



# **Shire of Mukinbudin**

## **Audit Committee Meeting**

# **AGENDA**

Audit Committee Meeting held at  
15 Maddock St, Mukinbudin  
Commencing at 11.30am Tuesday 21<sup>st</sup> June 2022

Dirk Sellenger  
**CHIEF EXECUTIVE OFFICER**

## **DISCLAIMER**

No responsibility whatsoever is implied or accepted by the Shire of Mukinbudin for any act, omission or statement or intimation occurring during Council or Committee meetings. The Shire of Mukinbudin disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings. Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by a member or officer of the Shire of Mukinbudin during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Mukinbudin. The Shire of Mukinbudin warns that anyone who has any application lodged with the Shire of Mukinbudin must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attaching to the decision made by the Shire of Mukinbudin in respect of the application.

## **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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**1. Declaration of Opening**

- 1.1 The Shire President declared the Meeting open at \_\_\_\_ am

**2. Record of attendance, apologies and approved leave of absence**

- 2.1 Present:  
Cr Gary Shadbolt – President  
Cr Geoff Bent  
Cr Steve Paterson  
Cr Romina Nicoletti  
Cr Sandie Ventris  
Cr Ashley Walker  
Cr Abi Farina  
Cr Callum McGlashan
- 2.2 Staff:  
Mr Dirk Sellenger – Chief Executive Officer  
Mrs Louise Sellenger – Manager of Corporate Services  
Mr Ed Nind – Finance Manager
- 2.3 Apologies:  
Cr Jeff Seaby – Approved Leave of Absence
- 2.5 Visitors:
- 2.6 Gallery:

**3. Confirmation of the Minutes of previous meetings**

- 3.1 Confirmation of Minutes for the Audit Committee Meeting of Council held on 22 March 2022.

**Voting Requirement**

Simple Majority

**OFFICER RECOMMENDATION**

**Council Decision Number –**

**Moved: Cr**

**Seconded: Cr**

**That the Minutes of the Audit Committee Meeting of Council held on 22<sup>nd</sup> March 2022 be accepted as a true and correct record of proceedings.**

**Carried /**

**4. Matters for which the meeting may be closed**

- 4.1 Nil

## 5. Reports of Officers

5.1 Shire of Mukinbudin - Systems, Procedures and Financial Management Review	
Location:	Mukinbudin
File Ref:	ADM289
Applicant:	Dirk Sellenger, Chief Executive Officer
Date:	14 June 2022
Disclosure of Interest:	Nil
Responsible Officer	Dirk Sellenger, Chief Executive Officer
Author:	Ed Nind, Finance Manager
Documents Attached	<a href="#">Shire of Mukinbudin Financial Management Review</a> (11 Pages)

### **Report Purpose**

To present the Systems, Procedures and Financial Management Review 2022 to the Audit Committee first, then to Council for adoption.

### **Background**

Every 3 years each the CEO of a Local Government in Western Australia is required to review certain systems and procedures as specified in Regulation 17. Of the Local Government (Audit) Regulations 1996.

Every 3 years the CEO is also required to undertake FMR as required in the Local Government (Financial Management) Regulations 1996 Reg 5(2) (c)

The Local Government (Audit) Regulations 1996 Regulation 17 states:

#### *"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."*

The Local Government (Financial Management) Regulations 1996 Reg 5 states:

#### *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.”*

### **Comment**

The last FMR was adopted by Council on 16 May 2018.

It was determined that the required reviews were best performed by an independent experienced auditor on the CEO's behalf to carry out the reviews as required in both the Audit and Financial Management Regulations.

Quotes were called in February 2021 and the work awarded to Hall Chadwick on 6 March 2021 with a target completion date of 30 June 2021.

However significant delays were caused Covid-19 lock downs and illness. In addition to these delays further delays resulted from lack of staff availability due to other programmed commitments, at both the Shire of Mukinbudin and Hall Chadwick. The final report was signed off on 19 May 2022. This report is attached.

A summary of the findings is below:

FINDINGS	RATING
<b>PLAN FOR THE FUTURE</b> <ul style="list-style-type: none"><li>Strategic Community Plan and Corporate Business Plan need to be updated</li></ul>	<b>Moderate</b>
<b>REGISTERS</b> <ul style="list-style-type: none"><li>Tender register not updated adequately</li></ul>	<b>Low</b>

The findings are given a risk rating as an indication of the potential risk if not satisfactorily resolved.

Risk Level	Action Required
Very High	Senior management attention needed and should have a very high priority for immediate action. Immediate action is generally required.
High	Senior management attention needed and should have a high priority for immediate action. Immediate action is generally required.
Moderate	Management responsibility and timeframe for risk reduction must be specified. Corrective action is generally required as soon as possible.
Low	Manage by routine procedures – action when resources permit. Corrective action is required but with a lower priority than higher risks.

Further details are in Section 4 of the report, including recommendations to assist the Shire in maintaining an appropriate and effective financial management systems and procedures.

The Conclusion of the report reads:

***“Conclusion***

*Based on our work performed, nothing has come to our attention to indicate that the Shire has not established and maintained, in all material respects, appropriate and effective financial management systems and procedures during the period covered by our review being 1 January 2021 to 30 November 2021.”*

**Statutory Environment**

*Local Government Act 1995*

*Local Government (Financial Management) Regulations 1996*

*Local Government (Audit) Regulations 1996*

**Policy Implications**

Nil

**Financial Implications**

Nil

**Strategic Implications**

Nil

**Voting Requirements**

Simple Majority

**OFFICER RECOMMENDATION**

**Committee Decision Number**

**Moved: Cr**

**Seconded: Cr**

**That the Audit Committee recommend to Council that 2021 Shire of Mukinbudin Financial Management Review be received and recorded in the minutes of Council.**

**Carried /**

**6. Closure of Meeting**

The Chairperson thanked Elected Members and Staff for attending and declared the meeting closed at \_\_\_\_am.





## Financial Management Review

### Shire of Mukinbudin

May 2022

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## 1. INDEPENDENT REVIEWER'S REPORT

### Independent Reviewer's Report TO THE CHIEF EXECUTIVE OFFICER (CEO) OF THE SHIRE OF MUKINBUDIN

At the request of the CEO, Hall Chadwick Audit (WA) Pty Ltd was engaged to conduct a limited assurance review of the appropriateness and effectiveness of the Shire of Mukinbudin's financial management systems and procedures. The objective of the review is to assist the CEO discharge responsibilities in respect to Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended) and Regulation 17 of the Local Government (Audit) Regulations 1996. The review was conducted for the period 1 January 2021 to 30 November 2021.

### CEO's Responsibility for Maintaining and Reviewing Financial Management Systems and Procedures

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Shire's resources. In accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended) and Regulation 17 of the Local Government (Audit) Regulations 1996, the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures. At least once in every four financial years the CEO is to report the results of those reviews to Council.

### Our Responsibility

Our responsibility is to provide a report expressing limited assurance, designed to enhance the confidence of the CEO to assist reporting on the appropriateness and effectiveness of the financial management systems as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended). We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3500 Performance Engagements issued by the Australian Auditing and Assurance Standards Board and the Audit Guidelines, in order to state whether, based on the procedures performed, anything has come to our attention that causes us to believe that Shire's financial management systems have not been operating effectively. Our engagement provides limited assurance as defined in ASAE 3500.

Our procedures were agreed to with the CEO in our engagement letter dated 15 March 2021.

### Limitations of Use

This report is made solely to the CEO of the Shire of Mukinbudin for the purpose of reporting under Local Government (Financial Management) Regulation 5(2)(c) and Regulation 17 of the Local Government (Audit) Regulations 1996. We disclaim any assumption of responsibility for any reliance on this report to any person other than the CEO of the Shire of Mukinbudin, or for any purpose other than that for which it was prepared. We disclaim all liability to any other party for all costs, loss, damages, and liability that the other party might suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party, or the reliance on our report by the other party.

## Inherent Limitations

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3500 and consequently does not allow us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an opinion providing reasonable assurance.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and its responsibility to prevent and detect irregularities, including fraud. Accordingly, readers of our reports should not rely on the report to identify all potential instances of non-compliance which may occur.

Any projection of the evaluation of the level of compliance to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with management procedures may deteriorate.

## Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

## Conclusion

Based on our work described in this report (which is not an audit), nothing has come to our attention to indicate the Shire of Mukinbudin has not established and maintained, in all material respects, appropriate and effective financial management systems and procedures during the period covered by our review being 1 January 2021 to 30 November 2021.

For those aspects of the Shire of Mukinbudin's Financial Management system and procedures which were assessed as having opportunities for improvement, our findings are summarised at Section 2 of this report and detailed observations and comments are within Section 4 of this report.



**HALL CHADWICK AUDIT (WA) PTY LTD**  
**ABN: 42 163 529 682**



**NIKKI SHEN**  
**Director**

Dated this 19 of May 2022  
Perth, Western Australia

## 2. EXECUTIVE SUMMARY

The objective of our engagement as outlined in our engagement letter dated 15 March 2021 is to provide a report expressing limited assurance designed to enhance the confidence of the intended user (in this instance the CEO) in the performance of the control environment of the financial management system of the Shire of Mukinbudin (administered by Shire staff being the Responsible Party) for which the intended user (CEO) is ultimately responsible in accordance with the Act and Regulations.

It includes the performance of assurance procedures designed to test the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within, as required by Financial Management Regulation 5(2)(c).

### Summary of Results

The following is a summary of areas reviewed where nothing has come to our attention to indicate appropriate and effective financial management systems and procedures had not been established and maintained.

AREAS REVIEWED
<b>BANK RECONCILIATION AND PETTY CASH MANAGEMENT</b> Internal controls over bank reconciliations and procedures are operating effectively.
<b>TRUST FUNDS</b> Trust funds adequately controlled and statutory requirements met.
<b>RECEIPTS AND RECEIVABLES</b> Internal controls over receipts and receivables are operating effectively.
<b>FEES AND CHARGES</b> Internal controls over fees and charges are operating effectively and statutory requirements were met.
<b>PURCHASES, PAYMENTS AND PAYABLES (INCLUDING PURCHASE ORDERS)</b> Internal controls over purchases and payables are operating effectively.
<b>PAYROLL</b> Internal controls over payroll are operating effectively.
<b>CREDIT CARD PROCEDURES</b> Internal controls over credit cards are operating effectively.
<b>FIXED ASSETS</b> Internal controls over fixed assets system and procedures are operating effectively.
<b>MINUTES AND MEETINGS</b> Procedures and protocols surrounding meetings and the quality of minutes of a satisfactory standard and in accordance with legislative requirements.
<b>FINANCIAL REPORTS</b> Financial Reports of a satisfactory standard and in compliance with legislative requirements.
<b>BUDGET</b> The adopted budget was of satisfactory form and content and met all statutory requirements.
<b>DELEGATIONS</b> The delegations register complies with statutory requirements.
<b>AUDIT COMMITTEE</b> The audit committee complies with statutory requirements.
<b>INSURANCE</b> Insurance up to date and reviewed annually.
<b>STORAGE OF DOCUMENTS/RECORD KEEPING</b> Records management systems are operating effectively.
<b>GENERAL COMPLIANCE AND OTHER MATTERS</b> Internal controls and restrictions over general journal entries and investments maintained properly. IT general environment considered appropriate for the Shire's needs.

## 2. EXECUTIVE SUMMARY

### Recommendations

As referred to in Section 1, a brief summary of our findings identified are as follows:

FINDINGS	RATING
<b>PLAN FOR THE FUTURE</b> <ul style="list-style-type: none"> <li>Strategic Community Plan and Corporate Business Plan need to be updated</li> </ul>	Moderate
<b>REGISTERS</b> <ul style="list-style-type: none"> <li>Tender register not updated adequately</li> </ul>	Low

The findings are given a risk rating as an indication of the potential risk if not satisfactorily resolved.

Risk Level	Action Required
Very High	Senior management attention needed and should have a very high priority for immediate action. Immediate action is generally required.
High	Senior management attention needed and should have a high priority for immediate action. Immediate action is generally required.
Moderate	Management responsibility and timeframe for risk reduction must be specified. Corrective action is generally required as soon as possible.
Low	Manage by routine procedures – action when resources permit. Corrective action is required but with a lower priority than higher risks.

Further details are in Section 4 of this report, including our recommendations to assist the Shire in maintaining an appropriate and effective financial management systems and procedures.

### Conclusion

Based on our work performed, nothing has come to our attention to indicate that the Shire has not established and maintained, in all material respects, appropriate and effective financial management systems and procedures during the period covered by our review being 1 January 2021 to 30 November 2021.

### 3. SCOPE

#### Scope

Our review covered the period 1 January 2021 to 30 November 2021 (revised and agreed with management) and encompass the following financial systems and procedures of the Shire:

- Purchases, Payments and Payables (Including Purchase Orders)
- Receipts/Receivables
- Payroll
- Rates
- Bank Reconciliations
- Trust Fund
- Fees and Charges
- Minutes and Meetings
- Financial Reports
- Budget
- Plan for the Future
- Fixed Assets
- Delegations
- Registers
- Audit Committee
- Insurance
- Storage of Documents/Record Keeping
- Credit Card Procedures
- General Compliance and Other Matters

Our review did not cover any provisions of the Act or Regulations which were non-financial in nature.

## 4. AREAS EXAMINED WITH FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

### 4.1 Bank Reconciliations and Petty Cash Management

#### Bank Reconciliations

Reviews of bank reconciliations and procedures for the agreed period were performed with the following observations noted:

Findings / Observations	Recommendations
Review of the monthly bank reconciliations were carried out.	None

#### Petty Cash Management

No weaknesses/observations were noted from our review of the petty cash system and procedures.

#### Receipts and Receivables

Review of the receipts and receivables process and procedures, together with randomly selected receipt samples for the agreed period were performed without any weaknesses/observations noted.

### 4.2 Rates

Review of the rating procedures, including inspection of the rate notices, instalment notices and valuation reconciliation were performed, together with testing of randomly selected samples for the agreed period. There were no weaknesses/observations noted.

### 4.3 Fees and Charges

Review of the fees and charges procedures, including allocations were performed, together with testing of randomly selected samples for the agreed period. There were no weaknesses/observations noted.

### 4.4 Purchases, Payments and Payables (including Purchase Orders)

Review of the payments and payables process and procedures, together with randomly selected payment samples for the agreed period were performed with the following observations noted:

Findings / Observations	Recommendations
We noted that the Shire has recently reviewed, updated and adopted its purchasing policy in October 2021. As such, our payment samples performed did not include testing of the application of the newly adopted policy.	None
Review of the monthly payables reconciliations were carried out.	None

### 4.5 Payroll

Review of the payroll process and procedures, together with randomly selected payment samples for the agreed period were performed no weaknesses/observations noted.



## 4. AREAS EXAMINED WITH FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

### 4.6 Credit Card Procedures

Review of the credit card procedures were performed with no weaknesses/observations noted.

### 4.7 Fixed Assets

Review of the fixed assets procedures, including controls over acquisition and disposal of assets, updating of the fixed assets register and reconciliation of the fixed assets register to the general ledger, together with selected depreciation samples for the agreed period were performed. There were no weaknesses/observations noted.

### 4.8 Minutes and Meetings

Council and Committee meeting minutes were reviewed to ensure compliance with procedures and protocols with no weaknesses/observations noted.

### Financial Reports

The latest annual report (including financial report) and monthly financial reports were reviewed for compliance with legislative requirements with no weaknesses/observations noted.

### 4.9 Budget

We obtained an understanding of the budget process without any weaknesses/observations noted.

### 4.10 Plan for the Future

The Shire's currently has in place Strategic Community Plan (2018-2028) and Corporate Business Plan (2017/18-2020/21).

Findings / Observations	Recommendations
Despite the Strategic Community Plan being a 10 year term, we noted that there has not been any documentation available in regards to reviewing the plan at least every 4 years since its adoption as required by the Local Government (Administration) Regulation.	We recommend that the Shire address this and perform a review as soon as practicable with documentation in place.
We noted that the Shire's current Corporate Business Plan needs to be reviewed and updated as required by the Local Government (Administration) Regulation	We recommend that the Shire reviews and updates its Corporate Business Plan for the next 4 year term.

### 4.11 Registers

Findings / Observations	Recommendations
We noted that the Shire's tender register needs to be properly updated for tenders that might have lapsed or extended (e.g Sealing Tender).	We recommend that the Shire updates the tender register and document clearly any tender that might have lapsed, extended or cancelled.

#### 4. AREAS EXAMINED WITH FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

##### 4.12 Delegations

From our reviews performed on the areas of scope, in relation to the delegation of duties, no matters were noted.

##### 4.13 Audit Committee

The Shire's establishment of its audit committee and the constituted membership was examined and considered satisfactory.

##### 4.14 Insurance

No matters were noted from our discussions with management and review of insurance policy documents.

##### 4.15 Storage of Documents / Record Keeping

No matters were noted from our understanding of the Shire's storage of documents and record keeping.

##### 4.16 General Compliance and Other Matters

###### Investments

Internal control procedures and restrictions over investments are properly maintained and complied with the Local Government (Financial Management) Regulation.

###### General Journals

Internal control procedures over general journals are properly maintained for the level of operations.

###### IT General Environment

We have obtained an understanding of the Shire's IT general environment, including general controls such as access to the computer system, regular changes to passwords and data back-up and no matters noted.

## 5. DISCLAIMER

The objective of this review as outlined Section 1 of this report as presented, is to assist the Chief Executive Officer of the Shire of Mukinbudin discharge responsibilities in respect to Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended).

It has been prepared by Hall Chadwick Audit (WA) Pty Ltd for this sole purpose. It is not intended to be used by any other individual or organisation.

Confidential – this document and the information contained in it are confidential and should not be used or disclosed in any way without our prior consent.