



Shire of Mukinbudin
Audit Committee Meeting
UNCONFIRMED MINUTES

Audit Committee Meeting held at
15 Maddock St, Mukinbudin
Commencing at 11.30am Wednesday 29th May 2019

Dirk Sellenger
CHIEF EXECUTIVE OFFICER

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ETHICAL DECISION MAKING AND CONFLICTS OF INTEREST

Council is committed to a code of conduct and all decisions are based on an honest assessment of the issue, ethical decision-making and personal integrity. Councillors and staff adhere to the statutory requirements to declare financial, proximity and impartiality interests and once declared follow the legislation as required.

7.1B. Delegation of some powers and duties to audit committees

- (1) Despite section 5.16, the only powers and duties that a local government may delegate* to its audit committee are any of its powers and duties under this Part other than this power of delegation.

** Absolute majority required.*

- (2) A delegation to an audit committee is not subject to section 5.17.

[Section 7.1B inserted by No. 49 of 2004 s. 5.]

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an audit committee is to be made by a simple majority.

[Section 7.1C inserted by No. 49 of 2004 s. 5.]

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 - 10.1 Nil
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1. Declaration of Opening

1.1 The Shire President declared the Meeting open at 11.30am

2. Public Question Time

2.1 Response to previous questions taken on notice.

2.2 Declaration of public question time opened

The Shire president declared public question time open.

2.3 Declaration of public question time closed

The Shire President declared public question time closed.

3. Record of attendance, apologies and approved leave of absence

3.1 Present:

Cr Gary Shadbolt – President

Cr Sandie Ventris – Deputy President

Cr Rod Comerford

Cr Romina Nicoletti

Cr Steve Paterson

Cr Jeff Seaby

3.2 Apologies:

3.3 On leave of absence:

3.4 Staff:

Mr Dirk Sellenger – Chief Executive Officer

Mrs Nola Comerford-Smith – Administration Manager

Mr Ed Nind – Finance Manager

3.5 Visitors:

3.6 Gallery:

3.7 Applications for leave of absence:

4. Petitions, deputations and presentations

4.1 Petitions

Nil

4.2 Deputations

Nil

4.3 Presentations

Nil

5. Announcements by the Presiding person without discussion

5.1 Nil

6. Confirmation of the Minutes of previous meetings

6.1 Confirmation of Minutes for the Audit Committee Meeting of Council held on the 17th April 2019

OFFICER RECOMMENDATION / COUNCIL DECISION

Council Decision Number – 01 05 19

Voting Requirements – Simple Majority

Moved: Cr Ventris

Seconded: Cr Comerford

That the Minutes of the Audit Committee Meeting of Council held on the 17th April 2019 be accepted as a true and correct record of proceedings.

Carried 6 / 0

7. Matters for which the meeting may be closed

7.1 Nil

8. Reports of Committees and Officers

8.1 Meeting with the Auditor - Not Available

The *Local Government Act 1995* section 7.12A 'Duties of Local Government with respect to audits' subsection (2) states:

- (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.

8.2

8.2.1 Interim Management Letter for Year Ended 30 June 2019	
Location:	Mukinbudin
File Ref:	ADM 001
Applicant:	Dirk Sellenger, Chief Executive Officer
Date:	28 th May 2019
Disclosure of Interest:	Nil
Responsible Officer	Ed Nind, Finance Manager
Author:	Dirk Sellenger, Chief Executive Officer
Voting Requirements	Absolute Majority
Documents Attached	Nil
Documents Tabled	Nil

Summary

To receive the Shire of Mukinbudin Interim Management Report for the Year ended 30 June 2019.

Background Information

The Local Government Act 1995 requires Council to prepare and accept an Annual Report for each financial year by 31 December after that financial year.

The Shire of Mukinbudin Interim Audit, the first to be conducted under the Office of the Auditor General (OAG), has been completed for the year ended 30th June 2019.

A copy of the Department of Local Government and Communities Operational Guideline Number 09 – ‘Audit in Local Government’ revised September 2013 is also attached for information.

(See extract from Operational Guidelines No9 below on roles and responsibilities)

“Role and Responsibilities

8 The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

9 The audit committee should critically examine the audit and management reports provided by the external auditor. The committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.

10 While a formal internal audit function could be considered to be an operational function and therefore the responsibility of the CEO, it is desirable for an internal auditor to have a direct line of communication to the Audit Committee.

The Audit Committee needs to form an opinion of the local government’s internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent. The role of the external auditor in this regard can be established at the time of appointment.

Please note that an audit committee (or any other committee) cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local government is assigned the function through the legislation, the audit committee may have a role unless the function has been delegated to the CEO by the Council.”

Meeting with the Auditor once per year

15 The legislation specifies that a local government is required to meet with its auditor at least once in every year. The term “local government” in this context means the Council. If Council so resolved via a formal delegation, a meeting between the audit committee and the auditor would satisfy this requirement.

16 It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or audit committee should resolve how the meeting with the auditor will be conducted and for the record of the meeting to show that the auditor was involved and the matters discussed. It would be inappropriate for Council representatives to meet with the auditor in their offices unless they were members of the Audit Committee or a significant majority of the members are present.

17 The committee may need to liaise regularly with the external auditor to discuss the audit plan, results of the audit and implementation of any recommendations for action emerging from the audit. How communication and liaison between auditor and committee is to occur should be addressed in the agreement of appointment.

18 Advice from the auditor may address issues such as –

- (i) an assessment of accounting procedures;*
- (ii) an assessment of internal controls;*
- (iii) an assessment of risk;*
- (iv) compliance with the Act and associated regulations;*
- (v) compliance with Council policies;*
- (vi) performance assessments on the efficiency and effectiveness of operations;*
- (vii) processes of the internal audit;*
- (viii) outcomes of the external audit prior to issue of management and audit reports; and*
- (ix) changes to accounting standards and legislation and the impact on the local government.*

Officer Comment

Council’s Auditors, OAG, have completed an interim audit of Council’s financial records and processes and have forwarded a management letter to the Shire President and CEO as follows:



Our Ref: 8346



Mr Gary Shadbolt
President
Shire of Mukinbudin
PO Box 67
MUKINBUDIN WA 6479

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: (08) 6557 7500
Fax: (08) 6557 7600
Email: info@audit.wa.gov.au

Dear Mr Shadbolt

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2019**

We have completed the interim audit for the year ending 30 June 2019. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate the overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit and we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3) (a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided solely for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the CEO. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7576 if you would like to discuss these matters further.

Yours faithfully

MIKEY FIORUCCI
ASSISTANT DIRECTOR
FINANCIAL AUDIT
28 May 2019

Attach

SHIRE OF MUKINBUDIN
 PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019
 FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Fixed assets below \$5,000		✓	
2. Credit card statements		✓	
3. IT disaster recovery plan and business continuity plan			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF MUKINBUDIN
PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Fixed Assets Below \$5,000

Finding

From 1 July 2018, Regulation 17A(5) of the Local Government (Financial Management) Regulations 1996 now requires assets with a fair value at the date of acquisition under \$5,000 to be excluded from the assets of a local government entity.

We reviewed the fixed asset register at 1 July 2018 and noted many individual assets with a fair value below \$5,000 remain in the register, the total fair value of these assets is approximately \$53,000.

Rating: Moderate

Implication

Non-compliance with Regulation 17A(5) of the Local Government (Financial Management) Regulations 1996, in addition assets are likely to be misstated.

Recommendation

Management should review the asset register and ensure any assets acquired with a fair value at date of acquisition under \$5,000 are excluded from the register.

Management Comment

The Shire will review all fixed assets in the register at the date of acquisition in the month of June 2019 prior to the audit visit.

Responsible Person: Ed Nind
Completion Date: 30 June 2019

SHIRE OF MUKINBUDIN
PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Credit Card Statements

Finding

We noted no evidence of review on the monthly credit card statements by the credit cardholder.

**Rating: Moderate
Implication**

In the absence of sufficient review by the cardholder, there is an increased risk of unauthorised credit card transactions occurring without being detected which may result in financial loss to the Shire.

Recommendation

To help ensure all credit card transactions are bona fide, the cardholder should review their credit card statements every month and evidence of the review should be documented.

Management Comment

All credit card statements will now be signed by the credit cardholder and a new procedure will be implemented from June 2019.

Responsible Person: Dirk Sellenger
Completion Date: 31 May 2019

SHIRE OF MUKINBUDIN

PERIOD OF AUDIT: 1 JULY 2018 TO 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. IT Disaster Recovery and Business Continuity Plan

Finding

During our review of IT general controls we noted that a high-level Disaster Recovery plan approved in June 2015 has not been recently updated or tested since it was implemented.

Rating: Minor

Implication

Without ongoing review and testing of Disaster Recovery plans, there is an increased risk that the Shire may not be able to recover from any disruption to core services in a timely manner or may incur financial loss.

Recommendation

The Shire should update the disaster recovery plan for any recent changes in the IT environment and assess the overall risk profile of the Shire.

Furthermore, detailed recovery procedures should be developed to include:

- Processes to follow in the event of a disaster, including consideration of how these may change depending on the type of disaster.
- How the Shire will return to normal operations after a disaster event, including expected recovery timeframes of key services.
- Key staff responsibilities and contact details of emergency management personnel.
- A plan to review and test disaster recovery procedures on a regular basis.

Management Comment

The IT disaster recovery plan will be amended and testing of back up will now be performed regularly.

Responsible Person: Dirk Sellenger
Completion Date: 30 June 2019

Statutory Environment

The Local Government Act 1995 Section 7.2 provides:

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by each local government.

The Local Government Act 1995 Section 7.12A provides:

- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to –
 - (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to –
 - (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
 - (b) forward a copy of that report to the Minister,
By the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

Strategic & Social Implications

Nil

Policy Implications

Nil

Financial Implications

Nil

OFFICER RECOMMENDATION / COUNCIL DECISION

Council Decision Number – 02 05 19

Moved: Cr Seaby

Seconded: Cr Nicoletti

That Council receives the Interim Management Letter from the Office of the Auditor General for the year ended 30 June 2019.

Carried 6 / 0

10 **Urgent Business without notice (with the approval of the President or meeting)**

Nil

12. **Closure of Meeting**

12.1 The Chairperson thanked Elected Members and Staff for attending and declared the meeting closed at 11.47am.