



SHIRE OF GNOWANGERUP

## MINUTES

### Audit Committee

**Wednesday 24<sup>th</sup> July 2019**  
**Commencing at 3:00pm**

**Council Chambers**  
**28 Yougenup Road**  
**GNOWANGERUP WA 6335**

## COUNCIL'S VISION

Gnowangerup Shire – A progressive, inclusive and prosperous community built on opportunity

## AUDIT COMMITTEE TERMS OF REFERENCE

### Objectives of the Audit Committee

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate:

- the enhancement of the credibility and objectivity of external financial reporting;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the provision of an effective means of communication between the external auditor, the CEO and the Council.

### Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

### Membership

The committee will consist of all elected members of Council. All members shall have full voting rights. The CEO and employees are not members of the committee.

The CEO and senior staff attend meetings to provide advice and guidance to the committee.

The Presiding Member and Deputy Presiding Member must be elected in accordance with section 5.12 and Schedule 2.3 of the Act.

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### Meetings

The committee shall meet at least quarterly.

Additional meetings shall be convened at the discretion of the Presiding Member.

### Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council and must be moved by the Presiding Member, or in his/her absence the Deputy Presiding Member, or in both their absences, any other member of the committee.

### Functions of the Audit Committee

The functions of the committee, pursuant to Reg. 16 of the *Local Government (Audit) Regulations 1996* will be to:

- a) guide and assist the local government in carrying out its functions:
  - i. under Part 6 (Financial Management) of the Act; and
  - ii. relating to other audits and other matters related to financial management;
- b) guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 (Audit) of the Act;
- c) 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) 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) 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) oversee the implementation of any action that the local government:
  - i. is required to take by section 7.12A(3) of the Act; and
  - ii. has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a) of the Act; 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) perform any other function conferred on the audit committee by these regulations or another written law.

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**Shire of Gnowangerup**

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**NOTICE OF COMMITTEE MEETING OF COUNCIL**

Dear Committee Member

A meeting of the Audit Committee of the Shire of Gnowangerup will be held on Wednesday 24<sup>th</sup> July 2019, in the Council Chambers, 28 Yougenup Road, Gnowangerup, commencing at 3:00 pm.

Signed:  \_\_\_\_\_

**S. Pike**  
**CHIEF EXECUTIVE OFFICER**

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**Meaning of and CAUTION concerning Council's "In Principle" support:**

*When Council uses this expression it means that:*

*(a) Council is generally in favour of the proposal BUT is not yet willing to give its consent; and*

*(b) Importantly, Council reserves the right to (and may well) either decide against the proposal or to formally support it but with restrictive conditions or modifications.*

*Therefore, whilst you can take some comfort from Council's "support" you are clearly at risk if you act upon it before Council makes its actual (and binding) decision and communicates that to you in writing.*

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**DISCLAIMER**

No responsibility whatsoever is implied or accepted by the Shire of Gnowangerup for any act, omission or statement or intimation occurring during Council or committee meetings.

The Shire of Gnowangerup disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or committee meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or committee meeting does so at that person's or legal entity's own risk.

In particular and without detracting in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Gnowangerup during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Gnowangerup.

The Shire of Gnowangerup advises that anyone who has any application lodged with the Shire of Gnowangerup shall obtain and should only rely on **written confirmation** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Gnowangerup in respect of the application.

Signed:  \_\_\_\_\_

**S. Pike**

**CHIEF EXECUTIVE OFFICER**

## COUNCIL'S VISION

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### AGENDA

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#### 1. OPENING OF MEETING

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Presiding Member Keith House, welcomed Members, Staff and visitors and opened the meeting at 3:03pm.

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#### 2. ACKNOWLEDGEMENT OF COUNTRY

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The Shire of Gnowangerup would like to acknowledge the Goreng people who are the Traditional Custodians of this land. The Shire of Gnowangerup would also like to pay respect to the Elders both past and present of the Noongar Nation and extend that respect to other Aboriginals present.

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#### 3. ATTENDANCE/APOLOGIES

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##### 3.1 ATTENDANCE

Cr Keith House	Shire President
Cr Chris Thomas	
Cr Ben Moore	
Cr Frank Hmeljak	
Cr Greg Stewart	
Cr Lex Martin	
Cr Shelley Hmeljak	
Shelley Pike	Chief Executive Officer
Vin Fordham Lamont	Deputy Chief Executive Officer
Carol Shaddick	Senior Finance Officer
Yvette Wheatcroft	Manager of Works
John Skinner	Asset & Waste Management Coordinator
Anita Finn	Executive Assistant

##### 3.2 APOLOGIES

Cr Fiona Gaze	Deputy Shire President
Cr Richard House	

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**4. CONFIRMATION OF PREVIOUS MEETING MINUTES**

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**4.1 AUDIT COMMITTEE MEETING MINUTES 26<sup>th</sup> JUNE 2019**

**3.1 AUDIT COMMITTEE MEETING MINUTES 23 NOVEMBER 2016**

**COMMITTEE RESOLUTION**

**Moved: Cr G Stewart**

**Seconded: Cr C Thomas**

**AC0719.09 That the minutes from Audit Committee meeting held on 26<sup>th</sup> June 2019 be confirmed as a true and correct record of proceedings.**

**UNANIMOUSLY CARRIED: 7/0**



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## 5. OFFICER ITEMS

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<b>5.1</b>	<b>2019 INTERIM AUDIT</b>
<b>Location:</b>	N/A
<b>Proponent:</b>	Office of the Auditor General
<b>File Ref:</b>	ADM0047
<b>Date of Report:</b>	28 <sup>th</sup> June 2019
<b>Business Unit:</b>	Corporate and Community Services
<b>Officer:</b>	V Fordham Lamont – Deputy CEO
<b>Disclosure of Interest:</b>	Nil

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### ATTACHMENTS

- Office of the Auditor General (OAG) Report

### PURPOSE OF THE REPORT

For the Audit Committee to note the results of the 2018/2019 interim audit and recommend that Council accepts the corresponding OAG report.

### BACKGROUND

The *Local Government Act 1995* (LGA) requires the accounts and annual financial report of a local government for each financial year to be audited by an auditor appointed by the OAG. The annual audit is conducted in two parts – an interim audit undertaken in the early part of each calendar year and the final audit which is undertaken on the completion of the draft annual financial statement.

The focus of the interim audit was to evaluate the Shire's overall control environment, and to obtain an understanding of the key business processes, risks and internal controls relevant to the forthcoming audit of the Shire's annual financial report.

### COMMENTS

AMD Chartered Accountants undertook the 2018/2019 interim audit on behalf of the OAG. It is not within the scope of the interim audit for the auditor to express an opinion on the effectiveness of internal control at the Shire. It is, however, pleasing for management to note that the auditor reported no significant findings in its report. This was consistent with the Financial Management Systems Review report which was recently provided to the Audit Committee.

Details of the findings and subsequent responses from management can be found in the attached OAG report.

### CONSULTATION

Nil

### LEGAL AND STATUTORY REQUIREMENTS

*Local Government Act 1995*

Section 7.2. Audit

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**POLICY IMPLICATIONS**

Policy 2.11 Risk Management

**FINANCIAL IMPLICATIONS**

Nil. The cost of the interim audit has been included in the 2018/2019 budget.

**STRATEGIC IMPLICATIONS**

Strategic Community Plan

Theme: Financial Sustainability

Objective: Effective management to conduct business in a financially sustainably manner

**STRATEGIC RISK MANAGEMENT CONSIDERATIONS:**

Nil

**IMPACT ON CAPACITY**

Nil

**ALTERNATE OPTIONS AND THEIR IMPLICATIONS**

Nil

**CONCLUSION**

No significant findings were raised by the auditor in the 2018/2019 interim audit report. Management has already addressed the issues that were categorised as either moderate or minor in nature.

**VOTING REQUIREMENTS**

Simple Majority

**COMMITTEE RESOLUTION**

**Moved: Cr G Stewart**

**Seconded: Cr L Martin**

**AC0719.10 That the Audit Committee:**

**Note the results of the 2018/2019 interim audit and recommend that Council accept the corresponding interim audit report from the Office of the Auditor General.**

**UNANIMOUSLY CARRIED: 7/0**



Our Ref: 8306

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Shire of Gnowangerup  
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Dear Madam

**ANNUAL FINANCIAL REPORT  
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2019**

We have completed the interim audit for the year ending 30 June 2019. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your 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 our audit of the annual financial report.

**Management Control Issues**

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7640 if you would like to discuss these matters further.

Yours faithfully

CARLY MEAGHER  
DIRECTOR FINANCIAL AUDIT

25 June 2019

Attach  
Minutes

## SHIRE OF GNOWANGERUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Purchasing and Payments Procedures		✓	
2. Payroll Exceptions		✓	
3. Credit Note Approval		✓	
4. Processing of Interim Rates Notices		✓	
5. Private Works Invoicing			✓

**KEY TO RATINGS**

The Ratings in this management letter 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. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

**Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.

**Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

**Minor** - Those findings that are not of primary concern but still warrant action being taken.

**SHIRE OF GNOWANGERUP****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****1. Finding – Procurement and Payments Procedures**

During our procurement and payments testing, the following matters were identified:

- Senior Finance Officer does not sign the “Creditor Batch Transaction Listing” as evidence of review;
- Deputy Chief Executive Officer ticks the “Creditors To Be Paid Report,” however does not sign as evidence of review;
- Four purchase orders out of a sample of 21 were raised after the invoice date;
- Two instances where the requisite number of quotations as prescribed by the Shire’s purchasing policy were not obtained;
- The petty cash policy in place is not sufficiently detailed in regards to the application of petty cash funds and the procedure regarding reimbursement; and
- Two instances where petty cash receipts had not been attached to petty cash dockets, and two instances where petty cash dockets were not attached to receipts as evidence of approval.

**Rating: Moderate****Implication**

Lack of documentation to support compliance with the Shire’s purchasing policy and internal controls.

**Recommendation**

We recommend:

- Senior Finance Officer signs “Creditor Batch Transaction Listings” as evidence of review;
- Deputy Chief Executive Officer signs the “Creditors to be Paid Report” as evidence of review;
- Purchase orders are to be completed prior incurring the expenditure;
- Where the requisite number of quotations for a purchase cannot be obtained, the reason therefore should be documented; and
- The Shire’s petty cash policy be revised to reflect the application of petty cash funds and the procedure regarding reimbursement communicated to staff.

**Management Comment**

- SFO will stamp and sign going forward.
- As discussed with AMD, DCEO will initial report going forward.
- SFO will return purchase orders to authorising officer for adjustment if found to be incorrect.
- SFO will return invoices and purchase orders to authorising officer for quotes to be attached and/or quotes box to be fully completed.
- Petty cash procedure revised and updated by SFO.

**Responsible Officer:** Senior Finance Officer

**Completion Date:** 30 June 2019

**SHIRE OF GNOWANGERUP****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****2. Finding - Payroll Exceptions**

During our payroll, testing our audit sample identified the following exceptions:

- Lack of documentation to evidence employee deduction for union fees (employee number 57) and lack of documentation to support employee approval for an increase in union fee deductions (employee number 219);
- The timesheet for the fortnight ending 9 January 2019 for employee number 351 included totals of 9.5 work hours and 7 plant hours; however the actual hours recorded in the timesheet added up to 9.1 work hours and 7.9 plant hours. When the timesheet was subsequently processed into Synergy, 9.5 work hours and 8.3 plant hours were recorded;
- An exit checklist was not completed for employee number 356 on termination;
- An industry allowance of \$0.65 per hour included in the employment contract for employee number 356 does not appear to have been paid to the employee; and
- Employee number 356 indicated their last day of employment with the Shire would be 22 February 2019 while the employee appears to have been terminated effective 20 February 2019. Their personal file did not indicate the reason for the two day discrepancy in dates.

**Rating: Moderate****Implication**

The absence of review and approval of pay rates, termination calculations, allowances and deductions could result in incorrect amounts being paid to employees and risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

**Recommendation**

We recommend:

- Deductions and changes to deductions be approved by employees with approval retained in their personal files.
- Errors noted in the preparation of timesheets should be referred to the employee's supervisor for correction.
- Termination checklists be completed and termination calculations be generated and signed off by an independent reviewer as evidence of the review. Furthermore we recommend the termination calculation for employee number 356 be reviewed to ensure correctly calculated and paid including allowances and deductions.

**Management Comment**

- Finance Officer contacted union for member listing and current fees. All new deductions or amendments will be supported by written approvals from employees, a copy of which will be retained in their personnel files.
- any discrepancies in timesheets will result in the finance officer returning them to employee and supervisor for correction before they are entered.
- DCEO will inform supervisors at next manex meeting that exit process must be completed. Exit forms are situated under corporate documents folder (w:\public\corporate documents folder\forms and templates\personnel and payroll\termination forms). Termination calculation for employee 356 has been reviewed and industry allowance adjustments will be completed by 30 June 2019. Employee 356 will also be backpayed for two extra days by 30 June 2019.

**Responsible Officer:** Deputy CEO**Completion Date:** 30 June 2019

**SHIRE OF GNOWANGERUP**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**3. Finding - Credit Note Approval**

Our review of credit note procedures indicates there is no formal approval of credit notes raised (for example, Credit note number 364 dated 18 September 2019 was not evidenced to indicate approval).

**Rating: Moderate**

**Implication**

Without approval, there is a risk that unattained credit notes may be raised, increasing the risk of fraud or error.

**Recommendation**

We recommend credit notes raised be independently approved and evidence maintained. The implementation of a "Request for Credit Note" form would assist in this regard.

**Management Comment**

SFO has sourced a credit note request form, which will be completed for all credit notes going forward.

**Responsible Officer:** Senior Finance Officer

**Completion Date:** 30 June 2019

**SHIRE OF GNOWANGERUP**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**4. Finding - Issuing of Interim Rates Notices**

The interim rate notice relating to the Landgate valuation report R2018/5 dated 20 July 2018 was subsequently issued on 19 March 2019, 242 days later; while the interim notice relating to Landgate valuation report R2018/6 dated 13 October 2018 was issued on 12 March 2019, 150 days later.

**Rating: Moderate**

**Implication**

Interim rates not raised in a timely manner.

**Recommendation**

Interim rates notices should be issued as soon as practical, after updated valuation reports from Landgate are received.

**Management Comment**

The interim rates in question were missed as the valuation reports were received after the end of the financial year. The Finance Officer had put them aside to issue them after the date of the next rates instalment but overlooked them. SFO has brought this to the attention of the Finance Officer and the issuing of interim rates notices will be actioned correctly moving forward.

**Responsible Officer:** Senior Finance Officer

**Completion Date:** 30 June 2019



**SHIRE OF GNOWANGERUP**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**5. Finding - Private Works Invoicing**

Our review of private works invoicing, indicated invoices raised are not subject to independent review (for example Invoice 5516 dated 31 March 2019 recorded the supply at 1.5 cubic meters of sand and 0.5 cubic meters of gravel sweepings, however the invoice only charged for 1 cubic meter of sand/gravel, resulting in an under charge of \$23.50).

**Rating: Minor**

**Implication**

Loss of income in respect to Private Works.

**Recommendation**

Following completion of a "Private Works Request", we recommend independent review of private works invoices, to ensure invoices raised correctly reflect income due to the Shire.

**Management Comment**

Moving forward, Customer Service Officer and SFO will check additions and, if errors are found, will return private works form to depot for clarification.

**Responsible Officer:** Senior Finance Officer

**Completion Date:** 30 June 2019

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**6. CLOSURE**

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There being no further business, Presiding Member Keith House closed the meeting at 3:05pm