

SHIRE OF BRUCE ROCK

AUDIT COMMITTEE MINUTES MEETING 17 SEPTEMBER 2020

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SHIRE OF BRUCE ROCK

AUDIT COMMITTEE AGENDA MEETING 17 SEPTEMBER 2020

1. Declaration of Opening

The Shire President Stephen Strange declared the meeting open at 3.35pm.

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 PG Negri
	Cr BJ Waight
Chief Executive Officer	Mr DRS Mollenoyux
Deputy Chief Executive Officer	Mr A O’Toole
Manager of Finance	Mrs JL Bow
Community Development Officer	Miss CE Negri
Apology	Cr NK Kilminster
	Cr RA Waye

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 – 20 August 2020

COMMITTEE DECISION

Resolution ACM Aug 20 – 6.1

Moved: Cr Rajagopalan

Seconded: Cr Foss

That the minutes of the Audit Committee held 20 August 2020 be confirmed as a true and correct record.

Carried 7/0

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 2020 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.

At the time of completing this agenda, the Interim Management Letter had not been received from the OAG.

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 one finding that was identified during the audit that require addressing. The Draft Management Letter has been attached for your information however a summary of the findings is presented.

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Procurement and Purchasing		✓	

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
Procurements and Payments	Moderate	<p>During our procurement and payments testing on a sample basis, we noted the following exceptions:</p> <ol style="list-style-type: none"> 1. Five instances out of a sample of 21 whereby purchase orders were dated after the invoice date; 2. One instance out of a sample of 21 whereby there was no evidence to support written quotes obtained as required by the Shire’s purchasing policy; 3. Two instances out of a sample of 21 whereby purchase orders did not state the amount of the purchase or the amount stated on the purchase order did not match the invoice with no explanation noted; and 4. Three instances out of a sample of 21 whereby invoices were not stamped in accordance with stated payment approval processes. 	<ul style="list-style-type: none"> • 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 <i>Local Government (Functions and General) Regulations 1996 Part 4.</i> • Increased risk of non-compliance with Shire’s purchasing policies and over payments made to suppliers 	<p>We recommend all goods and services are procured in accordance with the Shire’s purchasing policy, with any deviations documented and approved accordingly.</p> <p>Management should also investigate the above exceptions identified during our testing.</p>	<p><i>The CEO and Manager of Finance have reviewed each of the invoices identified during the testing. One of the invoices identified as not having the invoice stamped, which was for the Bruce Rock Community Resource Centre, was stamped in accordance with the purchasing policy, and is attached highlighting the stamp.</i></p> <p><i>All officers who are authorised to issue purchase orders, will undertake an internal training session regarding Council’s purchasing policy requirements. This will ensure that all future purchases have the necessary documentation and that;</i></p> <ol style="list-style-type: none"> <i>i. All invoices are stamped and signed as per the purchasing policy,</i> <i>ii. Purchase orders are not dated after the invoice, and in circumstances where this is not possible, an explanation will be included on the purchase order,</i> <i>iii. Quotes will be obtained and documentation included with the invoice as per Council’s purchasing policy; and</i> <i>iv. Amounts will be included on the purchase order.</i> <p><i>The staff members responsible for processing of creditors will also be instructed to ensure that all documentation is completed for purchases, as per the purchasing policy.</i></p> <p><i>The staff structure is also currently being revised and a dedicated Creditors Officer position is being created which will oversee purchasing function of the Shire and ensure</i></p>	MOF	1 Nov 20

Area	Finding Rating	Auditors Comments	Implication	Recommendation	Managements Comments	Respon Officer	Comp Date
					<p><i>adherence to the purchasing policy. This position will commence from 1st October 2020.</i></p> <p><i>Council have also allocated funding in the 2020-21 Budget for installation of Altus Procurement module which includes electronic purchase orders and will assist with compliance.</i></p>		

Procurement and purchasing was identified last year as a moderate finding also. Management is taking steps to address the deficiencies in our procurement and payments by appointing a part time Creditors Officer and implementing an electronic purchasing system early next year. The Creditors Officer will oversee this area and ensure all payments adhere to our purchasing policies.

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 Sep 20 – 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 2020.

Carried 7/0

Agenda Reference and Subject:

7.1.2 Approval to apply for extension to complete financial statements

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

Summary

Staff are seeking approval from the audit committee to request for an extension to complete the financial statements for the year ending 30h June 2020.

Background

A copy of the financial statements are to be submitted to the auditor by the 30th September 2020. An extension can be requested if the financial statements are not able to be completed by the 30th September 2020 by submitting a request to the Minister for Local Government.

Comment

Each year, a local government is to complete an annual financial statement as at the 30 June. These statements must then be submitted to the auditor by 30th September.

At this stage, staff have discussed the workload required to finalise the financial statements and feel that it cannot be achieved by the 30th September 2020 deadline.

A number of factors have impeded staff from meeting this requirement including COVID, the duties involved with the supermarket, the late adoption of the budget, two fair value valuations (plant and equipment and other infrastructure) that have to be imported into the asset module and new requirements and introduction of valuations of leases.

The onsite annual audit is scheduled to be held 19th to 21st October 2020 and the extension request would be that the statements would be completed by Monday 19th October 2020.

Council's auditors, AMD, have been contacted and they are happy for an extension to be applied for. They will notify the OAG of our intentions also.

If the financial statements are not submitted by the 30th September or an extension approved, then this will be a breach of s.6.4 (3) *Local Government Act 1995*.

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

Statutory Implications

Division 3 — Reporting on activities and finance

6.4. Financial report

(1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.

(2) *The financial report is to —*

- (a) *be prepared and presented in the manner and form prescribed; and*
- (b) *contain the prescribed information.*

(3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —*

- (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
- (b) *the annual financial report of the local government for the preceding financial year.*

Policy Implications

Nil

Risk Implications

Risk: Compliance – Non-compliance with relevant sections and regulations of the Act.		
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.		

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 Sep 20 – 7.1.2

Moved: Cr Negri
Seconded: Cr Dolton

That the Audit Committee recommends to Council to authorise the Chief Executive Officer to apply for an extension to submit the completed financial statements to the auditor by 19th October 2020.

Carried 7/0

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

9. Closure of Meeting.

The Shire President Stephen Strange declared the meeting closed at 3.42 pm.

These minutes were confirmed at a meeting on

Cr Stephen Strange
Shire President