

SHIRE OF KOJONUP



Audit Committee Minutes

3rd February 2015

SHIRE OF KOJONUP
MINUTES FOR THE AUDIT COMMITTEE MEETING
HELD ON 3rd FEBRUARY 2015

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MINUTES

1 DECLARATION OF OPENING AND ANNOUNCEMENT OF GUESTS

The Presiding Member declared the meeting opened at 9:31am 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
Cr Jane Trethowan	
Cr John Benn	
Cr Ned Radford	

Staff:

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

Observers:

Cr Jill Mathwin

APOLOGIES

Cr Ian Pedler

3 PUBLIC QUESTION TIME

Nil

4 SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

5 APPLICATIONS FOR LEAVE OF ABSENCE

Nil

6 CONFIRMATION OF MINUTES

AUDIT COMMITTEE MEETING held 4th November 2014

COMMITTEE DECISION

A41/15 Moved Cr Benn, seconded Cr Radford that the Minutes of the Audit Committee Meeting held on 4th November 2014 be confirmed as a true record.

CARRIED 4/0

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**):

1st Quarter (January – March)

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

2nd Quarter (April – June)

- Committee Status Report
- Review of Risk Registers
- Fees & Charges Review

3rd Quarter (July – September)

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

4th 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.

The Committee noted this information.

9 REPORTS

9.1 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	9.3 Interim Audit Report	In order to establish industry best practice our Auditors recommend that a hard copy journal of general ledger entries be signed by the originating responsible person and another as evidence of review.	Agreed – Process has been implemented where Manager of Corporate Services signs off all journals	Completed
16 September 2014	9.3 Interim Audit Report	Our Auditors recommend that a policy in relation to the use of Council Corporate Credit Cards be implemented	Credit Card Policy has been adopted by the Council.	Completed
16 September 2014	9.3 Interim Audit Report	Our Auditors recommend that the general ledger adjustments be made (dated) at month end by general journal. The journal adjustments should be made as part of the reconciliation process, but before the reconciliation is finalized.	Agreed – processes to be changed and possibly additional staff training	Completed
16 September 2014	11. Committee Membership	To investigate inclusion of an additional community member onto the audit committee (6 th Member).	To be considered by the Committee and/or Council	Ongoing

9.2 FINANCIAL MANAGEMENT REVIEW (FMR)

Local Government (Financial Management) Regulation 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 (and not less than once in every 4 financial years) and report to the local government the results of those reviews.’

This FMR has been overdue for some time and UHY Haines Norton have undertaken the review. It is expected that their report will be available for the next audit committee meeting.

The Committee noted this information.

9.3 2013/2014 ANNUAL FINANCIAL REPORT

The Manager of Corporate Services will give an update of the progress of the Annual Report, especially:

- Auditors visit on 28-30 January 2015;
- Fair Value changes to land and buildings;
- Upcoming Fair Value changes to Infrastructure;
- Components of the surplus/deficit calculation; and
- Timeline for adoption and holding of Annual Electors Meeting.

The Committee had considerable discussion on the points above and resolved that The Manager of Corporate Services will:

- **Provide further detail on sick, annual and long service leave liabilities and the provision made for these liabilities; and**
- **Raise the surplus calculations and leave accruals with the auditor.**

9.4 BUSINESS CONTINUITY PLAN

AUTHOR: Heather Sheppard – Senior Project Officer
DATE: Wednesday, 17 December 2014
FILE NO: CM.PLN.1
ATTACHMENT: [9.4.1 Business Continuity Policy](#)
[9.4.2 Business Continuity and Disaster Recovery Plan](#)

DECLARATION OF INTEREST

Nil

SUMMARY

S17 of the Local Government (Audit) Regulations 1996 requires:

- (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 at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

BACKGROUND

Recent changes to the *Local Government Audit Regulations (1996)* require local government CEO's to carry out at least a biennial review of legislative compliance, internal control and risk management and present the results of the review to Council's audit committee. The audit committee is to consider the CEO's review and report the results of the review to Council.

While the actual review process to be undertaken by the CEO is not stipulated, some of the matters that would typically be reviewed when considering risk management, internal control and legislative compliance include:

- Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;
- Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk;
- Ascertaining whether fraud risks have been identified, analysed, evaluated, and that there is an appropriate treatment plan which has been implemented and monitored;
- Ensuring the internal controls and financial management systems are in place to mitigate any financial and reputational risk in line with the WA Local Government Accounting Manual; and
- Ensure compliance with the *Local Government Act 1995* and *Regulations*.

COMMENT

- The Risk Management Plan and Policy was adopted by Council on 16th September 2014 with a Risk Management Co-ordinator appointed to manage the ongoing Risk

Management requirements. The Risk Registers will be monitored regularly and a report provided to Senior Management team every quarter.

- The Business Continuity Plan including Disaster Recovery has now been completed and is presented to the Audit Committee.
- A complete review by external consultants, UHY Haines Norton, of the financial management systems and procedures will be commenced during the first week of November 2014. This report will be provided to the Audit Committee when it is finalised.
- The Compliance Audit Return is completed each year and is reviewed by the Audit committee and a report presented to council. The Return is then submitted to the Director General of the Department of Local Government and Communities by 31st March each year. This return covers a range of audit questions to be answered each year to ensure compliance by local governments.

CONSULTATION

Manager Corporate Services

STATUTORY REQUIREMENTS

Local Government Audit Regulations (1996)

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC/CORPORATE IMPLICATIONS

Corporate Business Plan 2013-17

1.1: Being Well Governed

1.1.4.1: Implement organisation wide risk management.

RISK MANAGEMENT IMPLICATIONS

Compliance with regulation 17 of the *Local Government Audit Regulations (1996)*

ASSET MANAGEMENT IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION

That the Audit Committee receive and endorse for Council adoption the:

1. Business Continuity Plan and
2. Business Continuity and Disaster Recovery Plan.

The Committee went through the plan and made the following comments:

- **Change “flood” reference to “flood/storm”.**
- **In the case of theft, add advice to secure area and not touch anything until police arrive.**
- **Springhaven Lodge residents’ who are not high care could be returned to families.**
- **Do adjoining care facilities have the capacity to house Springhaven Lodge residents?**
- **Check contents insurance amount (adequacy) for Springhaven Lodge.**
- **Back-up “tapes”??**
- **Some typographical errors need correcting.**
- **Risk Area – Personnel – Sudden Loss.....Add VROC assistance to Actions.**
- **Add this plan to every mobile device (Docs on Tap).**
- **Page 17 Person Responsible. “I believe” - who and contact details need entering.**

AUDIT COMMITTEE DECISION

A42/15 Moved Cr Trethowan, seconded Cr Benn that the Manager of Corporate Services is to update the plan and bring back to the Committee based on above feedback.

CARRIED

4/0

9.5 RISK REGISTERS

Attachment 9.5 – 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.

The Committee enquired if the registers could include a column titled “Incidents” to give a practical focus to the risk registers.

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

A meeting will be convened following receipt of the Audit Report for 2013/2014 Annual Financial Reports. It is anticipated that this meeting will be held on Wednesday 4th March 2015 at 9:30am.

The next ordinary meeting will be held on Tuesday, 5th May 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 11:44am.

14 ATTACHMENTS (SEPARATE)

Attachment 9.4.1	Business Continuity Policy
Attachment 9.4.2	Business Continuity and Disaster Recovery Plan
Attachment 9.5	Springhaven, Office, Council & Depot Risk Registers

Presiding Member

Date