



Shire of  
Peppermint Grove

# **AUDIT COMMITTEE MEETING**

## **AGENDA**

*This meeting is not open to the public. All recommendations of this committee are referred to council.*

**TO BE HELD ON THE**

**15 DECEMBER 2020 AT 4.00PM**



# Shire of Peppermint Grove

## NOTICE OF MEETING

Dear Committee Member

It is advised that the **Audit Committee Meeting** will be held in the Council Chamber of the **Shire of Peppermint Grove**, 1 Leake Street, Peppermint Grove, on 15 December at 4.00pm.

## MEETING AGENDA ATTACHED

Yours faithfully

A handwritten signature in black ink, appearing to read 'Don Burnett', is positioned above the printed name.

**Mr Don Burnett**  
**CHIEF EXECUTIVE OFFICER**

**11 December 2020**



# Shire of Peppermint Grove

## AUDIT COMMITTEE MEETING AGENDA

15 December 2020

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### 1 DECLARATION OF OFFICIAL OPENING

At \_\_\_\_\_ pm, the Presiding Member declared the meeting open.

### 2 RECORDING OF ATTENDANCE, APOLOGIES AND LEAVES OF ABSENCE

#### 2.1 ATTENDANCE

Shire President  
Deputy Shire President  
Elected Member  
Elected Member

Cr R Thomas  
Cr C Hohnen  
Cr P Macintosh  
Cr P Dawkins

Chief Executive Officer  
Manager Corporate and Community Services

Mr D Burnett  
Mr M Costarella

#### 2.2 GUESTS

Office of Audit General  
Internal Auditor  
External Auditor

Suraj Karki Assistant Director, Financial Audit  
Santo Casilli, AdvantEdge Consulting  
Marius van der Merwe, Butler Settineri

#### 2.3 APOLOGIES

#### 2.4 LEAVES OF ABSENCE



### **3 DECLARATIONS OF INTEREST**

*Councillors / Staff are reminded of the requirements of section 5.65 of the Local Government Act 1995, to disclose any interest during the meeting when the matter is discussed, and also of the requirement to disclose an interest affecting impartiality under the Shire's Code of Conduct. Councillors / staff are required to submit declarations of interest in writing on the prescribed form.*

#### **5.1 FINANCIAL INTEREST**

*A declaration under this section 5.60 of the Act requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.*

*Other members may allow participation of the declarant if the member further discloses the extent of the interest and the other members decide that the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.*

#### **5.2 PROXIMITY INTEREST**

*A declaration under this section 5.60 of the Act requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.*

*Other members may allow participation of the declarant if the member further discloses the extent of the interest and the other members decide that the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.*

#### **5.3 IMPARTIALITY INTEREST**

*Councillors and staff are required (Code of Conduct), in addition to declaring any financial interest, to declare any interest that might cause a conflict. The member / employee is also encouraged to disclose the nature of the interest. The member / employee must consider the nature and extent of the interest and whether it will affect their impartiality. If the member / employee declares that their impartiality will not be affected then they may participate in the decision making process.*

## **5.4 INTEREST THAT MAY CAUSE A CONFLICT**

*Councillors and staff are required (Code of Conduct), in addition to declaring any financial interest, to declare any interest that might cause a conflict. The member / employee is also encouraged to disclose the nature of the interest. The member / employee must consider the nature and extent of the interest and whether it will affect their impartiality. If the member / employee declares that their impartiality will not be affected then they may participate in the decision making process.*

## **3.5 STATEMENT OF GIFTS AND HOSPITALITY**

*Councillors and staff are required (Code of Conduct), to disclose gifts and acts of hospitality which a reasonable person might claim to be a conflict of interest. Gifts and acts of hospitality which exceed that amount of prescribed by regulation are to be recorded in the Councils Gift Register.*

## **4 ANNOUNCEMENTS BY THE PRESIDING MEMBER (WITHOUT DISCUSSION)**

## **5 CONFIRMATION OF MINUTES**

### **5.1 AUDIT COMMITTEE MEETING 10 MARCH 2020**

#### **OFFICER RECOMMENDATION – ITEM 7.1**

**Moved:**

**Seconded:**

That the Minutes of the Audit Committee Meeting, of the Shire of Peppermint Grove held in the Council Chambers on 10 March 2020 be confirmed as a true and accurate record.

## 6.OFFICER REPORTS

### 6.1 2019/20 Internal Audit Report – AdvantEdge Consulting

#### MANAGEMENT/GOVERNANCE/POLICY

#### ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
<b>CONFIDENTIAL</b> Attachment 1 – Item refers:	2019/20 Internal Audit Reports- List of Low Risk Items <ul style="list-style-type: none"> <li>• Revenue Collection &amp; Cash Handling</li> <li>• Cash Investments</li> <li>• Rates &amp; Charges</li> <li>• Gift Register &amp; Councillor Payment</li> <li>• Bonds &amp; Trust Deposits</li> </ul>

Voting Requirement : Simple Majority  
 Subject Index : Financial management Audit  
 Disclosure of any Interest : Nil  
 Responsible Officer : Michael Costarella, Manager Corporate & Community Services

#### PURPOSE OF REPORT

The purpose of this report is to present to Council the 2019/20 Internal Audit report for information

#### SUMMARY AND KEY ISSUES

The Internal Auditor undertook an audit of the internal control and processes for various administrative function and has provided a report on the actions to be undertaken. Staff have included Management comments which include a number of written procedures to be developed and that will be assessed in the follow-up in 2020.

## **BACKGROUND**

The CEO is required to provide the Audit Committee with a report on the internal procedures and processes in accordance with the Financial Management regulations. Our Internal Auditor has been engaged to undertake a review of a number of functions including:-

- Revenue Collection & Cash Handling
- Cash Investments
- Rates & Charges
- Gift Register & Councillor Payment
- Bonds & Trust Deposits

## **CONSULTATION**

There has been no specific consultation undertaken in respect to this matter.

## **STRATEGIC IMPLICATIONS**

There are no Strategic Implications identified at this time.

## **POLICY IMPLICATIONS**

Financial Management Policies

## **STATUTORY IMPLICATIONS.**

Local Government (Financial Management ) Regulations 1996

### ***5. CEO's duties as to financial management***

- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
  - (a) *for the proper collection of all money owing to the local government; and*
  - (b) *for the safe custody and security of all money collected or held by the local government; and*
  - (c) *for 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); and*
  - (d) *to ensure proper accounting for municipal or trust —*
    - (i) *revenue received or receivable; and*
    - (ii) *expenses paid or payable; and*
    - (iii) *assets and liabilities;*



*and*

- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
  - (f) for the maintenance of payroll, stock control and costing records; and*
  - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) The CEO is to —*
- (a) ensure that the resources of the local government are effectively and efficiently managed; and*
  - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
  - (c) 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.*

Local Government (Audit Regulations) 1996

#### **17. CEO to review certain systems and procedures**

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
  - (a) risk management; and*
  - (b) internal control; and*
  - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) The CEO is to report to the audit committee the results of that review.*

#### **FINANCIAL IMPLICATIONS**

There are no Financial Implications identified at this time.

#### **ENVIRONMENTAL IMPLICATIONS**

There are no Environmental Implications identified at this time.

#### **SOCIAL IMPLICATIONS**

There are no Social Implications identified at this time.



**OFFICER COMMENT**

In March 2020, Council received a number of reports on the various administrative function which highlighted the need to develop written procedures. All matter were consider low risk and could be resolved by the development of written procedures.

**OFFICER RECOMMENDATION/S – ITEM NO 6.1**

**That the Committee recommends to Council that it notes the reports on the Internal Audit 2019/20 attached to the Audit Governance and Risk Management Committee Agenda.**

6.2 2019/20 Interim Audit Management Letter – Officer of Auditor General & Butler Settineri

## MANAGEMENT/GOVERNANCE/POLICY

### ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
<b>CONFIDENTIAL</b> Attachment 2 – Item refers	Correspondence from Butler Settineri (Auditor)

Voting Requirement	Simple Majority
Subject Index	Financial management Audit
Disclosure of any Interest	Nil
Responsible Officer	Michael Costarella, Manager Corporate & Community Services

### PURPOSE OF REPORT

To provide information to Council regarding an interim audit report undertaken by Council's Auditor in May 2020.

### SUMMARY AND KEY ISSUES

- To provide the committee with correspondence received from its Auditors relating to the findings identified during the interim audit. The Attachment includes management responses to the findings.

### LOCATION

N/A



## **BACKGROUND**

The Shire's Auditor conducted the interim audit in May 2020 and have provided a draft interim audit report that included a number of findings. Staff have provided comments on the findings Council on the results of the audit findings. The report referred to the following issues:-

1. Library – accounting for the Joint Operation
2. Unrecognised assets
3. Assessment of new accounting standards
4. Journal Entries not independently approved
5. Purchase orders dated after invoice dates
6. Opening balance trial balance not in agreement with the audited financial statements
7. Bank Reconciliations
8. ICT Disaster Recovery Plan

The Shire provided responses that satisfied to most issues included in the Management Letter, however the matters may require further addressing following our responses being considered by the OAG.

## **CONSULTATION**

There has been no specific consultation undertaken in respect to this matter.

## **STRATEGIC IMPLICATIONS**

There are no Strategic Implications identified at this time.

## **POLICY IMPLICATIONS**

Financial Management Policies

## **STATUTORY IMPLICATIONS.**

Part 7 of the Local Government Act 1995

## **FINANCIAL IMPLICATIONS**

There are no Financial Implications identified at this time.



## **OFFICER COMMENT**

The draft interim audit report identified 8 areas for improvement and Management has addressed these areas. These include:-

- Library – accounting for the Joint Operation- *This relates to the Shire only including 9.09% of income and expenditure in the 2019/20 Annual financial statements as well the 2018/19 and 2017/18 financial years.*
- 2. Unrecognised assets- *This relates to the inclusion of Council's ownership portion of 555 Gibney street Cottesloe*
- 3. Assessment of new accounting standards- *This is currently being undertaken*
- 4. Journal Entries not independently approved- *This was corrected for the year end journals which are now authorised by the Manager of Corporate Services.*
- 5. Purchase orders dated after invoice dates- *Procurement Procedures have been provided to all staff who raise Purchase Orders and reminded of the importance of the process.*
- 6. Opening balance trial balance not in agreement with the audited financial statements- *An explanation was provided to the Auditor and our understanding is that this is no longer an issue.*
- 7. Bank Reconciliations- *This related to 2 bank reconciliations that were not found due to the changeover of staff.- Bank reconciliations are completed every month and signed by the Manager of Corporate Services.*
- 8. ICT Disaster Recovery Plan- *A Plan will be developed within the next 12 months.*

## **OFFICER RECOMMENDATION/S – ITEM NO 6.2**

**That the Audit Governance and Risk Management Committee recommends to Council that it notes the interim audit report and management comments:**

## **7. CLOSURE**

There being no further business, the meeting closed at