



# Shire of Pingelly

## Minutes

Audit Committee Meeting  
19 July 2017

**SHIRE OF PINGELLY**

**Minutes of the Audit Committee Meeting of the Shire of Pingelly held in the Council Chambers, 17 Queen Street, Pingelly on 19 July 2017 at 3pm.**

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### **MEMBERS PRESENT**

Cr SJ Lange                      President  
Cr WV Mulroney                Deputy President  
Cr DI Freebairn  
Cr LN Steel  
Cr EJ Hodges  
Cr JM Walton-Hassell

### **STAFF IN ATTENDANCE**

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

### **APOLOGIES**

Cr RJ Marshall  
Cr P Wood

### **OBSERVERS & VISITORS**

Nil

### **1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

The Chairman, Cr Shirley Lange, declared the meeting open at 3.02pm.

#### **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 17 May 2017 the following applications for leave were granted:

***12187 Moved Cr Freebairn Seconded Cr Mulroney  
that Council approve Cr Wood taking leave from the 22<sup>nd</sup> June to the 6<sup>th</sup> August 2017  
inclusive.***

***Carried 8:0***

At the Ordinary Council Meeting held on 21 June 2017 the following application for leave was granted:

***12204 Moved Cr Walton-Hassell Seconded Cr Wood  
that Council approve Cr Marshall taking leave from the 11<sup>th</sup> to 22<sup>nd</sup> July 2017***

***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 AND REPORTS**

**7.1 Audit Committee Meeting – 1 March 2017**

**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

**12233 Moved: Cr Steel**

**Seconded: Cr Hodges**

**Recommendation:**

**That the Minutes of the Audit Committee of the Shire of Pingelly held in the Council Chambers on 1 March 2017 be confirmed.**

**Carried: 6:0**

**8. ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION**

**9. PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS**

## **10. BUSINESS**

### **10.1 AMD Interim Audit Report June 2017**

**File Reference:** ADM0074  
**Location:** Shire of Pingelly  
**Applicant:** Auditor - AMD Chartered Accountants  
**Author:** Stuart Billingham, Director Corporate & Community Services  
**Date:** 12 July 2017  
**Disclosure of Interest:** Nil  
**Attachments:** Interim Management Report for Year ending 30 June 2017

#### **Summary:**

To provide the Audit Committee with the Interim Management Report from its Auditor AMD Chartered Accountants for consideration.

#### **Background:**

AMD Accountants visited the Shire of Pingelly on the 15-16 May 2017 to conduct the Interim Audit for the year ending 30 June 2017.

Below is listed the matters raised in the Interim Management Report and the Shire Management Comments.

#### **AUDIT FINDINGS**

##### **1. ACCOUNT RECONCILIATIONS**

*Finding Rating: Significant*

###### **1.1 Bank Accounts**

Our interim audit procedures indicated municipal, licensing and trust bank reconciliations have not been completed on a timely basis after each month end.

At the time of our May onsite visit, the last municipal reconciliation completed was to 31 December 2016.

We also noted the July, August, September, and November municipal and trust bank account reconciliations were not completed and reviewed on a timely basis, being signed off with a review date of 1 November, 3 November, 3 November and 17 February respectively.

We also recommend formal bank reconciliations be completed for all other Council bank and investment accounts (including Licensing, Term Deposits, Savings on Call, etc.) on a monthly basis (even where nil transactions for the month) which are signed off and dated as evidence of timely completion and review.

#### **Management Comment**

Change from SynergySoft Banks Reconciliations module to Manual bank Reconciliations causing delays in the production of timely Bank Reconciliations for each Bank Account. All Bank Recs up to and including April 2017 as of the 30 May 2017 are now up to date and balancing to the General Ledger bank accounts for Muni bank, Trust bank, Licensing bank, Reserve Fund bank and On Call bank, Term deposits. Where nil transaction still occur a Bank Rec will be provided for those accounts still. Since the Finance Department has now caught up on the back log moving forward Bank Reconciliations will now be prepared on a timely monthly basis to ensure accuracy.

### **1.2 Rate Debtors Reconciliations**

Our interim audit indicated rate debtors reconciliations have not been completed on a monthly basis during the period July 2016 to April 2017.

#### **Management Comment**

Although this report was not prepared until April 2017 the DCCS balances the IE code for rates every month in the Monthly Statement of Financial Activity as a matter of course. When this report was run in April 2017 it balanced for each rates and charges including legal fees category to the cent.

### **1.3 Rateable values**

Inquiries made during our interim visit indicated, rateable value reconciliations had not been completed during the 2016/17 year.

#### **Management Comment**

Rolling Rates reconciliations for UV and GRV are currently being prepared ASAP as the FO has not prepared these reconciliations before, the DCCS is providing on the job training on this required Rates valuations reconciliation with the VGO rolls as a priority.

### **1.4 Sundry Debtors Reconciliations**

We noted the August, December, January, February, and March sundry debtor reconciliations were not completed on a timely basis, being completed on the 5 March 2017.

#### **Management Comment**

The FO has not prepared these reports before, the DCCS has provided on the job training to produce these reports now at the end of each month on a timely basis. Again the FO has been under a heavy workload taking on both Payroll/Creditors (up to March 2017) and Rates responsibilities for the last 5 months with the Departure of Mrs Lisa Dyer due to illness. When prepared these reports balanced each month to the cent.

### **1.5 Sundry Creditor Reconciliations**

Our review indicated sundry creditor reconciliations for the months of July 2016 through to April 2017 were completed and reviewed on the 5<sup>th</sup> of May 2017.

#### **Management Comment**

The new Casual FO has not prepared these reports before and the DCCS has provide on the job training to produce these reports now at the end of each month on a timely basis. When prepared these reports balanced each month to the cent, the only exception for one month which was a timing issue created by a GJ the DCCS undertook, which in the next month then balanced out.

#### **Implication**

Risk of material misstatement, error or omission within accounting records.

#### **Recommendation**

We recommend that the key balance sheet accounts (i.e. including the accounts outlined above) be regularly reconciled to the general ledger on a timely basis. This will ensure that any errors or imbalances are detected on a timely basis and the appropriate action taken accordingly.

These key general ledger account reconciliations should also be independently reviewed and signed off as evidence of independent review.

### **Management Comment**

Due to the Departure of the entire Finance Department Staff including the DCCS, SFO and FO from the Shire of Pingelly in and around June – August 2016 and the new DCCS and FO not starting until mid-September 2016. Several months' worth of back log occurred and the new FO and DCCS encountered many problem areas requiring correction of errors made by the contracted in Management Accountant from Hays. Assistance from Mr Bob Waddell and Mrs Bev Webb of great assistance in the 30 June 2017 Annual Financial Report.

## **2. ANNUAL BUDGET REVIEW**

### ***Finding Rating: Non-Compliance***

In accordance with the requirements of Regulation 33 of the Local Government (Financial Management) Regulation, Council's annual budget is to be forward to the Department within 30 days after Council acceptance.

Our audit indicated that although the budget was prepared and adopted by Council on 12 August 2016, the budget was not forwarded to the department within 30 days after Council approval as required.

Accordingly, we will be required to report this compliance matter within the compliance section of our audit report for the year ending 30 June 2017.

### **Implication**

Breach of statutory requirement.

### **Recommendation**

In the future please ensure the budget is forwarded to the Department within the required time frame.

### **Management Comment**

Due to staff turnover/changes this was missed and was not lodged by the 30 day deadline of 12 September 2016. This matter was addressed by the incoming DCCS with lodgement by email to [annual.budget@dlgc.wa.gov.au](mailto:annual.budget@dlgc.wa.gov.au) on the 28 September 2016.

## **3. ANNUAL COMPLIANCE REVIEW**

### ***Finding Rating: Non-Compliance***

We note Council's annual compliance review was not submitted to the Department of Local Government by 31 March 2017 as required by Section 15 of the Local Government (Audit) Regulations 1996 (submission dated 4 April 2017).

### **Implication**

Breach of statutory requirement.

### **Recommendation**

Please ensure Council's compliance review is submitted to the Department by 31 March each year.

### **Management Comment**

The DLGC requires this return to be prepared and lodged through the new Microsoft Portal that experienced many problems in its first year of introduction. Many Local Governments also were locked out or experienced delays in processing and lodgement due to the site issues. The DLGC are aware of the issues are working on getting the bugs out. The final date the DLGC website has recorded is the 18<sup>th</sup> April 2017 as finalised.

#### **4. EMPLOYEE RECORDS, TERMINATION CHECKLIST**

##### ***Finding Rating: Minor***

During our payroll testing we note an employee file could not be located for one employee who ceased employment during the 2016/2017 year.

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**

Employee files should be retained in a secure area, for all current employees and former employees as per statutory record keeping requirements. 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**

A new Terminated Employee Check list has been developed to address this matter. Over the last 9 months all terminated employees 'termination payments' have been prepared by the payroll officer and reviewed independently by the DCCS for accuracy and correctness.

When required the Shire has even had WALGA Workplace Solutions (Termination payments) and WALGA Tax Service review (ETP's) check working and calculations to ensure compliance with the Shire Enterprise Bargaining Agreement and relevant Industry Employment Awards and legislation and tax implications. I am happy to provide evidence of this for the Interim Audit File for past terminated employees in 2016/17 for Mrs Lisa Dyer and Mr Wade Taylor the two terminated employees at the Shire in the last 9 months.

## **5. PAYMENT OF EMPLOYEE SUPERANNUATION**

### ***Finding Rating: Minor***

Our audit testing identified one employee (details can be provided on request) who had elected to contribute voluntary superannuation from 16 January 2017, however review of a payslip dated 18<sup>th</sup> April 2017 indicated the deduction was not affected.

### **Implication**

Risk of error in respect to payment of employee super.

### **Recommendation**

We recommend when employees request to have additional superannuation deducted from their pay, payroll implement the change from the date of request.

### **Management Comment**

This human error oversight occurred after the Christmas Break period that Payroll Finance Officer left the Shire before Christmas, after being diagnosed with a terminal illness.

The remaining Shire Finance Officer assumed the duties and roles of the missing Finance Officer taking on Creditors, Payroll etc. Due to workloads and being time poor the FO missed this on the deductions form, due to staff shortages and increased workload levels.

A review by the DCCS on this matter, has a new separate superannuation deductions form is being created separate from the current payroll deduction form. The new clearer separate superannuation deduction form will reduce human error when dealing with changes to the Superannuation contribution changes being entered into SynergySoft Payroll System.

## **6. 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.

### **Implication**

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

### **Recommendation**

We recommend purchase orders be completed prior to purchasing goods and services with exception of utilities and regular payments.

### **Management Comment**

The Purchase Orders which were found to be post-dated are to be follow up to resolve this issue for the future.

### **Consultation:**

Shire of Pingelly Audit Committee  
Chief Executive Officer  
AMD Chartered Accountants

**Statutory Environment:**

*Local Government Act 1995* and associated regulations

**Policy Implications:**

There are no policy implications arising from this report.

**Financial Implications:**

There are no known financial implications upon either the Council's current budget or long term financial plan.

**Strategic Implications:**

There are no known significant strategic implications relating to the report or the committee recommendation.

**Voting Requirements:**

Simple Majority

**12234 Moved: Cr Steel**

**Seconded: Cr Walton-Hassell**

**Recommendation:**

**That the Audit Committee recommends to Council:**

- 1. receive the minutes of the Audit Committee dated 19 July 2017; and**
- 2. notes there are no further actions required by the Chief Executive Officer to address matters raised in the attached Interim Management Report.**

**Carried 6:0**

**11. CLOSURE OF MEETING**

The Chairman declared the meeting closed at 3.04pm.

These minutes were confirmed by Council at the Audit Committee Meeting held on

Signed.....  
Presiding Person at the meeting at which the minutes were confirmed.