

I hereby certify that the Minutes of the Audit (Finance and Risk) Committee Meeting are a true and accurate record of the proceedings contained therein.

Chairperson

Date



SHIRE OF WYNDHAM | EAST KIMBERLEY

MINUTES SPECIAL AUDIT (FINANCE AND RISK) COMMITTEE

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**SHIRE OF WYNDHAM EAST KIMBERLEY
MINUTES OF THE SPECIAL AUDIT (FINANCE AND RISK)
COMMITTEE MEETING
KUNUNURRA COUNCIL CHAMBERS
HELD ON TUESDAY, 28 JUNE AT 3:30 PM**

1. DECLARATIONS OF OPENING

The Chair opens the meeting at 3:34pm.

Meeting adjourned at 3:36pm until to 4:15pm to allow for Auditor to arrive.

Meeting reconvened at 4:15pm.

2. RECORD OF ATTENDANCE / APOLOGIES

ATTENDANCE

Cr S Rushby	Councillor - Chair
Cr J Parker	Shire President
Cr B Robinson	Councillor
Cr N Perry	Councillor
Cr A Petherick	Councillor
C Askew	Chief Executive Officer
N Octoman	Director Corporate Services
L Gee	Director Community Development
M Le Riche	Executive Assistant (Minute Taker)

GALLERY

Cr K Wright
Cr D Spackman
Donna Aladin
Warren Shaw

APOLOGIES

Nil

LEAVE OF ABSENCE PREVIOUSLY APPROVED

Nil

3. PUBLIC QUESTION TIME/PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. DECLARATION OF INTEREST

- Financial Interest

Nil

- Impartiality Interest

Nil

- Proximity Interest

NIL

5. ACCEPTANCE OF MINUTES OF PREVIOUS MEETING

Nil

6. DEPUTATIONS / PRESENTATIONS / SUBMISSIONS / NOTICES OF MOTIONS

David Tomasi, Partner - Moore Stephens Perth, Council's Auditors

7. REPORTS

7.1 Interim Audit for Year Ended 30 June 2016

DATE:	28 June 2016
AUTHOR:	Natalie Octoman, Director Corporate Services
RESPONSIBLE OFFICER:	Natalie Octoman, Director Corporate Services
FILE NO:	FM.02.15
DISCLOSURE OF INTERESTS:	Nil

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee recommends to the Council that it:

- 1. Receives the report titled Interim Audit Visit Year Ended 30 June 2016 - Matters Noted and Requiring Follow Up; and**
- 2. Notes the management comments in relation to the items noted within the report.**

COMMITTEE RESOLUTION

Minute No. AC411

Moved: Cr B Robinson

Seconded: Cr N Perry

That the Audit (Finance and Risk) Committee recommends to the Council that it:

- 1. Receives the report titled Interim Audit Visit Year Ended 30 June 2016 - Matters Noted and Requiring Follow Up; and**
- 2. Notes the management comments in relation to the items noted within the report.**

Carried 5/0

PURPOSE

For the Audit (Finance and Risk) Committee to recommend to the Council that it notes the report titled "Interim Audit Visit Year Ended 30 June 2016 - Matters Noted and Requiring Follow Up" received from the Council's auditors, Moore Stephens.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Regulator - enforce state legislation and local laws

BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

Moore Stephens, Council's appointed auditors, conducted an onsite procedural audit in May 2016 in preparation for the 2015/16 Annual Audit. The auditors have provided management with an Interim Audit Visit document which is for information purposes only and does not form part of the formal audit reporting process.

STATUTORY IMPLICATIONS

Local Government Act 1995

7.12A. Duties of local government with respect to audits

- (1) *A local government is to do everything in its power to —*
- (a) *assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*

POLICY IMPLICATIONS

No policy implications apply in relation to this item at this stage however the Terms of Reference for the Committee are relevant.

FINANCIAL IMPLICATIONS

No financial implications apply in relation to this item.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved services

Strategy 1.4.1 : Ensure legislative compliance and follow best practice principles in planning and service delivery

RISK IMPLICATIONS

Strategic Risk: Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

Control: Annual Financial Audit and review policies and procedures in accordance with review schedule.

COMMUNITY ENGAGEMENT

The Shire of Wyndham East Kimberley's CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

No community engagement is required.

COMMENTS

The observations and management comments in relation to these are contained within the report attached. No further comments are deemed to be necessary, particularly as Mr David Tomasi will be in person to present the report findings to the Committee.

ATTACHMENTS – Item 7.1

Attachment 1 - Interim Audit Visit Year Ended 30 June 2016 - Matters Noted and Requiring Follow Up

**Interim Audit Visit
Matters Noted & Requiring Follow Up**

30 June 2016

**Shire of Wyndham
– East Kimberley**

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1.0 Compliance

The interim audit included audit procedures which test the Shire's compliance with the Local Government Act 1995 and accompanying regulations in the context of the scope of our engagement.

Two matters were noted.

1.1 ANNUAL REPORT

Observation

The annual financial report for the year ended 30 June 2015 was not submitted to the Department of Local Government and Communities within 30 days of receiving the auditor's report as required by Financial Management Regulation 51(2).

Comment: To help ensure compliance with statutory provisions, this requirement should be correctly addressed in the future.

As the above matter raised represents non-compliance with the Financial Management Regulations, it may be carried forward to our audit report for the year ended 30 June 2016.

Management Comment:

While the Annual Report was received by the Council and made available on the Shire's website, the sending of the Report to the Department was overlooked. A checklist is being implemented to ensure that all legislative requirements around the Annual Report are adhered to in the future.

1.2 ANNUAL MEETING OF ELECTORS - LOCAL PUBLIC NOTICE

Observation

Local public notice of at least 14 days was not given in respect to the Annual Meeting of Electors' as required by Section 5.29(1) of the Local Government Act.

Comment: To help ensure compliance with statutory provisions, this requirement should be correctly addressed in the future.

Management Comment:

While the Shire addresses public notices via a number of methods that met and in fact exceeded statutory provisions in relation to the timing of notice for the AGM, the appropriate publication date in the local paper was missed by two days. An automated compliance reminder system has been implemented to ensure no future failures.

Note: This document is for audit purposes only to document matters discussed with management and is not intended to express nor imply any opinion or assurance. It should be read in conjunction with our covering letter in respect of our interim audit visit.

2.0 Systems and Procedures

During our interim audit, we also perform procedures to obtain audit evidence relating to amounts and disclosures to be included in the 2016 financial report. The procedures included assessment of risks of material misstatement of the financial report.

In making our risk assessments, we considered systems and procedures relevant to the Shire's preparation of the financial report and designed our audit procedures accordingly. It should be noted, these procedures were undertaken to allow us to express an opinion on the financial statements of the Shire and not for the purpose of expressing an opinion on the effectiveness of the Shire's systems and procedures.

It is our practice to report matters found in the Shire's systems and procedures where improvements could be made.

Two matters have been noted as follows:

2.1 BANK RECONCILIATIONS

Observation

Our review of the bank reconciliations noted that, whilst a reconciliation process is being undertaken, due to some inherent problems associated with EFT processing, the reconciliations for the municipal and trust accounts have not been completed since November 2015.

Comment: Bank reconciliations are of primary control importance and are the catalyst for many transactions in other ledger accounts. Bank reconciliations for all accounts should be prepared on at least a monthly basis.

To help ensure the bank reconciliations are correct, as well as prepared regularly and promptly, they should be reviewed by a senior staff member. This review should also seek to confirm the accuracy of the reconciliation and should be evidenced accordingly.

Management Comment:

Whilst the reconciliations may not have been entirely completed at the time of the onsite visit, they were up to date until October when an issue with the EFT line resulted in significant processing errors occurring with customers payments. This required a completely separate reconciliation process that was extremely time consuming and needed to be closely worked through with the EFT provider and customers. Bank reconciliations are high on the team's priority and are normally performed on a monthly basis and reviewed by a senior staff member. This occurrence was an isolated incident that was unavoidable and had a significant impact on the process. Every effort has been made to ensure the appropriate transactions were recorded, and the reconciliations progressed correctly.

2.2 PURCHASE ORDERS

Observation

Whilst we acknowledge the internal processes implemented to assist adherence with the purchase order policy, we noted one instance where a purchase order was raised after services were performed or goods were received.

Comment: All authorised officers should be continually "reminded" of the need to ensure purchase orders are raised prior to the time of authorising works/services or ordering goods. This will help to ensure goods/services have been appropriately ordered and authorised and also helps ensure budget responsibility.

Management Comment:

Notwithstanding isolated incidents may occur, the processes implemented and undertaken in terms of communication at staff meetings, policy amendments and the roll-out process to staff, along with EFT Compliance Reports presented to the Executive Management Team weekly, are continually applied so we may continue to engage with staff to "remind" them of the requirements. It should be noted that since the introduction of the EFT Compliance Reports and various communication mechanisms, that compliance by officers has significantly improved.

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3.0 Reminder

During our procedures, we noted the Shire's Long Term Financial and Asset Management Plans have not been updated for some time and do not forecast past 2021/22 (only effectively a six year forecast from the current point in time).

In order for the calculation of the Shire's Asset Renewal Funding Ratio (required for the annual financial report) to be calculated, the forecast must be for at least 10 years.

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8. MATTERS BEHIND CLOSED DOORS

Nil

9. DATE OF NEXT MEETING

Tuesday 9 August 2016, 3pm.

10. CLOSURE

The Chairperson declares the meeting closed at 4:47pm.