



# MINUTES

Audit Committee Meeting

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Wednesday, 6 September 2017 at 6.37pm

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**1. OFFICIAL OPENING**

The Presiding Member opened the meeting at 6.37pm.

**2. ACKNOWLEDGEMENT OF COUNTRY**

*"On behalf of the Council I would like to acknowledge the Nyoongar people as the traditional custodians of the land on which this meeting is taking place."*

**3. RECORD OF ATTENDANCE**

**3.1 Attendance**

The following members were in attendance:

Cr M McPhail Presiding Member

Mayor J O'Neill

Cr A McPhail

Cr T Watkins

The following staff were in attendance:

Mr G Tuffin Chief Executive Officer

Mr D Taylor Executive Manager Corporate & Community Services

There were no members of the gallery in attendance

**3.2 Apologies**

Cr A White.

**3.3 Leave of Absence**

Nil.

**4. MEMORANDUM OF OUTSTANDING BUSINESS**

Nil.

**5. DISCLOSURES OF INTEREST**

**5.1 Financial**

Nil.

**5.2 Proximity**

Nil.

**5.3 Impartiality**

**5.3.1 Cr A McPhail**

As a consequence of having a past and ongoing business relationship using the audit services of Anderson, Munro and Wylie for some clients there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits in terms of the benefit to the Town and vote accordingly.

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6. CONFIRMATION OF MINUTES

6.1 Meeting of Audit Committee (17 March 2017)

6.1 OFFICER RECOMMENDATION

Moved Cr A McPhail, seconded Cr Watkins

That the minutes of the meeting of the Audit Committee held on Friday, 17 March 2017 be confirmed as a true and correct record of proceedings.

(CARRIED UNANIMOUSLY)

7. ANNOUNCEMENTS BY THE PRESIDING MEMBER

Nil.

## 8. REPORTS

### 8.1 Financial Management Review

<b>File ref</b>	F/AUD1
<b>Prepared by</b>	David Taylor, Executive Manager Corporate & Community Services
<b>Supervised by</b>	Gary Tuffin, Chief Executive Officer
<b>Meeting Date</b>	6 September 2017
<b>Voting requirements</b>	Simple Majority
<b>Documents tabled</b>	Nil

#### **Purpose**

To present the findings of the Financial Management Review to Council.

#### **Executive Summary**

In accordance with the requirements outlined within section 5(2)(c) of Local Government (Financial Management) Regulation 1996, the Chief Executive Officer is to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every two (2) financial years) and report to the local government the results of those reviews.

#### **Background**

The Town has utilised the services of Anderson Munro and Wyllie, the Town External Auditors to conduct the review.

The objective of the external engagement was to provide an independent testing of the financial management system of the Town of East Fremantle and receive a report on the appropriateness and effectiveness of the control environment within as required under Financial Management Regulation 5(2)(c).

The review examined the following financial systems and procedures of the Town of East Fremantle:

- Bank Reconciliations
- Petty cash
- Trust funds
- Investments
- Receipts/debtors
- Payments/creditors
- Purchases
- Credit card procedures and use
- Payroll rates
- Fees and charges
- Cost allocations
- Administration allocations
- Job costing
- Minutes and meetings
- Financial reports
- Budgets
- Integrated planning and reporting
- Register of delegations
- General ledger accounts
- Record keeping and storage
- Insurance
- Audit Committee

#### **Consultation**

Chief Executive Officer  
Anderson Munro and Wyllie (External Auditors)

### **Statutory Environment**

Local Government Act 1995

Local Government (Audit) Regulations 1996 Regulation 17

Local Government (Financial Management) Regulations 1996

### **Policy Implications**

F8.7 Significant Accounting Policies

### **Financial Implications**

Nil

### **Strategic Implications**

Nil

### **Site Inspection**

Not applicable

### **Comment**

The examination was mainly an overview of the above areas, assessing major controls and considering whether the systems and procedures in place are appropriate and effective for the Council's current level of operations and structure. They did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature.

The conclusion was that the overall effectiveness of the financial management systems and procedures of the Town of East Fremantle with respect to areas covered by the review are reasonable and appropriate for the current level of operations and structure. The following recommendations were made;

- a. Bank Reconciliations – to be evidenced as reviewed and have a copy of the bank statement attached.

Officer Comment: These changes have been implemented in July 2017.

- b. Trust fund reconciliations - to be reconciled to the last calendar day of each month.

Officer Comment: These changes have been implemented in July 2017.

- c. Payments / Creditors – the Town review its GST treatment when posting transactions in order to correctly record its GST treatment and correctly submit BAS to the ATO.

Officer Comment: This is currently being reviewed and the necessary system changes will be made.

- d. Credit card procedures and use – recommend that the policy for corporate credit cards be reviewed in order to effectively detect any purchases that include elements which are private use.

Officer Comment: The credit card policy is earmarked for review in conjunction with all other finance related policies and procedures.

- e. Payroll – it is noted that there are a number of staff with large accrued leave balances.

Officer Comment: This had already been identified by the administration and actions are being taken to alleviate these large accrual balances.

- f. Minutes of meetings – that the unsigned minutes be clearly marked as unconfirmed until confirmed and that the website reflects this.

Officer Comment: A watermark will be implemented on the unconfirmed minutes in order to clearly identify as unconfirmed. When confirmed these are replaced by confirmed minutes on the website.

- g. Financial Reports – financial ratios are below basic standard.

Officer Comment: The operating surplus ratio for 2016 was (0.16), which was created by a negative operating surplus at the end of that financial year. This has been created by a significant increase in the depreciation on non-current assets when compared to budget as all other forms of expenditure were below budget for that period. The depreciation charges will be reviewed and updated within 17-18 in order to reflect appropriate depreciation values.

- h. Record keeping and storage of documents and data – that a Disaster Recovery and Business Continuity Plan and necessary policies be developed.

Officer Comment: Disaster Recovery and Business Continuity plan is currently being developed.

- i. Audit Committee – recommend that Audit Committee implement controls in order to manage each risk identified above as having inadequate controls.

Officer Comment: Implement the above comments

**8.1 OFFICER RECOMMENDATION/COMMITTEE RESOLUTION AU010917**

**Moved Cr A McPhail, seconded Mayor O'Neill**

**That Council:**

- 1. receives the Financial Management Review Report 2017.**
- 2. notes the actions to implement the recommendations.**

**(CARRIED UNANIMOUSLY)**

Council officers undertook to provide a summarised report to the next Audit Committee Meeting on the status of the identified risk areas.



9. **MATTERS BEHIND CLOSED DOORS**

Nil.

10. **CLOSURE OF MEETING**

There being no further business, the Presiding Member declared the meeting closed at 7.28pm.

*I hereby certify that the Minutes of the ordinary meeting of the **Audit Committee** of the Town of East Fremantle, held on **6 September 2017**, Minute Book reference **1 to 10** were confirmed at the meeting of the Committee on*

6 DECEMBER 2017

  
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**Presiding Member**