



MINUTES

Audit and Risk Management Committee Meeting Friday, 9 August 2019

Date: Friday, 9 August 2019

Time: 8:02am

Location: Town of Claremont
Claremont Council Chambers
308 Stirling Highway, Claremont

**Liz Ledger
Chief Executive Officer**

DISCLAIMER

Persons present at this meeting are cautioned against taking any action as a result of any Committee recommendations until such time as those recommendations have been considered by Council and the minutes of that Council meeting have been confirmed.

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**MINUTES OF TOWN OF CLAREMONT
AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
HELD AT THE TOWN OF CLAREMONT, CLAREMONT COUNCIL CHAMBERS, 308 STIRLING
HIGHWAY, CLAREMONT
ON FRIDAY, 9 AUGUST 2019 AT 8:00AM**

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

Chairperson, Cr Bruce Haynes, welcomed members and declared the meeting open at 8:02am.

2 RECORD OF ATTENDANCE / APOLOGIES

PRESENT:

Cr Bruce Haynes (Chairperson), Cr Alastair Tulloch, Community Representative Ms Marguerite Anklesaria, Community Representative Mr Andrew Cuthbertson

IN ATTENDANCE:

Les Crichton - Director Corporate Governance

Hitesh Hans – Manager Finance

APOLOGIES:

Mayor Jock Barker, Cr Paul Kelly

LEAVE OF ABSENCE:

Nil

3 DISCLOSURE OF INTERESTS

Nil

4 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

COMMITTEE RESOLUTION 008/19

Moved: Ms Marguerite Anklesaria

Seconded: Mr Andrew Cuthbertson

That the minutes of the Audit and Risk Management Committee Meeting held on 1 May 2019 be confirmed.

CARRIED

5 REPORTS OF THE CEO

5.1 2018-19 ANNUAL FINANCIAL REPORT - INTERIM AUDIT RESULTS

File Number: FIM/00070-05, D-19-26171

Author: Katie Bovell, Governance Officer

Authoriser: Les Crichton, Director Corporate and Compliance

Attachments: 1. Annual Financial Report Interim Audit Results for the Year Ended 30 June 2019 

PURPOSE

To present the Interim Audit Results for the Year Ended 30 June 2019 for review by the Audit and Risk Management Committee.

BACKGROUND

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on 28 October 2017, giving the Auditor General the mandate to audit all Western Australian local government entities.

The Act allowed the Office of the Auditor General (OAG) to begin performance audits straight away, while responsibility for financial audits to transition over 4 years, as local government's existing audit contracts expire. By the financial year 2020-21, all local government entities will be audited by the OAG.

The Town's audit contract with Moore Stephens expired on conclusion of the 2017-18 audit, which resulted in the OAG becoming responsible for all future financial audits, beginning with the 2018-19 financial year.

In February 2019, the OAG confirmed this arrangement with the Town, outlining our respective responsibilities, together with the audit objective and scope.

As detailed in the Auditors Audit Strategy Memorandum presented by the OAG to the Audit and Risk Management Committee (ARMC) at its meeting of 1 May 2019, the audit includes the conduct of an interim audit, and issue of an interim management report, if any matters need to be reported. The OAG (through its contractors Moore Stephens) completed the onsite element of the interim audit from 1-3 May 2019 inclusive.

In preparing the interim audit results, the OAG submitted a draft report for management comment, which are included the final report.

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DISCUSSION

As detailed within the report (Attachment) the OAG identified six areas it considered deficient in internal control. The OAG assessed three as of significant risk or concern, two as moderate, and one as minor.

While management comment including corrective action is provided within the OAG Report, the following additional comments are provided on those matters with a rating of significant.

Trust Funds transacted through municipal bank account

Current receipting software only enables funds received regardless of purpose to be allocated to a single bank account. As the majority of transactions are related to the Town's municipal function, the Municipal Bank account and associated General Ledger account is therefore used.

The receipting system however allocates all transactions to their respective municipal revenue or trust deposit accounts at source. This facilitates reconciliation of both municipal and trust bank accounts, which together with daily maintenance of the municipal fund to cover payments before they are made mitigates if not removes any risk of inadvertent use of trust funds for municipal purposes.

The software provider has also been requested to upgrade the software to provide separate banking reports within end of day receipting reporting.

Journals not independently reviewed

This matter relates to the adequate demonstration of journal approval and review. The large number of lines of journals (at times above 1,000) makes printing and signing by the authoriser and reviewer impractical.

The current practice retains the journal files within excel spreadsheets. To address the evidence concerns, the files will continue to be retained with excel spreadsheets however is now maintained within the Town's records management system. This provides logs of all creators, authorisers and reviewers of the journal files.

Fixed Assets below \$5,000

This requirement is scheduled for inclusion in the *Town's year end processes which will address the requirement of Regulation 17A of the Local Government (Financial Management) Regulations 1996.*

The Audit and Risk Management Committee (ARMC) on reviewing progress on recommendations following completion of the 2017 Compliance Audit Return raised its concerns, at the increasing number of reports of non-compliance in the areas of procurement and delegations within the local government and public sector.

The Office of the Auditor General had completed and published a review of local government procurement which highlighted weaknesses in procurement controls, processes and documentation across each the eight local governments it reviewed.

PAST RESOLUTIONS

Audit and Risk Management Committee Meeting 1 May 2019, Resolution 7/19:

That the Audit and Risk Management Committee -

- *Notes the recommendations and agreed management action within the Procurement and Delegation Internal Audit Review - April 2019, and*
- *Recommends Council receive the Delegations of Authority and Procurement Internal Audit Review.*

CARRIED

Audit and Risk Management Committee Meeting 8 March 2019:

Paxon Group Executive Director, Cameron Palassis, outlined the proposed audit plan for the Procurement and Delegation Process Audit, clarified the expectations and responded to questions from the committee.

Audit and Risk Management Committee Meeting 1 March 2019, Resolution 04/19:

That the Audit Committee endorse engagement of the Paxon Group to undertake the audit of procurement and delegation processes as set out in their proposal.

CARRIED

Ordinary Council Meeting 4 December 2018, Resolution 217/18:

That Council engage an external auditor to review and report to the Audit and

Risk Management Committee by the end of the 2018-19 financial year on the appropriateness, processes and application of the Towns policies, procedures, and associated record keeping (including sampling), in relation to;

- i. Procurement, and*
- ii. Delegations*

CARRIED BY AN ABSOLUTE MAJORITY

That Council:

- 1. The Terms of Reference for the review and report be developed for endorsement by the Audit Committee Chair, and*
- 2. Council approve an unbudgeted allocation of \$15,000 to fund the external review of the procurement and delegation policies and procedures.*

CARRIED BY AN ABSOLUTE MAJORITY

Audit and Risk Management Committee Meeting 23 November 2018,

That Council engage an external auditor to review and report to the Audit and Risk Management Committee by the end of the 2018-19 financial year on the appropriateness, processes and application of the Towns policies, procedures, and associated record keeping (including sampling), in relation to;

- i. Procurement, and*
- ii. Delegations*

CARRIED

FINANCIAL AND STAFF IMPLICATIONS

Nil

POLICY AND STATUTORY IMPLICATIONS

Local Government Act 1995: Part 7 - Audit

Local Government (Audit) Regulations 1996: Cl. 9 - Performance of Audit; Cl. 10 – Report by Auditor

COMMUNICATION / CONSULTATION

Nil

STRATEGIC COMMUNITY PLAN

Leadership and Governance

We are an open and accountable local government; a leader in community service standards.

- Demonstrate a high standard of governance, accountability, management and strategic planning.
- Manage our finances responsibly and improve financial sustainability.

URGENCY

Nil

VOTING REQUIREMENTS

Simple majority decision of Council required.

COMMITTEE RECOMMENDATION**Moved: Ms Marguerite Anklesaria****Seconded: Mr Andrew Cuthbertson****That the Audit and Risk Management Committee,**

- 1. Receives the Office of Auditor General's Annual Financial Report – Interim Audit Results for the Year Ended 30 June 2019, and**
- 2. Notes the recommendations and management comments/actions within the Report.**

AMENDMENT**COMMITTEE RESOLUTION 009/19****Moved: Cr Bruce Haynes****Seconded: Ms Marguerite Anklesaria****That point 3 be added to read 'On advice of his resignation to take up a new role, commends Hitesh Hans, Manager Finance on his service to the Town'.****CARRIED****THE AMENDED PRIMARY MOTION WAS PUT****COMMITTEE RESOLUTION 010/19****That the Audit and Risk Management Committee,**

- 1. Receives the Office of Auditor General's Annual Financial Report – Interim Audit Results for the Year Ended 30 June 2019, and**
- 2. Notes the recommendations and management comments/actions within the Report.**
- 3. On advice of his resignation to take up a new role, commends Hitesh Hans Manager Finance on his service to the Town**

CARRIED

6 OTHER BUSINESS**6.1 LOCAL GOVERNMENT ELECTIONS 2019**

Mr Crichton advised that as all positions on the Town's committees are vacated on Local Government Election day (19 October 2019), nominations to fill the community representatives' positions on these committees following the elections will be advertised in the coming weeks

6.2 WESTERN METROPOLITAN REGIONAL COUNCIL (WMRC) UPDATE

Cr Haynes advised that the WRMC had recently updated its Risk Management Framework and reported it had used the Town's document as the template for this process.

7 NEW BUSINESS OF AN URGENT NATURE APPROVED BY THE PRESIDING PERSON OR BY DECISION OF MEETING

Nil

8 FUTURE MEETINGS OF COMMITTEE

To be confirmed following completion of the final audit scheduled October 2019.

9 DECLARATION OF CLOSURE OF MEETING

There being no further business, the presiding member declared the meeting closed at 8.52am.

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CHAIRPERSON