



Minutes

Audit Committee Meeting

Thursday 27 June 2019

Audit Committee – 27 June 2019

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Minutes of the Audit Committee Meeting held at the Murray Shire Council, 1915 Pinjarra Road, Pinjarra on Thursday 27 June 2019.

The Presiding Member Cr D Bolt declared the meeting open the time being 4.45pm.

Important Note

It should be noted that decisions of this Committee are only recommendations to and not decisions of the Council. Committee recommendations should therefore not be acted on or otherwise relied upon until Council has formally considered and decided on the Committee recommendations and advice has been provided to the applicant in writing.

1. ATTENDANCE

Cr D Bolt	Shire President
Cr S Lee	Deputy President
Cr G Black	Councillor
Cr D McLarty	Councillor
Cr A Rogers	Councillor
Cr B Beacham	Councillor
Mr D Unsworth	Chief Executive Officer
Mrs J Burton	Director Corporate Services
Mr A Smith	Director Technical Services
Mrs L McGuirk	Director Place and Community Development
Mrs F Hide	Coordinator Executive Services
Mrs C Pemberton	Exec. Assistant to Director Corporate and Community Development

2. APOLOGIES / LEAVE OF ABSENCE

Cr B Cardilini – apology
Cr C Rose – apology

3. CONFIRMATION OF MINUTES

3.1 Confirmation of Previous Minutes – 8 November 2018

Recommendation/Committee Decision

AC19/001

Moved: Cr A Rogers

Seconded: Cr S Lee

That the Minutes of the Shire of Murray Audit Committee meeting held on Thursday 8 November 2018 be confirmed as a true and correct record.

CARRIED UNANIMOUSLY 6:0

4. DEPUTATIONS

Nil

5. REPORTS

5.1 Financial Management Systems Review

File Ref: 8011-03
Author and Title: Julie Burton, Director Corporate and Community Development
Voting Requirements: Simple Majority

Appendix 1

Recommendation/Committee Decision

AC19/002

Moved: Cr B Beacham

Seconded: Cr D McLarty

That the Audit Committee:

- 1. accepts the report as contained in Appendix 1, dated May 2019, on the appropriateness and effectiveness of the Shire's financial management systems and procedures; and**
- 2. notes that no Interim Financial Audit Report for 2018/19 has been issued by the Shire's Auditors.**

CARRIED UNANIMOUSLY 6:0

PLEASE NOTE: Committee Recommendation AC19/002 was carried by Council at the 25 July 2019 meeting OCM 19/136 Refers.

In Brief

- The Financial Management Regulations have recently been amended, and the Financial Management Systems Review, previously required every 4 years, has been amended to being required on a 3 yearly basis.
- The results of the Review, conducted by the Shire Auditors, AMD Chartered Accountants, is provided in accordance with legislative requirements.
- The 2018/19 Interim Audit was also undertaken concurrently with the Financial Management Systems Review.

Background

In accordance with Regulation 5(2)(C) of the Local Government (Financial Management) Regulations 1996, Local Government CEO's are required to undertake a Financial Management System Review once every 3 financial years. This requirement is in addition to the two financial audits that are undertaken each year.

The scope of the review has incorporated an assessment of the appropriateness and effectiveness of Council's financial management systems and procedures, ensuring:

- The proper collection of all money owing to the Local Government;
- The safe custody and security of all money collected or held by Local Government;
- 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);
- Proper accounting for municipal or trust;
 - i. Revenue received or receivable;
 - ii. Expenses paid or payable; and
 - iii. Assets and liabilities.
- Proper authorisation for the incurring of liabilities and the making of payments;

- Maintenance of payroll, stock control and costing records; and
- Preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

The previous review was undertaken in May 2016 and endorsed by Council in June 2016. The report as provided in Appendix 1 has been prepared to satisfy this legislative requirement.

The key difference between the Financial Management Systems Review (FMSR) and the interim and final audit, is that the FMSR examines processes, systems and procedures, whereas the financial audits establish and review whether appropriate practices are occurring, and whether the financial statements are accurate through the substantiation of appropriate records and controls.

Report Detail

To conduct this financial management review, systems and processes were examined by the Shire Auditors, AMD Accountants. This included the assessment of the appropriateness and effectiveness of the following:

- Document financial systems detailing controls, procedures and reconciliations in relation to all sources of income, including:
 - Rates;
 - Sanitation charges;
 - Town Planning and Building Fees;
 - Health and Building Inspection Fees;
 - Building Hire Fees, Ground Rental Charges and Bonds;
 - Cemetery Fees;
 - Ranger services charges including fire prevention and animal control;
 - Private Works;
 - Library Charges;
 - Recreation Centre charges; and
 - General Administration Income.
- Site visits to cash collection points to review the controls and procedures over the collection, receipting, recording and banking of cash collected offsite, including:
 - Pinjarra Civic Centre;
 - Murray Leisure Centre;
 - Murray Library; and
 - Waste Transfer Stations.
- Site visit to the Operations Centre to review security over stocks held and allocation / costings of stocks used.
- Assess procedures and controls in place at the Operations Centre including:
 - Ordering of goods and services ;
 - Receiving of goods and services;
 - Allocation of goods and services to jobs/projects;
 - Process where discrepancies identified between goods and services ordered/received and allocated to jobs; and
 - Recording access and allocation and related internal controls in respect to fuel.
- Test collection, receipting, invoicing and posting procedures over cash receipts on a sample basis.
- Review credit control procedures in respect to sundry debtors and rates debtors.

- Review the security of cash and banking procedures to ensure the appropriate controls and procedures are in place.
- Review of payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure these controls were operating effectively.
- Review of controls and procedures over the authorisation of purchase orders and making of payments, with a sample of payments tested.
- Review of credit card and petty cash processes and procedures, and testing transactions on a sample basis.
- Review the procedures for preparation of monthly accounts and general ledger account reconciliations.
- Review the procedures for preparation of the annual Financial Statements and annual Budget and assess for efficiency.
- Review the budget review to ensure compliance with Regulation 33A of the Local Government (Financial Management) Regulations 1996.
- Detailed review information technology systems to assess physical security, access security, data backups, contingency plans, compliance and systems development.
- Detailed analysis and testing to review the allocation of overheads and administration costs.
- Review of registers maintained (including key register and tender register) and review of Council minutes.
- Review policies and procedures in respect to insurance, recording claims and insuring newly acquired assets.
- Review processes in respect to BAS, FBT Return and other statutory returns preparation.

The review has listed several areas where the Shire of Murray has the opportunity to improve its financial management systems and / or procedures. Comment is provided within this report for the 'significant' or 'moderate' findings.

Significant

Area	Comment
Master File Changes	Procedures have been tightened up to ensure an independent review occurred. These changes have been re-introduced effective immediately.
Procurement	Currently there is no central repository for the gathering of quotations and linking them to purchases, however this will be in place from 1 July, with the new corporate business system ensuring that quotes will be able to be accessed directly from the purchase order system.

Moderate

Area	Comment
Security of Cash Takings	Various mechanisms have been implemented to ensure the security of various cash collection points are increased.
Review of Key Monthly Reconciliations	Physical sign-off will be implemented, rather than visual endorsement.
Credit Card Transactions	While the bank statement page itself is not signed off, the reconciliation page is signed and the credit card

	transactions are presented to Council each month. Minor amendments will be implemented to meet the audit requirements.
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The Auditors have advised that there are no findings to report from the 2018/19 Interim Audit, and therefore no audit report will be issued.

Murray 2030 Strategic Community Plan

Focus Area	Capable and Accountable
Aspiration	To develop strong leadership through good governance, effective communication and ensuring value for money.
Strategy	Establish a strong corporate governance framework to ensure high standards of integrity, ethics and accountability.

Other Strategic Links

Nil

Statutory Environment

Local Government (Financial Management) Regulations Section 5(2)(c) requires the CEO to 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.

Sustainability & Risk Considerations

Economic - (Impact on the Economy of the Shire and Region)

Nil

Social - (Quality of life to community and/or affected landowners)

Nil

Environment – (Impact on environment's sustainability)

Nil

Policy Implications

Nil

Risk Management Implications

<i>Risk Level</i>	<i>Comment</i>
Moderate	The key risk of not undertaking the review is non-compliance with the requirements of the Local Government legislation. The regular review also minimises risk of adverse financial trends.

Consultation

Nil

Resource Implications

Financial

Nil

Workforce

Nil

Options

The Audit Committee has the option of:

- 1. Accepting the report as presented
- 2. Not accepting the report

Conclusion

A review of the financial systems and procedures has been undertaken in accordance with the Financial Management Regulations. This review has found that overall, the financial systems are comprehensive, however, due to increased controls being suggested as a part of industry auditing changes, some procedural matters can be improved. These have been scheduled to occur in accordance with the level of risk, however, all will be in place by 30 June 2019.

The overall findings are consistent with recent audit reports which have found that significant controls and procedures are embedded within the organisation that ensure the integrity of the financial management systems, and that accurate financial records are being maintained.

6. CLOSURE OF MEETING

There being no further business the Presiding Member declared the meeting closed the time being 4.48pm.

I confirm that these minutes were confirmed at the Ordinary Council Meeting held on 2019 as being a true and correct record.

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Presiding Member

2019
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Date