

SHIRE OF BRUCE ROCK

AUDIT COMMITTEE MINUTES MEETING 15 AUGUST 2019

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SHIRE OF BRUCE ROCK

AUDIT COMMITTEE MINUTES MEETING 15 AUGUST 2019

1. Declaration of Opening

The Committee Chair, Stephen Strange declared the meeting open at 2.00pm.

2. Record of Attendance / Apologies / Leave of Absence (Previously Approved)

President	Cr SA Strange
Deputy President	Cr R Rajagopalan
Councillors	Cr AR Crooks
	Cr IS Dolton
	Cr KP Foss
	Cr NK Kilminster
	Cr PG Negri
	Cr MK Thornton
	Cr BJ Waight
Chief Executive Officer	Mr DRS Mollenoyux
Deputy Chief Executive Officer	Mr A O'Toole
Manager of Finance	Mrs JL Bow
Apology	Cr IS Dolton

3. Response to Previous Public Questions Taken on Notice

4. Public Question Time

5. Petitions / Deputations / Presentations / Submissions

6. Confirmation of Minutes

6.1. Audit Committee Meeting – 29 July 2019

COMMITTEE DECISION

Resolution ACM Aug 19 – 6.1

Moved: Cr Rajagopalan

Seconded: Cr Thornton

That the minutes of the Audit Committee held 29 July 2019 be confirmed as a true and correct record.

Carried 8/0

7. Reports of Officers

7.1. Manager of Finance

Agenda Reference and Subject:	7.1.1 Interim Audit Management Letter
File Reference:	8.2.6.1 – Annual Audit
Reporting Officer:	Jennifer Bow, Manager of Finance
Author:	Jennifer Bow, Manager of Finance
Disclosure of Interest	Nil
Attachment	Item 7.1.1 – Interim Audit Management Letter

Summary

AMD has completed our interim audit for the year ending 30th June 2019 and have issued a Management Letter containing issues that need to be addressed.

Background

At the completion of the annual audit, the auditor prepares an Audit Report and a Management Letter outlining any areas or issues that Council needs to address.

Comment

The interim audit management letter is performed as a phase of the audit in accordance with the audit plan. The focus of the interim audit is 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 the audit of the annual financial report.

The Interim Audit Management Letter contained eight findings that were identified during the audit that require addressing. The Management Letter has been attached for your information however a summary of the findings is presented.

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Annual Report Submission		✓	
2. Synergy Access Restrictions		✓	
3. Procurements and Payments		✓	
4. Operating Procedures			✓

As per the Management Letter, the ratings 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. The ratings are as follows;

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

The findings have been listed in a table.

Area	Finding Rating	Auditors Comments	Implication	Recommendation	Managements Comments	Respon Officer	Comp Date
Annual Report Submission	Moderate	We noted the Shire of Bruce Rock's 30 June 2018 audit report was issued on the 12 December 2018 for receipt by the Chief Executive Officer, however the annual report was not submitted to the Departmental CEO within 30 days as required by Regulation 51(2) of the Local Government (Financial Management) Regulations 1996 (lodgement date 20 May 2019- 129 days late).	Non-compliance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996.	We recommend, in accordance with Section 51(2) of the Local Government (Financial Management) Regulations 1996, a copy of the annual financial report of a local government be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on the financial report.	This was a complete oversight by the officer responsible for the submission of the annual financial report to the Departmental CEO within 30 days after receiving the auditor's report. In future, the CEO and officer responsible, Manager of Finance, will ensure that the annual financial report is submitted within the necessary timeframe.	MOF	31 Dec 19
Synergy Access Restrictions	Moderate	At the time of our interim visit our review of the Synergy 'user privileges' report and discussions with the Manager of Finance identified: <ul style="list-style-type: none"> Employee access to Synergy is not being removed on termination; and Level of user access in Synergy is inappropriate based on their positions and there are a high number of employees with access to 'all systems'. 	Increased risk of unauthorised changes occurring within Synergy due to fraud or error.	We recommend a review be undertaken of staff current user access levels in Synergy Soft to determine whether their user access levels are appropriate for their role.	A review of the levels of user access or privileges in Synergy Soft has been undertaken and users now have reduced or restricted viewing privileges unless they require full access to complete their duties as required.	MOF	30/6/19
Procurements and Payments	Moderate	During our procurement and payments testing, we identified the following: <ol style="list-style-type: none"> The "Signing Purchase Orders" policy does not specify a maximum threshold for the following positions: <ol style="list-style-type: none"> Chief Executive Officer; Deputy Chief Executive Officer; 	<ul style="list-style-type: none"> Risk policies do not provide adequate guidance relating to purchasing limits of designated employees. If the required number of quotes are not obtained and retained, management and Council cannot be assured that staff have obtained the necessary 	We recommend: <ol style="list-style-type: none"> All designated employees are assigned with a purchasing threshold within the "Signing Purchase Orders" policy; The "purchasing form" is utilised to document quotations, in particular verbal quotations, to demonstrated 	The Purchasing and Procurement Policy has been identified by staff in conjunction with reviewing regulation 17, as an area that requires extensive revision and amendments to ensure that it complies with the Act and various Regulations.	DCEO	31/12/19

Area	Finding Rating	Auditors Comments	Implication	Recommendation	Managements Comments	Respon Officer	Comp Date
		<p>c. Manager of Finance; • Risk policies do not provide adequate guidance relating to purchasing limits of designated employees.</p> <p>• If the required number of quotes are not obtained and retained, management and Council cannot be assured that staff have obtained the necessary quotes, that open competition principles have been applied, and that there was compliance with relevant policies. As a result there is an increased risk of non-compliance with the Local Government (Functions and General) Regulations 1996 Part 4.</p> <p>• Increased risk of non-compliance with established policies.</p> <p>d. Manager of Works and Services; and</p> <p>e. Environmental Health Officer.</p> <p>2. The “purchasing form” is not being used to document verbal quotations to evidence compliance with the Shire’s purchasing policy;</p> <p>3. The “list of payments” presented to Council at the meeting held 18 April 2019, was incomplete as it did not contain</p>	<p>quotes, that open competition principles have been applied, and that there was compliance with relevant policies. As a result there is an increased risk of non-compliance with the Local Government (Functions and General) Regulations 1996 Part 4.</p> <p>• Increased risk of non-compliance with established policies.</p>	<p>compliance with the Shire’s established purchasing policy;</p> <p>3. The list of payments presented to Council acknowledge cancelled cheques and electronic fund payments, to ensure the listing is a complete list containing all cheque and electronic fund transfer payment numbers utilised during the period referenced; and</p> <p>4. All goods and services are procured in accordance with the Shire’s purchasing policy, with any deviations documented and approved accordingly.</p>	<p>As part of the extensive review, staff will ensure that;</p> <p>i. All designated employees are assigned with a purchasing threshold within the “Signing Purchase Orders” policy;</p> <p>ii. The “purchasing form” is utilised to document quotations, in particular verbal quotations, to demonstrated compliance with the Shire’s established purchasing policy;</p> <p>iii. The list of payments presented to Council acknowledge cancelled cheques and electronic fund payments, to ensure the listing is a complete list containing all cheque and electronic fund transfer payment numbers utilised during the period referenced; and</p> <p>iv. All goods and services are procured in accordance with the Shire’s purchasing policy, with any deviations documented and approved accordingly.</p>		

Area	Finding Rating	Auditors Comments	Implication	Recommendation	Managements Comments	Respon Officer	Comp Date
		<p>details of a cheque which had been cancelled; and</p> <p>4. One instance was identified whereby a procurement of an item over \$5,000 was not accompanied by evidence of three written or verbal quotations, as required by the Shire’s purchasing policy.</p>					
Operating Procedures	Minor	<p>As raised within our 2018 interim management letter we identified a lack of formal documented procedures relating to:</p> <ul style="list-style-type: none"> • The collection, recording, reconciliation and banking of monies; • Procurement and other general accounts payable duties; and • Payments or refunds from trust funds. 	Existing procedures and practices are not formally documented.	We recommend formal documented procedures be developed and endorsed by Council.	<p>Staff will develop formal documented procedures for;</p> <p>i. Collection, recording, reconciliation and banking of monies</p> <p>ii. Procurement and other general accounts payable duties; and</p> <p>iii. Payments or refunds from trust funds.</p>	MOF	30/9/19

Consultation CEO, MOF and AMD (Council’s external auditors)

Statutory Implications

Local Government (Financial Management) Regulations 1996, r.34(5), Local Government Act 1995, Local Government (Audit) Regulations 1996

Policy Implications

Nil

Risk Implications

Risk: Compliance – Non-compliance with relevant sections and regulations of the Act and recommended best practice in procurement.		
Likelihood	Consequence	Rating
Possible	Moderate	Moderate
Action / Strategy		
This item has been evaluated against the Shire of Bruce Rock’s Risk Management Procedures Risk Matrix. The perceived level of risk is considered to be “Medium” risk and will be managed to mitigate the risks associated with each of the findings in the Interim Audit Management Letter.		

Financial Implications

Nil

Strategic Implications

Shire of Bruce Rock – Strategic Community Plan 2017-2027

Governance

Goal 12 Council leads the organisation in a strategic and flexible manner

Voting Requirements

Simple Majority

COMMITTEE DECISION
Resolution ACM Aug 19 – 7.1.1

Moved: Cr Rajagopalan
Seconded: Cr Waight

That the Audit Committee receives the Interim Audit Management Letter and management’s comments for the year ended 30th June 2019.

Carried 8/0

8. New Business of an urgent nature introduced by discussion of the meeting.

9. Closure of Meeting.

The Committee Chairman, Mr Stephen Strange thanked everyone for their attendance and closed the meeting at 2.06pm.

These minutes were confirmed at a meeting on

Cr Stephen Strange
Shire President