

# **SHIRE OF KOJONUP**



## **Audit Committee Minutes**

*5<sup>th</sup> May 2015*

**SHIRE OF KOJONUP**  
**MINUTES FOR THE AUDIT COMMITTEE MEETING**  
**HELD ON 5<sup>th</sup> MAY 2015**

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## MINUTES

### 1 DECLARATION OF OPENING AND ANNOUNCEMENT OF GUESTS

In the absence of the Presiding Member, the Manager of Corporate Services declared the meeting opened at 9:55am and alerted the meeting of the procedures for emergencies including evacuation, designated exits and muster points.

### 2 ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

#### Members

Mr D Prasser-Jones	Presiding Member	<i>(entered at 10:00am)</i>
Cr John Benn		
Cr Ian Pedler		
Cr Ned Radford		

#### Staff

Mr Anthony Middleton	Manager of Corporate Services
Mrs Heather Marland	Senior Finance Officer

#### Observers & Guests:

Cr Jill Mathwin	
Mr Russell Harrison	Lincolns Accountants & Business Advisers

#### APOLOGIES

Cr Jane Trethowan

### 3 PUBLIC QUESTION TIME

Nil

### 4 SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

The Manager of Corporate Services called for nominations for Chair for today's meeting. Cr Benn was nominated by Cr Pedler. There being no further nominations, Cr Benn took the Chair.

### 5 APPLICATIONS FOR LEAVE OF ABSENCE

Nil

**6 CONFIRMATION OF MINUTES**

AUDIT COMMITTEE MEETING held 16th March 2015

**COMMITTEE DECISION**

**A48/15 Moved Cr Pedler, seconded Cr Radford that the Minutes of the Audit Committee Meeting held on 16th March 2015 be confirmed as a true record.**

**CARRIED 3/0**

**7 DECLARATIONS OF INTEREST**

Nil

**8 AUDIT COMMITTEE TIMETABLE**

As a guide and subject to availability, each Audit Committee agenda for each quarter will contain the following (**list to be expanded at the suggestion of members**):

**1<sup>st</sup> Quarter (January – March)**

- Committee Status Report
- Compliance Audit Return
- Review of Risk Registers

**2<sup>nd</sup> Quarter (April – June)**

- Committee Status Report
- Review of Risk Registers
- Fees & Charges Review
- Business Continuity Plan Review

**3<sup>rd</sup> Quarter (July – September)**

- Committee Status Report
- Interim Audit Report
- Financial Management Review (each 4 years – 2014, 2018...)
- Review of Risk Registers

**4<sup>th</sup> Quarter (October – December)**

- Committee Status Report
- Audit Report & Management Letter
- Annual Financial Report
- Annual Report
- Risk, Legal Compliance & Internal Controls review (each 2 years – 2014, 2016...)
- Review of Risk Registers

**OFFICER COMMENT**

The above list will remain at the commencement of each Committee Agenda to act as a timetable and enable members to add to the items to be considered.

For Noting or additions.

**COMMITTEE DECISION**

**A49/15 Moved Cr Radford, seconded Cr Pedler that the timetable for the Audit Committee be noted.**

**CARRIED 3/0**

**9**      **REPORTS**

9.1      MEETING WITH AUDITOR

Legislation specifies that a local government is required to meet with its auditor at least once in every year. This may be either in person or via telephone.

Mr Russell Harrison will be in attendance at the meeting to discuss the audit, financial ratio's and answer any questions that the Committee may have.

*10:00am Mr David Prasser-Jones entered the meeting.*

Russell Harrison discussed with the Committee:

- Audit Meeting Schedule Commended;
- Matters raised in Interim & Final Audit;
- Ratio's;
- Long Term Financial Plan;
- Fair Value changes, especially infrastructure.

*10:37am Meeting adjourned.*

*10:54am Meeting resumed without David Prasser-Jones and Russell Harrison.*

## 9.2 FEES & CHARGES REVIEW

AUTHOR: Anthony Middleton – Manager of Corporate Services  
DATE: Tuesday, 28 April 2015  
FILE NO: FM.FEE.1  
ATTACHMENT: [9.2 2014/2015 List of Fees and Charges](#)

### DECLARATION OF INTEREST

Nil

### SUMMARY

The purpose of this report is to consider the structure, content and equity of the existing fees and charges prior to consideration by the Council in the upcoming 2015/2016 budget cycle.

### BACKGROUND

The Council is required to adopt a list of fees and charges annually. This is conducted as part of the budget adoption process.

### COMMENT

The list of fees and charges will be reviewed by staff and will be the subject of a Council briefing session. The opportunity exists for the Audit Committee to make comment in relation to its readability, complexity, equity, charging structures or fee objectives and contribute to this process.

### CONSULTATION

Nil – This item is the commencement of the review process.

### STATUTORY REQUIREMENTS

Section 6.15 to 6.19 of the Local Government Act (1995) legislates the imposition of fees and charges for a local government. Section 6.19 of this Act requires a local government to advertise the imposition of fees and charges that are not included in the annual budget.

### POLICY IMPLICATIONS

There is no Council policy applicable to this item.

### FINANCIAL IMPLICATIONS

The list of fees and charges, when adopted, sets the level of many revenue items contained within the budget. Significant consideration needs to be given when setting each fee and charge and the effect that it will have on the usage of that facility and the total revenue level obtained.

### STRATEGIC/CORPORATE IMPLICATIONS

Community Strategic Plan 2013-2023 Focus Area 1 - Being Well Governed

#### Corporate Business Plan 2013-2017

Strategy 1.1.2 Maintain a structured forward planning process in accordance with legislation and community aspirations

Strategy 1.1.4 Maintain robust systems and controls

**RISK MANAGEMENT IMPLICATIONS**

A thorough and complete list of fees and charges assists with legislative compliance and ensures the generation of adequate revenue.

**ASSET MANAGEMENT IMPLICATIONS**

An appropriate list of fees and charges can assist to fund the required asset management investment.

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER RECOMMENDATION**

That the list of fees and charges, as attached, be referred to the 2015/2016 draft budget process, subject to further investigation on the following items:

- 
- 
- 

**COMMITTEE DECISION**

**A50/15 Moved Cr Benn, seconded Cr Pedler that the list of fees and charges, as attached, be referred to the 2015/2016 draft budget process, subject to further investigation on the following items:**

- **Saleyards (increase per head fee);**
- **Loton Close (comparison to market value);**
- **Cemetery Fees;**
- **An indicator as to which fees are set by legislation;**
- **Football Club Charge typo; and**
- **Washdown Bay – per minute, key charge etc.**

**CARRIED 3/0**



## 9.3 STATUS REPORTS

## 9.3.1 COMMITTEE STATUS REPORT

Date	Item Number & Title	Issue	Response	Status
16 September 2014	9.3 Fuel Cards	That fuel cards be considered whilst compiling the credit card policy.	Credit Card Policy has been adopted by the Council. Further investigation required into Fuel cards.	Ongoing
16 September 2014	11. Committee Membership	To investigate inclusion of an additional community member onto the audit committee (6th Member).	To be considered by the Committee and/or Council	Ongoing
3 February 2015	9.3. 2013/2014 Annual Financial Report	The Manager of Corporate Services will provide further detail on sick, annual and long service leave liabilities and the provision made for these liabilities.	To be completed at the next (May) audit committee meeting.	
3 February 2015	9.5. Risk Registers	The Committee enquired if the registers could include a column titled "Incidents" to give a practical focus to the risk registers.		

## 9.3.2 FINANCIAL MANAGEMENT REVIEW 2015 STATUS REPORT

SHIRE OF KOJONUP - FINANCIAL MANAGEMENT REVIEW (4 March 2015)  
STATUS REPORT

FINDINGS	REF	PAGE	OFFICER	PROGRESS/COMMENT	STATUS
<b>BANK RECONCILIATION AND PETTY CASH</b>	<b>4.1</b>	<b>8</b>			
Reserve bank reconciliations were not performed on a regular basis and Municipal bank reconciliations were not always independently reviewed.			SFO/MCS	Municipal completed daily, reserve Accounts annually. Changes to the timeframes will be made so reserves are more often and Municipal Accounts less often. All reconciliations are now co-signed by the Manager Corporate Services	Ongoing
No evidence of independent review on the petty cash reconciliations.			AO/SFO		
<b>RECEIPTS AND RECEIVABLES</b>	<b>4.3</b>	<b>9</b>			
No follow up on long outstanding debtors being performed.			RAO/MCS	This is now being completed monthly with instant collection results.	Completed
<b>RATES</b>	<b>4.4</b>	<b>10</b>			
No evidence of independent review on manual rolling reconciliations.			SFO/MCS		
<b>PURCHASES, PAYMENTS AND PAYABLES (INCLUDING PURCHASE ORDERS)</b>	<b>4.6</b>	<b>11</b>			
Purchase orders were not properly raised and authorised			FO/SFO	This is an organisation wide issue. A new purchasing procedure is being developed with the aim of being adopted by Senior Management Team.	Ongoing
Creditors reconciliations were not prepared for July, August and September 2014.			FO/SFO	Reconciliations are prepared monthly. More attention needs to be given to ensuring they are completed in a timely fashion.	Completed
No proper segregation of duty surrounding EFT payments and changing of creditors details.			MCS/CEO	A review of duties will be undertaken. This is not always easy to achieve in a small office environment.	

## SHIRE OF KOJONUP - FINANCIAL MANAGEMENT REVIEW (4 March 2015)

## STATUS REPORT

FINDINGS	REF	PAGE	OFFICER	PROGRESS/COMMENT	STATUS
No restriction over access to creditors details.			MCS	A review of duties will be undertaken. This is not always easy to achieve in a small office environment.	
<b>SALARIES AND WAGES</b>	<b>4.7</b>	<b>13</b>			
Payroll reconciliations were not performed on a monthly basis.			RAO/MCS	This is completed but not documented. Process to be improved and documented.	
No proper segregation of duty surrounding payroll system and changes in employees' details.			MCS/SFO	A review of duties will be undertaken. This is not always easy to achieve in a small office environment.	
Employees' files not always updated with changes in employees pay rate.			RAO/SFO		
<b>CREDIT CARD PROCEDURES</b>	<b>4.8</b>	<b>14</b>			
Credit card transactions not independently authorised.			SFO/MCS	A Credit Card policy has now been adopted by the Council since the review was undertaken.	
Invoices or receipts for fuel expenses not always included in the credit card file.			SFO/MCS	A Credit Card policy has now been adopted by the Council since the review was undertaken.	
Credit card expenses were not included in the list of payments presented to Council.			AO/SFO	Payments listed has now been changed to clearly identify each payment.	Completed
<b>FIXED ASSETS</b>	<b>4.9</b>	<b>15</b>			
Fixed Asset register was not updated.			MCS/SFO	Previously updates were completed at year end. This process will change to more regular as resources permit.	Ongoing
Remaining Useful Lives and Residual Values not updated.			MCS		
<b>FINANCIAL REPORTS</b>	<b>4.13</b>	<b>16</b>			

## SHIRE OF KOJONUP - FINANCIAL MANAGEMENT REVIEW (4 March 2015)

## STATUS REPORT

FINDINGS	REF	PAGE	OFFICER	PROGRESS/COMMENT	STATUS
Annual financial report was not submitted to the Department of Local Government within 30 days of receiving the auditor's report.			MCS	Corrected for 2013/2014	Completed
Annual report was not adopted within 2 months after the date of the annual financial report.			MCS	Corrected for 2013/2014	Completed
Monthly statements of financial activity did not include material variances.			MCS	Percent always included but actual dollar not. Format of Monthly's has now changed.	Completed
Current Ratio appears to be incorrectly calculated.			MCS	Passed annual audit.	Completed
<b>REGISTERS</b>	<b>4.14</b>	<b>17</b>			
Primary returns were completed instead of Annual returns.			MCS	Existing staff completing returns for the first time – grey area as to whether Annual or Primary returns should be used. Annual returns will be used if this unlikely occurrence occurs again.	Completed
Annual returns contained blanks.			MCS	Elected members and staff are advised each year when filling out the returns not to leave blanks.	Completed
Financial interest register not updated.			PA to CEO	Register updated as time permits	Ongoing
<b>COMPLIANCE WITH INTEGRATED PLANNING AND REPORTING</b>	<b>4.15</b>	<b>18</b>			
No Long Term Financial Plan in place.			MCS	To be adopted by the Council at the May 2015 Council meeting	
Asset Consumption Ratio, Asset Sustainability Ratio and Asset Renewal Funding Ratio were not addressed in the Asset Management Plan.			MCS	No long term financial plan in place therefore ratios unable to be calculated.	
Corporate Business Plan and Strategic Community Plan were not submitted by 6 September 2013.			CEO		
<b>STORAGE OF DOCUMENTS/RECORD KEEPING</b>	<b>4.19</b>	<b>19</b>			

## SHIRE OF KOJONUP - FINANCIAL MANAGEMENT REVIEW (4 March 2015)

## STATUS REPORT

FINDINGS	REF	PAGE	OFFICER	PROGRESS/COMMENT	STATUS
Strong rooms are not fire resistant.			MCS	Filing cabinets are fire resistant and new electronic off site back ups are being installed.	
<b>INVESTMENTS</b>	<b>4.20</b>	<b>19</b>			
Investment Policy did not comply with FM Regulation 19C.			MCS		
<b>IT GENERAL ENVIRONMENT</b>	<b>4.21</b>	<b>19</b>			
No formal security plan in place.			MCS		
System error in debtors records.			RAO		
<b>GENERAL JOURNALS</b>	<b>4.22</b>	<b>19</b>			
General journals were not reviewed.			MCS/SFO	All journals are now signed off by the MCS	Completed
<b>RISK MANAGEMENT PLAN</b>	<b>4.23</b>	<b>20</b>			
Appropriateness and effectiveness of systems and procedures to be adequately addressed in the Plan.			CEO		
<b>RECOGNITION OF GOLF COURSE</b>	<b>4.24</b>	<b>20</b>			
Golf Course not recognised in Annual Financial Report ending 30 June 2013.			MCS	Completed as at 30 June 2014 in conjunction with fair value assessment of land and buildings	Completed.

#### 9.4 RISK REGISTER

##### **Attachment 9.4 – Springhaven, Office, Council & Depot Risk Registers**

The Risk Management Plan and associated risk registers was adopted by the Council on 16 September 2014. It is therefore appropriate that the Audit Committee will consider the major risks in each area, and progress made towards minimising them, each quarter. Areas of concern can then be reported to the Council, through the Committee.

The four risk registers are attached for the information and feedback of committee members.

It has been resolved that at each meeting a senior Manager will be invited to attend the Committee Meeting and present their relevant section of the risk register at the commencement of the Meeting. No Manager has been invited to this meeting due to the Committee Meeting with the auditor.

**The Committee resolve that this item be deferred to the next meeting.**

**10 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil

**11 NEW BUSINESS**

(of an urgent nature, introduced by a decision of the meeting).

Nil

**12 NEXT MEETING**

The next ordinary meeting will be held on Tuesday, 4<sup>th</sup> August 2015 at 9:30am.

**13 CLOSURE**

There being no further business to discuss, the Presiding Member, thanked the members for their attendance and declared the meeting closed at 11:24am.

**14 ATTACHMENTS (SEPARATE)**

Attachment 9.2            2014/2015 List of Fees and Charges  
Attachment 9.4            Springhaven, Office, Council & Depot Risk Registers

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Presiding Member