



## Shire of Cunderdin

### Minutes of an Audit Committee Meeting

Dear Council Member,

A Meeting of the Shire of Cunderdin Audit Committee was held on **Thursday 15<sup>th</sup> June 2023** in the Cunderdin Shire Council Chambers, Lundy Ave, Cunderdin WA 6407, at **3:00pm.**

Stuart Hobley  
**Chief Executive Officer**  
15<sup>th</sup> June 2023

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## AGENDA

### 1. Declaration of opening

**The Shire President will declare the meeting open at 3:40pm.**

**The Shire of Cunderdin disclaimer will be read aloud by Shire President Alison Harris.**

The *Local Government Act 1995* Part 5 Division 2 Section 5.25 and *Local Government (Administration) Regulations 1996* Regulation 13.

“No responsibility whatsoever is implied or accepted by the Shire of Cunderdin for any act, omission or statement or intimation occurring during this meeting. It is strongly advised that persons do not act on what is heard at this Meeting and should only rely on written confirmation of Council’s decisions, which will be provided within ten working days of this meeting”.

### 2. Record of Attendance, Apologies and Approved Leave of Absence

#### Record of attendances

##### Councillors

Cr AE (Alison) Harris	Shire President
Cr A (Anthony) Smith	Deputy Shire President
Cr TE (Todd) Harris	
Cr NW (Norm) Jenzen	
Cr N (Natalie) Snooke	

##### Apologies

Cr B (Bernie) Daly

##### On Leave of Absence

##### Staff

Stuart Hobley	Chief Executive Officer
Hayley Byrnes	Deputy Chief Executive Officer

##### Guests of Council

##### Members of the Public

### 3. Public Question Time

Nil.

#### 4. Confirmation of the Minutes of Previous Meetings

##### 4.1 Confirmation of Minutes of Previous Meetings

Location:	Cunderdin
Applicant:	Chief Executive Officer
Date:	10th June 2023
Author:	Hayley Byrnes
Item Approved by:	Stuart Hobley, Chief Executive Officer
Disclosure of Interest:	Nil
File Reference:	Nil
Attachment/s:	Attachment 4.1 - Audit Committee Meeting Minutes 27 <sup>th</sup> April 2023

##### **Proposal**

To confirm the minutes of the meeting held on Thursday 27<sup>th</sup> April 2023.

##### **Background**

The minutes have been circulated to all Committee members.

##### **Statutory Environment**

Section 5.22 (2) of the *Local Government Act 1995* Section 5.22 (2) requires minutes of all council and committee meetings to be submitted to the next meeting of the council or the committee, as the case requires, for confirmation.

##### **Financial Implications**

Nil.

##### **Resolution 4.1**

That the minutes of the Audit Committee meeting held on Thursday 27<sup>th</sup> April 2023 be confirmed.

Moved: Cr NW (Norm) Jenzen  
Vote – Simple majority

Seconded: Cr N (Natalie) Snooke  
Carried: 5/0

## 5. Finance and Administration

### 5.1 Financial Management Review

<b>Location:</b>	Shire of Cunderdin
<b>Applicant:</b>	Deputy Chief Executive Officer
<b>Date:</b>	9 <sup>th</sup> June 2023
<b>Author:</b>	Hayley Byrnes
<b>Item Approved by:</b>	Stuart Hobbey, Chief Executive Officer
<b>Disclosure of Interest:</b>	Nil
<b>File Reference:</b>	Nil
<b>Attachment/s:</b>	Attachment 5.1 Cunderdin FMR Reg 17 Report

#### **Proposal/Summary**

This report recommends that the Audit Committee accept the Financial Management, Risk Management, Internal Controls and Legislative Compliance Review.

#### **Background**

Under the Local Government (Audit) Regulations 1996, specifically Regulation 17(1), the CEO is required to undertake a review of the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance at least once every three years and report these findings to the local government.

Similarly, the CEO is required to undertake a review of the effectiveness of the financial management systems and processes at least once every three years and report these findings to the local government as per the Local Government (Financial Management) Regulations 1996, specifically Regulation 5(2)(c).

There are many commonalities between the two reviews, so the decision was made to undertake both reviews simultaneously and report all the findings within the one report.

The CEO is required to report the findings from both reviews to the Audit Committee.

The Audit Committee will review the findings presented from the CEO, and if satisfied, recommend that Council endorse the report(s) and any recommendations contained within the report(s).

Reviews under both the Audit and Financial Management Regulations are required to be undertaken at least once every three years.

#### **Comment**

The financial management review 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).

#### **Scope**

The Financial Management Review encompassed a review of the Shire's financial systems including, but not limited to;

- Bank Reconciliations
- Receipts and Receivables
- Rates
- Fees and Charges
- Purchases, Payments and Payables (Including Purchase Orders)

- Payroll
- Credit Card Procedures
- Minutes and Meetings
- Financial Reports
- Budget
- Registers (Including Annual & Primary Return)
- Delegations
- Audit Committee
- Insurance
- General Compliance Issues and other matters

Audit Regulation 17 requires the CEO to review the appropriateness and effectiveness of their risk management, internal controls and legislative compliance procedures. The results of the review are to be reported by the CEO to the Audit Committee. The Audit Committee is required to review the CEO's report and then report to the Council. The report from the Audit Committee to the Council is required to have attached a copy of the CEO's report to the Audit Committee.

The Shire engaged LG Corporate Solutions to undertake both reviews.

The Audit Regulation 17 review included but not limited to;

- Review of the risk management systems policies, procedures and plans in place;
- Review of internal control systems and procedures;
- Review systems and processes in place pertinent to legislative compliance;
- Identify within the three main areas of review: risk management, internal control and legislative compliance where improvements could be made; and
- Prepare a report of matters identified during the review to assist the Chief Executive Officer to assess the appropriateness and effectiveness of the relevant systems and procedures in accordance with Audit Regulation 17.

More than 100 different controls and procedures were tested within the Shire, of which 77% of these were considered to be effective. There were 26 controls identified where improvements were recommended, of which 8 of these were assessed as high risk and the remaining 18 matters deemed as moderate and low risk.

The 8 areas of high risk raised in the report were;

Financial Management

Bank Reconciliations

Trust

Purchasing

Fixed Assets

Acknowledgment of Ballardong People

Compliance Audit Return

Corporate Business Plan

Annual Returns

Within the area of financial management 72% of controls tested were considered to be effective.

This was a significant improvement from the last review conducted in June 2020 when only 20% of controls tested were considered to be effective.

Staff are currently working through the attached report and addressing the issues highlighted. This will ultimately ensure controls and procedures established are not compromised in the future and the integrity of the financial management system is maintained.

## **Consultation**

Hayley Byrnes, Deputy Chief Executive Officer  
Martin Whitely, LG Corporate Solutions Pty Ltd  
Shire Staff

## **Statutory Implications**

### **Local Government Act 1995**

### **Local Government (Audit) Regulations 1996**

#### **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.

### **Local Government (Financial Management) Regulations 1996**

#### **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.

## **Local Government (Audit) Regulations 1996**

### **16. Functions of audit committee**

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
  - (i) its functions under Part 6 of the Act; and
  - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —
  - (i) report to the council the results of that review; and
  - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
  - (i) regulation 17(1); and
  - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
  - (i) is required to take by section 7.12A(3); and
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a);and
  - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
  - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]

### **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 —
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  - (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.

### **Policy Implications**

Limited to those recommendation contained within this report.



### **Financial Implications**

Resource requirements are in accordance with existing budgetary allocations.

### **Strategic Implications**

#### **5. Civic Leadership**

5.3 Implement systems and processes that meet legislative and audit obligations.

#### **Resolution 5.1**

That the Audit Committee

1. Accepts the Financial Management, Risk Management, Internal Controls Legislative Compliance Review;
2. Recommends Council receive the management comments and proposed timeline contained with the Financial Management, Risk Management, Internal Controls Legislative Compliance Review; and
3. Recommends that Council receive the Financial Management, Risk Management, Internal Controls and Legislative Compliance Review.

Moved: Cr NW (Norm) Jenzen

Seconded: Cr N (Natalie) Snooke

Vote – Simple majority

Carried: 5/0

## 5.2 Deputy Chief Executive Officers Report- Audit Findings

<b>Location:</b>	Shire of Cunderdin
<b>Applicant:</b>	Deputy Chief Executive Officer
<b>Date:</b>	10 <sup>th</sup> June 2023
<b>Author:</b>	Hayley Byrnes
<b>Item Approved by:</b>	Stuart Hobley, Chief Executive Officer
<b>File Reference:</b>	Nil
<b>Attachments:</b>	Attachment 5.2 Audit Tracking details spreadsheet

### **Proposal/Summary**

To provide an update on the findings from the 21/22 Audit and the Financial Management, Risk Management, Internal Controls Legislative Compliance Review undertaken, and the actions being taken to address the findings.

### **Background**

The Final Management letter from the 21/22 Audit completed by Dry Kirkness was presented to Council on Thursday 27<sup>th</sup> of April 2023. The letter contained a total of ten findings of which five were rated significant, four Moderate and one Minor.

The Financial Management, Risk Management, Internal Controls Legislative Compliance Review was recently completed by LG Corporate Solutions, the report was provided to management on Friday the 9<sup>th</sup> of June 2023. As this was a finding raised in the final management letter from the auditors it has been a priority to present it to council prior to the end of the financial year.

### **Comment**

A report has been developed to provide details on the actions being taken to address the findings of both the Auditors Final Management Letter and the Financial Management, Risk Management, Internal Controls Legislative Compliance Review. This report will be used to keep track of what has been completed and what is outstanding, ensuring that the items are dealt with in a timely efficient manner, as well as being used to provide regular updates to Councillors.

### **Consultation**

Stuart Hobley, Chief Executive Officer

### **Statutory Implications**

Nil.

### **Policy Implications**

Nil.

### **Financial Implications**

Nil.

### **Strategic Implications**

#### **5. Civic Leadership**

5.3 Implement systems and processes that meet legislative and audit obligations.

<b><u>Resolution 5.2</u></b>	
That the Deputy Chief Executives Officers Report on Audit Findings be received.	
Moved: Cr N (Natalie) Snooke	Seconded: Cr TE (Todd) Harris
Vote – Simple majority	Carried:5/0

**6. Closure of meeting**

There being no further business the Shire President is to declare the meeting closed at 4:20 pm.

UNCONFIRMED