



1.

Shire of Dowerin

Audit Committee Meeting

Minutes

28 June 2018 at 2 pm

Shire of Dowerin Council Chambers

COMMITTEE MEMBERS	
Cr D.P. Hudson	Shire of Dowerin
Cr A.J. Metcalf	Shire of Dowerin
Cr B.A. Ward	Shire of Dowerin
Apology:	
Mr Jason Whiteaker	External Advisor to the Audit Committee
OBSERVERS	
Andrea Selvey – CEO	Shire of Dowerin
Susan Fitchat – Finance and Corporate Services Manager	Shire of Dowerin

COMMITTEE TERMS OF REFERENCE (adopted by Council on 24 October 2017)

Objectives of the Audit Committee:

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Shire's auditor so that Council can be satisfied with the performance of the Shire in managing its financial affairs. Reports from the Audit Committee will assist Council in discharging its legislative responsibilities

The Audit Committee is to facilitate:

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the coordination of the internal audit function with the external audit; and
- the provision of an effective means of communication between the external auditor, internal auditor, the CEO and Council.

Powers of the Audit Committee:

The Audit Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference.

The Audit Committee is a formally appointed committee of Council and is responsible to that body. The committee does not have executive powers or authority to implement actions and does not have any delegated financial responsibility.

Membership:

The Audit Committee will consist of four members, being three elected and one external person. Membership will be reviewed biennially immediately following Local Government elections unless, by a decision of Council, an interim appointment is required. All members shall have full voting rights.

Appointment of external persons shall be made by Council by way of an invitation to a suitably qualified and experienced Local Government CEO or Corporate Services Executive and be for a maximum of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives. Reimbursement of approved expenses will be paid to the external person who is a member of the committee.

The CEO and Finance Manager will attend meetings in an advisory role only as needed which will include being available at any time the Committee meets.

Secretarial support will be provided to the Committee by the Governance Coordinator or Officer.

Meetings:

The Audit Committee shall meet at least quarterly.

Reporting:

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

Duties and Responsibilities:

The duties and responsibilities of the Audit Committee will be to:

- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Shire's auditor;
- c) Develop and recommend to Council a list of those matters to be audited and the scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include:

- the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the local government does everything in its power to –
- assist the auditor to conduct the audit and carry out his or her other duties under the Local Government Act 1995; and
 - ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters to –
- determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;
- l) Review the level of resources allocated to internal audit and the scope of its authority;
- m) Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
- n) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) Review the local government’s draft annual financial report, focusing on –
- accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
- p) Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- q) Review the annual Compliance Audit Return and report to Council the results of that review, and
- r) Consider the CEO’s biennial reviews of the appropriateness and effectiveness of the Shire’s systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the Council the results of those reviews.

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SHIRE OF DOWERIN

AGENDA FOR THE AUDIT COMMITTEE MEETING TO BE HELD ON 16 February 2018 at 9.00am at the Shire of Dowerin Council Chambers, Cottrell Street, Dowerin

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1. DECLARATION OF OPENING

The Shire President/Chair, Cr D.P Hudson, opened the meeting at 2.10 pm

2. ATTENDANCE

Members:

Cr D.P Hudson
Cr A.J. Metcalf
Cr B.A. Ward

Observers:

Mr Gary Martin – Acting Chief Executive Officer
Ms S. Fitchat – Finance and Corporate Services Manager

3. APOLOGIES

Mr J Whiteaker

4. APPLICATIONS FOR LEAVE OF ABSENCE

Nil

5. DECLARATION OF INTEREST

IMPORTANT: Parts of Division 6 Subdivision 1 of the Local Government Act 1995 requires Council members and employees to disclose any direct or indirect financial interest or general interest in any matter listed in this agenda.

The Act also requires the nature of the interest to be disclosed in writing before the meeting or immediately before the matter being discussed.

NB: A Council member who makes a disclosure must not preside or participate in, or be present during, any discussion or decision-making procedure relating to the disclosed matter unless the procedures set out in Sections 5.68 or 5.69 of the Act have been complied with.

Nil

6. CONFIRMATION OF MINUTES

OFFICER RECOMMENDATION – ITEM 6.1

THAT THE MINUTES OF THE MEETING OF THE SHIRE OF DOWERIN AUDIT COMMITTEE HELD ON 16 FEBRUARY 2018 BE CONFIRMED AS A TRUE AND CORRECT RECORD OF THAT MEETING.

COMMITTEE RECOMMENDATION – ITEM 6.1

Moved: Cr A Metcalf

Seconded: Cr B Ward

Carried: 3/0

THAT THE MINUTES OF THE MEETING OF THE SHIRE OF DOWERIN AUDIT COMMITTEE HELD ON 16 FEBRUARY 2018 BE CONFIRMED AS A TRUE AND CORRECT RECORD OF THAT MEETING.

7. PRESENTATIONS

Nil

8. REPORTS

8.1 STANDING ITEM – BUSINESS ARISING FROM PREVIOUS MEETING/S

Date: 13 February 2018
File Ref:
Disclosure of Interest: Nil
Author: S Fitchat – Finance Manager
Attachments: Nil

Summary

This report provides an update on business arising from previous Audit Committee meetings.

Background

At the Audit Committee Meeting on the 16 February 2018, the Audit Committee noted the following item as being in progress.

Comment

1. Query on status of ATO debt.
Response: The ATO has advised that due to the circumstances that the best way to handle overclaimed GST was to provide a voluntary disclosure as this may reduce any penalty that the ATO may impose, rather than restate the BAS for each period which would incur penalty.

The forensic audit identified fraudulent transactions where funds stolen were directly claimed back from the ATO via the BAS, by 'grossing up' expenditure. It also identifies fraudulently created invoices where GST was claimed and should not have been. These are the transactions to be voluntarily disclosed.

The matter of credit card transactions and GST has been considered. All transactions via the credit card were for purchases subject to GST and as such these will not be included in the Voluntary Disclosure.

The process for Voluntary Disclosure provides necessary information to the ATO regarding prior mistakes and gives the opportunity to bring tax affairs into order.

The voluntary disclosure must be 'in the approved form'. There isn't an actual form to fill in. 'In the approved form' means you must:
 - give the ATO information required to work out what the error or correct position is;

- provide the information in the required manner, such as by letter, through an approved ATO electronic channel, or (in limited circumstances) by phone or face-to-face; and
- ensure that it contains a declaration signed by an authorised person.

This disclosure process enables the ATO to determine the shortfall amount.

Updated: The Voluntary Disclosure has been provided to the ATO for the Shire by Megan Shirt our Local Government Consultant. The Shire is currently waiting on the ATO to advise the final calculated figure that will be required for payment.

Consultation

ATO; and

Megan Shirt, Financial Management Consultant.

Financial Implications

Nil

Risk

The item ensures that recommendations arising from Audit Committee meetings are considered and actioned.

Policy Implications

Nil

Statutory Implications

Nil

Strategic Implications

Strategic Community Plan - Theme 4 – Local Government Leadership

OFFICER RECOMMENDATION – ITEM 8.1

THAT THE AUDIT COMMITTEE NOTES THE PROGRESS ON ACTION AND THE RECOMMENDATION ARISING FROM PREVIOUS MEETING/S.

COMMITTEE RECOMMENDATION – ITEM 8.1

Moved: Cr B Ward

Seconded: Cr A Metcalf

Carried: 3/0

THAT THE AUDIT COMMITTEE NOTES THE PROGRESS ON ACTION AND THE RECOMMENDATION ARISING FROM PREVIOUS MEETING/S.

8.3 DRAFT INTERIM AUDIT REPORT

Date: 26 June 2018
File Ref:
Disclosure of Interest: Nil
Author: Susan Fitchat – Finance Manager
Senior Officer: Gary Martin – Acting Chief Executive Officer
Attachments: Draft Interim Audit report for June 2018.

Summary

The draft Interim Management Report following completion of the internal audit site visit between 11 June and 13 June 2018 is attached for the review for the finalisation of the audit recommendations.

Background

AMD reviewed, documented and tested the critical audit areas as outlined within section 5 of our Audit Services Proposal, including key accounting systems and related internal controls in place at the Shire of Dowerin, relating to the following key areas:

- Revenue and receipting;
- Purchasing and payments;
- Payroll; and
- Reconciliation of key accounts and preparation of monthly financial reports - including bank reconciliations, sundry debtors, rates debtor reconciliations, rateable value reconciliations, sundry creditor reconciliations and fixed asset reconciliations.

Comment

The auditors are pleased to report that on an overall basis, and subject to recommendations raised within Appendix 1 attached, our interim audit indicated management are being proactive in implementing previously reported recommendations and continue to develop and implement robust and effective controls and processes within the Shire.

Please refer to management's recommendations in the attached report; and the following recommendations will be implemented and actioned by management:

MASTERFILE ACCURACY AND VALIDITY

Recommendation by AMD

We recommend access be limited to only employees who are required to make the Masterfile changes.

We also recommend an independent review of all changes made to master files be conducted periodically. The review should involve:

- A download of all changes (new / old / modify) made to each master-file;
- A representative sample then be tested and traced to originating / supporting documentation to assure validity and timeliness; and
- A review for suspicious master-file changes (e.g. changes to bank details, unusual variations to pay-rates and amendments to existing supplier bank account details) should be performed.

Management Comment.

A procedure shall be implemented for the amendment on Synergy master files that relate to payroll and creditors. A formal form shall be prepared and signed off by Finance Offices and Senior personnel for the amendments and termination of payroll and creditor master files in Synergy.

A Synergy amendment register shall be maintained for creditors and payroll details.

Synergy general ledger updates and amendments to fixed assets and debtors shall be reviewed and signed off by a finance officers.

For monitoring of the formal approval process an automated monitoring of the system– a Synergy system alert email shall be sent to the CEO and Finance Manager. Any unauthorised amendments shall be investigated.

Action:

The Finance Manager to prepare the forms for the amendment of Creditors and Payroll.

Implementation for the sign off of the Asset Register and Debtors Synergy updates.

Implementation of a Synergy register for the monitoring of Creditor's and Payroll amendments by the Finance Officers

Email amendments to be sent through to the CEO and Finance Manager.

CREDIT CARDS.

Recommendation

In accordance with best practice guidelines as outlined within the Department of Local Government Operational Guideline Number 11 Use of Corporate Credit Cards and Shire of Dowerin stated policies, we recommend:

- A credit card register be maintained;
- All monthly credit card reconciliation and statements are signed by the cardholder. These reconciliations and statements should be independently reviewed and signed off as evidence of this review;
- Receipts be retained and filed with credit card reconciliations for all purchases on the credit card;
- Credit card reconciliations be completed on a timely basis every month.

Management Comment

The shire has a credit card holder listing for the current financial year. From 1 January 2018 to the 8th June 2018 there were 2 credit cards (The prior CEO and the Finance Manager). The prior CEOs card was cancelled on termination and currently there is only one card – the Finance Manager.

A credit card register shall be implemented from June 2018.

A separate document set on sharepoint shall be maintained for credit card transactions once documentation has been approved.

Reconciled Credit Card statements shall be presented and signed off at each Finance Committee meeting by the chairperson.

Other recommendations shall be implemented.

Action:

Update credit card register.

Prepare credit card reconciliation's to be signed off by the chairperson monthly

Recordkeeping on sharepoint.

MONTHLY RECONCILIATIONS

Bank reconciliations are part of the month end procedure. Signing of the bank reconciliations by the preparer and the reviewer shall be implemented.

Month end checklists shall be signed off by the reviewer. Rateable value reconciliation are performed upon receipt of the Landgate Valuer Generals schedule. This shall be implemented as part of the month end procedure.

Action:

Add to monthly checklist

PURCHASING

Recommendation

Although we consider the above items to be isolated instances, we recommend:

- Purchase orders be completed an authorised prior to purchases being made; and
- All invoices are stamped and signed in accordance with stated policy.

Management Comment

The above recommendation shall be implemented.

Action:

Management to remind staff of this procedure.

INTERIM RATING

Recommendation

We recommend interim rating is completed when updated Valuer General schedules are received to ensure GRV and UV values are up to date and rates are being correctly raised and charged.

Management Comment

Interim rating shall be implemented, upon receipt of the Valuer General schedule has been received. AMD have offered to assist to put a procedure in place.

Action:

AMD to assist with procedure if required.

PAYROLL

Recommendation

We recommend the setup of the housing allowance in Synergy is reviewed to the amount and superannuation allocation is correct.

Management Comment

The setup of the housing allowance is under review and additional information has been requested from in relation to superannuation on housing allowance.

Action:

The Finance Manager to obtain more information regarding the dates and advise of the employee that received incorrect payment of superannuation.

Consultation

AMD ; and

Finance shire office team

Financial Implications

Budget 2018-19

Risk

The Internal audit provides assurance for the accuracy of the end of year financial report.

It covers a robust area of risk assessment and compliance with auditing standards.

Policy Implications

Nil

Statutory Implications

Compliance with the Local Government (Audit) Regulations 1996.

The Local Government (Audit) Regulations 1996 provides the legislative framework for the conduct of Audits in Local Government. This process is compliant with those requirements.

Strategic Implications

Nil

OFFICER RECOMMENDATION – ITEM 8.2

- 1. THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL THAT COUNCIL NOTES THE INTERIM MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018**

COMMITTEE RECOMMENDATION – ITEM 8.2

Moved: Cr A Metcalf

Seconded: B Ward

Carried: 3/0

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL THAT COUNCIL NOTES THE INTERIM MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2018

9. QUESTIONS FROM MEMBERS

Nil

10. URGENT BUSINESS

Nil

11. DATE OF NEXT MEETING

Date: To be advised

Items for next meeting: Final Audit

12. CLOSURE OF MEETING

The Chair closed the meeting at 3 pm.