

SHIRE OF MT MARSHALL



Mt Marshall Audit Committee

**Minutes of the
Mt Marshall Audit Committee Meeting
held on Tuesday 18 December 2018
in Council Chambers,
80 Monger St, Bencubbin
commencing at 2:30pm.**

Chairman

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intentionally**

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1.0 Declaration of Opening / Announcement of Visitors

The Presiding Member declared the meeting open at 2:30 pm.

2.0 Record of Attendance / Apologies

Attendance

Cr ARC Sachse	President/ Chairperson	
Cr NR Gillett	Deputy President / Deputy Chairperson	
Cr SR Putt	Councillor	
Cr SE Faulkner	Councillor	
Cr LN Gobbart	Councillor	
Cr IC Sanders	Councillor	
Mr John Nuttall	Chief Executive Officer	
Ms Nadine Richmond	Executive Assistant	
Ms Tanika McLennan	Finance and Administration Manager	
Mr Greg Godwin	Moore Stephens	2.35pm – 2.52pm

Apologies

Cr RM Kirby Councillor

3.0 Standing Orders

Audit2018/004 COMMITTEE DECISION:

That Standing Order number 9.2 - Limitation of Number of Speeches be suspended for the duration of the meeting to allow for greater debate on items in the agenda.

Moved Cr LN Gobbart Seconded Cr NR Gillett Carried 6/0

Audit2018/005 COMMITTEE DECISION:

That Mr Greg Godwin of Moore Stephens be authorised to attend the meeting by way of telephone communication from his office or similar non-public environment.

Moved Cr SR Putt Seconded Cr SE Faulkner Carried 6/0

Mr Greg Godwin entered the meeting at 2.35pm

4.0 Confirmation of Minutes of Previous Meetings

4.1 Minutes of Mt Marshall Audit Committee

Audit2018/006 COMMITTEE DECISION:

That the Minutes of the Audit Committee Meeting held on Tuesday 20 March 2018 be confirmed as a true and correct record of proceedings.

Moved Cr IC Sanders

Seconded Cr LN Gobbart

Carried 6/0

5.0 Petitions / Deputations / Presentations / Submissions

Nil

6.0 Reports of Officers

6.1 Finance and Administration Manager

6.1.1 2017/2018 Annual Financial Report and Audit Report

File No:	F1/2
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author:	Tanika McLennan – Finance and Administration Manager
Attachments:	6.1.1a – Audited Financial Report to 30 June 2018 6.1.1b – Independent Auditors Report and Management Letter
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority
Previously Considered:	Nil

Background:

The Shire's auditor, Moore Stephens, has conducted the annual financial audit of the Shire of Mt Marshall for the period 1 July 2017 to 30 June 2018. A copy of the audited Financial Statement is attached, along with the Independent Audit Report and Management Letter, for consideration by the Audit Committee.

Consultation:

Bob Waddell – Contract Accountant

Statutory Environment:

Local Government Act 1995

5.54. Acceptance of annual reports

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(1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

(2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

7.1A. Audit committee

(1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

(2) The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

* Absolute majority required.

(3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.

(4) An employee is not to be a member of an audit committee.
[Section 7.1A inserted by No. 49 of 2004 s. 5.]

Division 3 — Conduct of audit

7.9. Audit to be conducted

(1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —

- (a) the mayor or president; and
- (b) the CEO of the local government; and
- (c) the Minister.

(2) Without limiting the generality of subsection (1), where the auditor considers that —

- (a) there is any error or deficiency in an account or financial report submitted for audit; or
- (b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or
- (c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,
details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.

(3) The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —

- (a) prepare a report thereon; and

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(b) forward a copy of that report to the Minister,
and that direction has effect according to its terms.

- (4) If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government to be dealt with under section 7.12A.

[Section 7.9 amended by No. 49 of 2004 s. 7.]

Relevant Plans and Policy:

Nil

Financial Implications:

There are no financial implications associated with accepting the annual financial report.

Risk Assessment:

The failure of Council to accept the annual report before 31 December could result in a breach of legislation.

Community & Strategic Objectives:

Outcome 4.3 A local government that is highly respected, professional, trustworthy and accountable

4.3.6 Operate in a financially sustainable manner

Comment:

The audit is considered to be a “clean” audit, in that the auditors did not find any uncorrected misstatements, errors or omissions.

Audit2018/007 OFFICER’S RECOMMENDATION/COMMITTEE DECISION:

That the Audit Committee recommend to Council that it adopt the:

- 1. Audited Financial Report for the year ended 30 June 2018;***
- 2. Independent Audit Report for the year ended 30 June 2018 and;***
- 3. Management Letter for the year ended 30 June 2018.***

Moved Cr SR Putt

Seconded Cr NR Gillett

Carried 6/0

Mr Greg Godwin left the meeting at 2.52pm

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6.2 Chief Executive Officer

6.2.1 Corporate Credit Cards

File No:	F1/21
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author:	John Nuttall – Chief Executive Officer
Attachments:	6.2.1 – Draft Credit Card and Purchasing Policies
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority
Previously Considered:	Nil

Background:

Council budgeted this year for the Shire to take part in Project Aware, a governance support service addressing statutory compliance, risk management and internal controls delivered by Civic Legal. The service enhances the capacity of the Shire through continuous improvement processes but also assists officers to build a body of work to enable compliance with Regulation 17 of the Local Government (Audit) Regulations 1996. As part of that project there have been monthly meetings (primarily via the cost-effective medium of video link) between various officers and Civic Legal.

The project has built Shire governance capability by empowering officers to determine in what areas of governance or risk there may be a weakness, and then spend time reviewing the policies and procedures around that particular topic. With guidance from Civic Legal in contact sessions, selected areas have been discussed, and then changes or improvements determined by officers in ensuing weeks.

Whilst the project is at an early stage it is believed appropriate for an update to be provided to the audit committee regarding the topics covered, and information regarding how improvements will be delivered. The audit committee then has the opportunity to discuss the individual topics, and make any suggestions that it feels will allow them to fulfil their duties under regulation 16.

In this report, the focus is on credit cards and purchasing. However, ultimately it is intended that all of the topics will be presented 'en masse' to the audit committee in order to fulfil the requirements of regulation 17. This is likely to occur towards the end of the current financial year.

Consultation:

Internal consultation with Executive Assistant, Finance and Administration Manager and Regulatory Officer.

External consultation with Civic Legal via the Project Aware program.

Statutory Environment:

Local Government (Audit) Regulations 1996

16. Functions of audit committee

An audit committee has the following functions —

(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) its functions relating to other audits and other matters related to financial management;

(b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;

(c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —

(i) report to the council the results of that review; and

(ii) give a copy of the CEO's report to the council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under

(i) regulation 17(1); and

(ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;

(f) to oversee the implementation of any action that the local government —

(i) is required to take by section 7.12A(3); and

(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

(iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and

(iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(g) to perform any other function conferred on the audit committee by these regulations or another written law.

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.

Relevant Plans and Policy:

The Shire has policies covering credit cards (Policy F&R 2.4) and purchasing (Policy F&R 2.5). There will be minor amendments required to both policies required to deal with the suggested changes – these policy amendments will be presented to Council at the Ordinary Meeting with a recommendation that those amendments are adopted.

Financial Implications:

There are no financial implications from this report, but of course the use of the Shire corporate credit cards do have financial implications which are reported to Council every month.

Risk Assessment:

There is a risk that officers will continue to use purchase orders incorrectly, and when they are not needed for credit card purchases should the policy not be amended. It is also prudent to review and amend the purchasing policy as it has been discovered that there is no mention of the need for a purchase order within that document.

Community & Strategic Objectives:

Outcome 4.3 A local government that is highly respected, professional, trustworthy and accountable

4.3.2 Provide sufficient resources to facilitate effective governance

4.3.3 Ensure compliance with all relevant legislation

4.3.5 Use resources efficiently and effectively

4.3.6 Operate in a financially sustainable manner

Comment:

Whilst undertaking the review of corporate credit cards through Project Aware, officers have determined that there is currently an anomaly relating to the requirement to use a purchase order. It is office procedure that a purchase order is used for any purchase. However that procedure is not enshrined in any current Council policy. Further it became apparent to officers that purchase orders have been used for purchases by credit card. This is not appropriate as one of the main reasons for having corporate credit cards is for those purchases which cannot be made by purchase order. Often a purchase order is prepared after the purchase by credit card. However, officers have now determined that this is not appropriate because the purchase order records would not then reflect reality. Further, filling out a purchase order after a credit card purchase appeared to be redundant and a waste of officers' time. It has therefore been determined by officers that the best way to deal with these anomalies is to make amendments to both the purchasing policy and the credit card policy. Those amendments will (subject to adoption by Council) enshrine the need for a purchase order to be used for all purchases other than by credit card, and confirm that a purchase order is not required for purchase by credit card – although the other safeguards such as the need to retain receipts and obtain prior authorisation will remain.

Audit2018/008 OFFICER'S RECOMMENDATION/COMMITTEE DECISION:

1. ***That the Audit Committee receive the report***
2. ***That the Audit Committee recommend to Council that the amended Credit Card and Purchasing Policies be adopted, as per attachment 6.2.1.***

Moved Cr LN Gobbart

Seconded Cr SR Putt

Carried 6/0

6.2.2 Office Emergency Management

File No:	A6/38
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author:	John Nuttall – Chief Executive Officer
Attachments:	Nil
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority
Previously Considered:	Nil

Background:

Council budgeted this year for the Shire to take part in Project Aware, a governance support service addressing statutory compliance, risk management and internal controls delivered by Civic Legal. The service enhances the capacity of the Shire through continuous improvement processes but also assists officers to build a body of work to enable compliance with Regulation 17 of the Local Government (Audit) Regulations 1996. As part of that project there have been monthly meetings (primarily via the cost-effective medium of video link) between various officers and Civic Legal.

The project has built Shire governance capability by empowering officers to determine in what areas of governance or risk there may be a weakness, and then spend time reviewing the policies and procedures around that particular topic. With guidance from Civic Legal in contact sessions, selected areas have been discussed, and then changes or improvements determined by officers in ensuing weeks.

Whilst the project is at an early stage it is believed appropriate for an update to be provided to the audit committee regarding the topics covered, and information regarding how improvements will be delivered. The audit committee then has the opportunity to discuss the individual topics, and make any suggestions that it feels will allow them to fulfil their duties under regulation 16.

This report is regarding emergency and evacuation procedures within the Shire Administration Office. During discussions it was realised that the emergency procedures, required by places of work were not up to date. Accordingly it was determined that there would be a review initially of the procedures within the administration office, with future reviews dealing with all other areas of the Shire operations.

Consultation:

Internal consultation with Executive Assistant, Finance and Administration Manager and Regulatory Officer.

External consultation with Civic Legal via the Project Aware program.

Statutory Environment:

Local Government (Audit) Regulations 1996

16. Functions of audit committee

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(a) to guide and assist the local government in carrying out —

(i) its functions under Part 6 of the Act; and

(ii) its functions relating to other audits and other matters related to financial management;

(b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;

(c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —

(i) report to the council the results of that review; and

(ii) give a copy of the CEO's report to the council;

(d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under

(i) regulation 17(1); and

(ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;

(f) to oversee the implementation of any action that the local government —

(i) is required to take by section 7.12A(3); and

(ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and

(iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and

(iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);

(g) to perform any other function conferred on the audit committee by these regulations or another written law.

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.

Relevant Plans and Policy:

Nil at this stage, although procedures will be drawn up during the course of this review and disseminated to all necessary personnel.

Financial Implications:

There has been some cost regarding the provision of external professional advice and documentation regarding this topic. These costs will be funded from the current budget.

Risk Assessment:

There is a risk to safety of the administration staff if appropriate policies and procedures are not put in place regarding emergency and evacuation.

Community & Strategic Objectives:

Outcome 4.3 A local government that is highly respected, professional, trustworthy and accountable

4.3.1 Promote and support elected members and staff participation in training, education and professional development

4.3.2 Provide sufficient resources to facilitate effective governance

4.3.3 Ensure compliance with all relevant legislation

Comment:

Administration staff have been trying for some time to have the appropriate plans, policies and procedures drawn up regarding evacuation and emergency. After a lengthy wait for assistance from LGIS regarding these issues it became apparent that their appropriately qualified staff to assist in this area were extremely busy and there was no indication as to how long we may have to wait. Accordingly a decision was taken to secure other external assistance. The administration office has now been visited and appropriate plans are being drawn up. These will be put into place as soon as they are available.

Audit2018/009 OFFICER'S RECOMMENDATION/COMMITTEE DECISION:

That the Audit Committee receive the report.

Moved Cr NR Gillett

Seconded Cr SE Faulkner

Carried 6/0

6.2.3 Records Management

File No:	A2/19
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author:	John Nuttall – Chief Executive Officer
Attachments:	Nil
Declaration of Interest:	Nil
Voting Requirements:	Simple Majority
Previously Considered:	Nil

Background:

Council budgeted this year for the Shire to take part in Project Aware, a governance support service addressing statutory compliance, risk management and internal controls delivered by Civic Legal. The service enhances the capacity of the Shire through continuous improvement processes but also assists officers to build a body of work to enable compliance with Regulation 17 of the Local Government (Audit) Regulations 1996. As part of that project there have been monthly meetings (primarily via the cost-effective medium of video link) between various officers and Civic Legal.

The project has built Shire governance capability by empowering officers to determine in what areas of governance or risk there may be a weakness, and then spend time reviewing the policies and procedures around that particular topic. With guidance from Civic Legal in contact sessions, selected areas have been discussed, and then changes or improvements determined by officers in ensuing weeks.

Whilst the project is at an early stage it is believed appropriate for an update to be provided to the audit committee regarding the topics covered, and information regarding how improvements will be delivered. The audit committee then has the opportunity to discuss the individual topics, and make any suggestions that it feels will allow them to fulfil their duties under regulation 16.

In this report the focus is upon the current records management systems within the Shire. However, ultimately it is intended that all of the topics will be presented 'en masse' to the audit committee in order to fulfil the requirements of regulation 17.

It is fair to say that the records system requires improvement in order that the Shire is compliant with the State Records Act. The improvements will take an amount of time and this topic is one that will take a lengthy period of time to complete – and is likely to be one that will often need to be reviewed.

Consultation:

Internal consultation with Executive Assistant, Finance and Administration Manager and Regulatory Officer.

External consultation with Civic Legal via the Project Aware program.

Statutory Environment:

Local Government (Audit) Regulations 1996

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16. Functions of audit committee

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- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under
 - (i) regulation 17(1); and
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

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 —
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 - (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.

Relevant Plans and Policy:

Although the Shire does not currently have a policy relating specifically to record keeping, a number of documents do refer to record keeping such as the Shire's Record Keeping Plan.

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Financial Implications:

A budget for the implementation of a digital records system has already been set for the current financial year. The requirement for ongoing training of staff and management of the system will be built into future budgets.

Risk Assessment:

There is a risk that if an appropriate records system is not implemented that the Shire will be in breach of its record keeping duties under the State Records Act.

Community & Strategic Objectives:

Outcome 4.3 A local government that is highly respected, professional, trustworthy and accountable

4.3.2 Provide sufficient resources to facilitate effective governance

4.3.3 Ensure compliance with all relevant legislation

4.3.5 Use resources efficiently and effectively

4.3.6 Operate in a financially sustainable manner

Comment:

It has been determined that the only feasible way to undertake the process of improving the records system is in incremental steps given the size of the task. Council has budgeted this year for the purchase of a digital records system, which will be the first step of improvement. This purchase is being conducted in conjunction with other NEWROC Shires in order to achieve best value for money. The digital system will also require the use of 'key words for council' which will mean a standardising of the filing system and should allow easier records access and maintenance. There will then be a requirement for training staff in the new system, a period of transition to the new system and then appropriate measures put in place to ensure that all staff comply. This whole change is likely to take many months.

Audit2018/010 OFFICER'S RECOMMENDATION/COMMITTEE DECISION:

That the Audit Committee receive the report

Moved Cr IC Sanders

Seconded Cr SR Putt

Carried 6/0

Chairman Initial

7.0 Next Meeting – to be advised

8.0 Closure of Meeting

The Chairman declared the meeting closed at 2:56pm.

These Minutes were confirmed by the Mt Marshall Audit Committee at its meeting held

Date

Chairman