



AUDIT COMMITTEE MEETING

MINUTES

13 December 2018

These minutes were confirmed by Audit Committee as a true and correct record of proceedings by the Audit Committee meeting held on 18/12/2018

Presiding Member:  Date: 21/02/2019

**Shire of Brookton
Audit Committee held 13 December 2018
Commenced at 3.00pm**

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1.12.18 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting at 3.07am/pm and welcomed all in attendance.

Members

Cr KL Crute	(Shire President)
Cr NC Walker	(Deputy Shire President)
Cr KH Mills	
Cr TM Eva	
Cr RT Fancote	
Cr LR Eyre	
CR CE Hartl	

Staff and Auditors (Non Voting)

Ian D'Arcy	Chief Executive Officer
Vicki Morris	Deputy Chief Executive Officer
Steve Thomson	Manager of Infrastructure and Regulatory Services
Courtney Fulwood	Executive Officer
Kelly D'Arcy	Senior Corporate Business Officer
Corinne Kemp	Finance Officer
Jordan Langford Smith	Senior Director Financial Audit – Office of Auditor General
Xuanshan Ong	Audit Manager – Office of Auditor General

2.12.18	PUBLIC QUESTION TIME
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Nil

3.12.18	CONFIRMATION OF PREVIOUS MINUTES
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ACM 09.18-01

COMMITTEE RESOLUTION

MOVED CR EYRE SECONDED CR HARTL

That the minutes of the Audit Committee meeting held in the Shire of Brookton Council Chambers, on 13 December 2018, be confirmed as a true and correct record of the proceedings.

CARRIED BY SIMPLE MAJORITY VOTE 7-0

4.12.18	DECLARATIONS BY MEMBERS AND OFFICERS
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Members and Officers to declare Financial, Proximity or Impartiality Interests & submit forms to the Chief Executive Officer at the commencement of the meeting and also prior to the item.

Disclosure of Financial & Proximity Interests

- a. Members must disclose the nature of their interest in matters to be considered at the meeting. (Sections 5.60B and 5.65 of the *Local Government Act 1995*).
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the *Local Government Act 1995*).

Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be considered at the meeting in respect of which the member or employee has given or will give advice.

Financial, Proximity and Impartiality Interests

Item no.	Members/Officers	Type of Interest	Nature of Interest
Nil			

The presiding member welcome Mr Langford Smith and Mr Ong to the meeting, and invited Mr Langford Smith to provide an overview of the Audit findings for the 2017/2018 financial year.

In summary, Mr Langford Smith provided an exit brief to the Audit Committee that included an acknowledgement:

- The process has been a learning curve for his Office and staff.
- The audit has involved considerable time and resources by his Office, which is not reflected in the AOG audit fee.
- The co-operation and patience from the Shire's finance team is greatly appreciated.
- There are a number of areas identified through the final audit process that requires attention by the Shire, including:
 - Financial Assistance Grants needs to be recognized as income in the year it is received;
 - Tighter controls on internal access to IT systems needs to be applied to negate the risk of fraud;
 - The Assessment Management Plan and Long Term Financial Plan needs to be updated to more accurately reflect the financial position of the organization;
 - Internal systems need to be accompanied by documented procedures that are regularly reviewed and tested;
 - The contaminated sites within the Shire need to be identified and registered with the Department of Water and Environmental Regulation, as required by legislation;

Mr Langford Smith also confirmed that:

- The financial ratios are trending in the right direction, but don't yet accord to the bench marks set by the Department of Local Government;
- Review of the Related Parties Disclosures did not indicate any concerns;
- The Kalkarni financials and prudential reporting appears in order, although further work is required on managing this arrangement with a more pragmatic approach to sharing information between the Shire and Baptistcare (including their Auditors);
- A review of fair values applied to the Shire's assets has prompted consideration of Crown Land and this needs to be reviewed further;
- Council needs to be conscious of unadjusted errors (such as the WALGA Trust Units (x3) that have a value of approx. \$50,000) that need to be accounted for but are not material to the financial statements;
- The AOG fee for the 2018/19 audit is to remain unchanged at this stage.

The CEO commented that the process has been a learning experience for the Shire as well, and while there may have been occasion moment of frustration in sharing information electronically, in the main the relationship has been positive and productive from his perspective.

The Presiding Member thanked both auditors for their attendance.

5.12.18	ANNUAL REPORT FOR 2017/2018
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File No:	ADM 0117
Date of Meeting:	13 December 2018
Location/Address:	Not Applicable
Name of Applicant:	Shire of Brookton
Name of Owner:	Shire of Brookton
Author/s:	Kelly D’Arcy – Senior Corporate Business Officer
Authorising Officer:	Vicki Morris – Deputy Chief Executive Officer
Declaration of Interest:	Nil
Voting Requirements:	Absolute Majority
Previous Report:	Nil

Summary of Item:

The 2017/18 Annual Report outlines the Shire’s achievements against its Strategic Community Plan, financial performance and notes key activities contained within the Corporate Business Plan. This item seeks Council’s adoption of the 2017/18 Annual Report and set a date for the annual general meeting of electors. As presented in **Attachment 5.12.18A provided under separate cover.**

Description of Proposal:

Description or N/A

Background:

The Annual Report contains information as required under section 5.53 of the Local Government Act 1995 including (but not limited to) the following:

- A report from the President
- A report from the Chief Executive Officer
- An overview of the plan for the future of the Shire (in accordance with Section 5.56 of the *Local Government Act 1995*)
- The financial report for the financial year
- A report made under section 29 (2) of the *Disability Services Act 1993*
- Details of entries made under section 5.121, in the register of complaints
- The auditor’s report for the financial year

The on-site audit was conducted by the Office of the Auditor General (OAG) from 16 July 2018 to 26 July 2018 with the Annual Financial Report finalised and submitted to the Auditors on Thursday 23 August 2018. Following post audit adjustments, the Audited Annual Financial Report was received on 10 December 2018.

Should the 2017/18 Annual Report be endorsed, it is intended that local public notice be published advising the availability of the 2017/18 Annual Report and of the Annual Electors Meeting.

Consultation:

Consultation was undertaken with the Shires Auditors – the OAG, the Shire President, the Chief Executive Officer, the Deputy Chief Executive Officer and the Finance Department.

Statutory Environment:

Section 5.53 of the *Local Government Act 1995* (the Act) outlines the minimum requirements of an Annual Report. Section 5.54 states that a local government must accept an annual report by 31 December of each year by absolute majority.

The annual financial report is prepared in accordance with Australian Accounting Standards, the Local Government Act 1995, and the Local Government (Financial Management) Regulations 1996.

Sections 5.27 and 5.29 of the Act outline the procedure for convening an electors meeting, including holding the meeting no more than 56 days from when the Annual Report was adopted.

Relevant Plans and Policy:

There are no Council Policy implications that are relevant to this item

Financial Implications:

The availability of the Annual Report and the date for the annual general meeting of electors will be advertised in the Brookton Telegraph Notes. There will be no cost associated with this.

A limited number of hard copy annual reports will be printed and funded under the existing stationery budget.

Risk Assessment:

There is a risk should the Annual Report not be adopted within the timeframes outlined, Council may be in breach of the *Local Government Act 1995* and relevant subsidiary legislation.

Community & Strategic Objectives:

Pursuant to the Strategic Community Plan, the Shire is to provide high quality corporate governance, accountability and compliance.

Comment

The Office of the Auditor General plan to issue an exit brief (summary of the audit) as well as a management letter for the final audit. The OAG will present and provide commentary on both the exit brief and the management letter at the meeting.

The implication of this is that in the auditor's opinion the Shire's financial report is in accordance with the *Local Government Act 1995* and the Local Government (Financial Management) Regulations 1996, and:

- a) gives a true and fair view of the Shire's financial position as at 30 June 2018 and of its financial performance and its cash flows for the year ended on that date; and
- b) complies with the Australian Accounting Standards.

As for the exit brief the following is a summary of the key issues identified during the audit, as extracted. Detailed audit findings and recommendations for improvement are listed below and have been discussed with management.

FINDINGS	RATING		
	Significant	Moderate	Minor
Interim Audit			
1. Purchasing Policies and Procedures		✓	
2. Purchase Orders		✓	
3. Maintenance of the Supplier Masterfile		✓	
4. User Access Management	✓		
5. Unsupported Software		✓	
6. Information Technology Security Policy		✓	
7. Management of Third-Party IT Services		✓	
8. Business Continuity Management		✓	
9. Server Security		✓	
10. Management of Issued Infringements		✓	
11. Cash and Cheque Collections		✓	
12. Physical Security of Cash		✓	
13. Review of Risk Register		✓	
14. Review Financial Management Systems		✓	
Final Audit			
15. Accounting for Commonwealth Grants	✓		
16. Accrued Expenses		✓	
17. Asset Management Plan Review		✓	

OFFICER RECOMMENDATION

That The Audit Committee Recommend to Council that the Council:

1. In accordance with Sections 5.53 and 5.54 of the Local Government Act 1995, accepts the Shire of Brookton Annual Report 2017/2018 for the 2017/18 financial year;
2. Authorise the Chief Executive Officer to give public notice of the availability of the Annual Report in accordance with Section 5.55 of the Local Government Act 1995,
3. Receive the Management Report from the Office of the Auditor General for the Year Ended 30 June 2018 and
4. Advertise the Annual General Meeting of Electors to be held on Thursday 17 January 2019 commencing at 7.00pm, at the Shire Administration Office, 14 White Street Brookton in Council Chambers.

ABSOLUTE MAJORITY VOTE REQUIRED

Attachments provided under separate cover

Attachment 5.12.18A – 2017/2018 Annual Report

Attachment 5.12.18B – 2017/2018 Management Report

ACM 09.18-02

COMMITTEE RESOLUTION

MOVED CR HARTL SECONDED CR EVA

That The Audit Committee Recommend to Council that the Council:

- 1. In accordance with Sections 5.53 and 5.54 of the Local Government Act 1995, accepts the Shire of Brookton Annual Report 2017/2018 for the 2017/18 financial year;***
- 2. Authorise the Chief Executive Officer to give public notice of the availability of the Annual Report in accordance with Section 5.55 of the Local Government Act 1995,***
- 3. Receive the Management Report from the Office of the Auditor General for the Year Ended 30 June 2018 and***
- 4. Advertise the Annual General Meeting of Electors to be held on Thursday 17 January 2019 commencing at 7.00pm, at the Shire Administration Office, 14 White Street Brookton in Council Chambers.***

CARRIED BY SIMPLE ABSOLUTE MAJORITY VOTE 7-0

6.12.18 ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

7.12.18 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING

Nil

8.12.18 CLOSURE OF MEETING

There being no further business the Presiding Member closed the meeting at 3.30pm.