Council, whereby there were variances identified in respect of property numbers and rateable values.

Implication

Risk of misstatement of rates revenue.

Recommendation

Please ensure rate model details agrees to the budget.

Management Comment

Due to the late receipt of a single valuation from Landgate between rate modelling and adoption of Annual Budget.

5. COMPLAINTS HANDLING PROCEDURE

Finding Rating: Minor

We noted there is no formal complaints handling procedure policy.

Implication

Lack of formal documented procedures in respect of complaint handling and resolution.

Recommendation

We recommend a complaints handling procedure be prepared and adopted by Council.

Management Comment

Management believes a Complaints Handling Policy is not a requirement and has implemented an adequate complaints handling procedure. See attachment.

6. TERMINATION OF EMPLOYEES

Finding Rating: Minor

We noted there is no formal termination checklist in place for when an employee either resigns or is terminated, to ensure all tasks relating to the employee's termination have been completed.

Implication

Risk of tasks required to be undertaken following an employee's departure not being completed on a timely basis.

Recommendation

We recommend a formal termination checklist be developed which is required to be completed upon termination of an employee and signed off once completed. Items which may be relevant to include on the termination checklist would vary according to the individual employee’s role, and may include sign off in respect to:

- Return of laptop, computers and accessories;
- Return of gate key / office key and updating of register;
- Return of business cards;
- Removal from IT access;
- Redirect team member’s emails for one month to an alternative employee;
- Disable team member from company login system;
- Update payroll database;
- Email team member for updated postal address for sent PAYG; and
- Alarm codes to be deactivated.

Management Comment

Management has no formal written process however this is undertaken by the CEO as part of the reversal of the induction process as identified on the personnel file on termination.

Consultation:

AMD Chartered Accountants
Chief Executive Officer
Beverley Webb – Jiriki Management
Bob Waddell – Local Government Consultant

Statutory Environment:

Local Government Act 1995 and Associated Regulations

12117 Moved: Cr Walton-Hassell Seconded: Cr Steel

Recommendation:

That the Audit Committee recommends to Council that it notes the comments on the Audit Management Letter by management with no further actions required to be undertaken by the Chief Executive Officer.

Barry Gibbs left the room at 10.29am and returned at 10.34am.
The CEO and Council acknowledged and congratulated the staff for the effort they put in to the 2015/16 financial audit.

Carried: 6:0

11. CLOSURE OF MEETING

The Chairman declared the meeting closed at 10.37am.

<p>These minutes were confirmed by Council at the Audit Committee Meeting held on</p> <p>Signed..... Presiding Person at the meeting at which the minutes were confirmed.</p>
