

AUDIT COMMITTEE MEETING

MINUTES



For the Audit Committee Meeting held on

20 February 2019

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AGENDA

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

In the absence of the Chairperson, Cr Horrocks took the chair and declared the meeting open at 11.07am.

2. RECORDS OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

ATTENDANCE

Councillors

Cr CY (Colin) Egerton-Warburton
Cr PL (Phil) Horrocks
Cr PM (Peter) Beech
Cr ER (Ruth) Bigwood
Cr P (Peter) Denton
Cr PW (Peter) Slater
Cr DS (David) Carey
Cr VN (Vanessa) Fiegert

Chief Executive Officer
Manager of Finance & Administration
Manager of Works

Mr PB (Peter) Northover
Mrs PA (Trish) Standish
Mr JE (Jeff) Alderton

Members of the Public

Nil

APOLOGIES

Chairperson

Cr DJ (David) Adams

APPROVED LEAVE OF ABSENCE

Nil

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

Nil

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 AUDIT COMMITTEE MEETING – 19 December 2018

Moved Cr Denton, seconded Cr Carey that the minutes from the Shire of Cranbrook Audit Committee meeting held on 19 December 2018, be confirmed as a true and correct record.

Carried 8/0

6. GENERAL BUSINESS

6.1 FINANCIAL MANAGEMENT REVIEW

RESPONSIBLE OFFICER:	Peter Northover – Chief Executive Officer
REPORT AUTHOR:	Trish Standish – Manager of Finance and Administration
FILE REFERENCE:	FM8
APPLICANT:	N/A
DATE OF REPORT:	8 February 2019
ATTACHMENTS:	1. Financial Management Review Document 2. Local Government Operational Guidelines – Audit in Local Government 3. Review of Audit Committee Best Practice – City of Vincent

Purpose

The purpose of this report is for the Audit Committee to consider the Financial Management Review Document prepared by external consultant, Paul Gilbert of Macleod Corporation Pty Ltd.

Background

The Local Government (Financial Management) Regulations 1996 5(2)(c) requires the Chief Executive Officer to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the Local Government regularly. See Statutory Environment section of this agenda item.

The last two Financial Management Reviews have been undertaken internally, with the last one being conducted in January 2014. The Executive Management Team decided an external review should be undertaken as this is considered 'best practice'.

Officers Comment

Paul Gilbert FCPA MBA of Macleod Corporation Pty Ltd undertook the Financial Management Review over five days, 21 - 25 January 2019 in the administration office in Cranbrook.

During Mr Gilbert's time in the office, he met independently with the Chair of Council's Audit Committee, Cr Adams. He also conducted an exit interview with the Chief Executive Officer and Manager of Finance and Administration.

The final Financial Management Review report is attached to this agenda, Council should note there are three recommendations from the review, which states:

Audit Committee

We are satisfied that the audit committee meets regularly (2-3 times a year) the agenda for which addresses key compliance matters – meet the auditor, compliance return and risk review.

We recommend that the agenda for Audit Committee meetings be expanded to include key risk areas (eg budget, wages, rates, grants, depreciation, revaluations, job/program cost allocation etc).

We consider that the Audit Committee understanding of Council operating activities may be enhanced by inviting senior staff (by rotation) to report on key areas identified by the audit committee in order to understand systems process requirements and risks.

In the spirit of nurturing a culture of continuous improvement we consider that seeking managements own recommendations for improvement in key areas would be a useful source of information.

Credit Card Procedures

We were pleased to note that Council has a Credit Card Procedures Policy.

In addition it is pleasing to see that cardholders provide written acknowledgement of their responsibilities (prospectively) under the policy upon receipt of their card.

However we recommend that the policy be improved by requiring that cardholders certify purchases made on their card (retrospectively) which are recorded on the monthly statement as at the end of the month. This should include a check and certification of the cost allocations (similar to the bank reconciliation certification). This reinforces the critical importance that only authorised expenses are incurred and provides opportunity for review.

Financial Ratios

Generally we consider that the Shire has healthy reported financial operating ratios – which are also published on the My Council website (albeit up to two years in arrears).

Only the Operating Surplus Ratio and the Asset Sustainability Ratio do not meet with expectations and this is consistent with many other regional Councils.

Both ratios are adversely impacted by the high level of depreciation expense, particularly as it relates to roads and bridges.

We recommend that the asset useful life prediction used to calculate depreciation rates be reviewed.

The operating financial ratios are analysed in detail in the attached document.

Mr Gilbert also suggested that a copy of the Local Government Operational Guidelines – Audit in Local Government and the City of Vincent’s Review of Audit Committee Best Practice be provided to the Audit Committee. These documents are attached.

Statutory Environment

The Local Government (Financial Management) Regulations 1996 5(2)(c) states that:

“The Chief Executive Officer is to 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 4 financial years) and report to the local government the results of those reviews.”

Policy Applicable – Implications

There is no Council policy applicable to this report.

Financial Implications

The cost to have this review conducted by an external consultant was \$9,500.

Risk Implications

The risks associated with matters in this report are:

- Misconduct
- External Theft and Fraud
- Errors, Omissions and Delays
- Failure to fulfil Statutory, Regulatory or Compliance Requirements
- Ineffective Employment Practices

The **impact** of the risk is Financial, Non-Compliance and Reputational.

The **consequences** of these risks are considered to be Extreme

The **likelihood** is Possible

Hence the **risk rating** High

Risk mitigation includes contracting an independent consultant to undertake the review.

Strategic Community Plan Reference

The 2017-2027 Shire of Cranbrook, Strategic Community Plan states that:

Objective 4: Leadership - Demonstrate strong governance, leadership and organisational growth

Outcome 4.1: Excellence in governance, compliance, regulation and reporting

Strategy 4.1.1: Maintain a high level of corporate governance, responsibility and accountability

Consultation

Consultation was not required for this report.

VROC Implications

There are no strategic VROC implications from this report

Voting Requirements

Simple Majority

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Cr Slater, seconded Cr Fiegert that the Audit Committee recommends to the Council that the attached Financial Management Review be received in accordance with Financial Management Regulation 5(2)(c).

Carried 8/0

7. CLOSURE OF MEETING

There being no further business to discuss the Chairperson, Cr Horrocks declared the meeting closed at 11.23am.