



Agenda of the Audit Committee

Audit Committee Meeting

To be held in Council Chambers, Wolfram Street Westonia

Thursday 20 July 2023

Commencing 2.20pm

Dear Councillors,

The next Audit Committee Meeting of the Shire of Westonia will be held on Thursday 20th July 2023 the Council Chambers, Wolfram Street, Westonia.

Audit Meeting – 2.20 pm

BILL PRICE

CHIEF EXECUTIVE OFFICER

18 July 2023

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1. DECLARATION OF OPENING

The President, Cr Crees welcomed Councillors and staff and declared the meeting open at 2.24 pm.

2. ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

Councillors:

Cr KM Day	President via Microsoft Teams.
Cr RM Crees	Deputy President
Cr DL Geier	
Cr WJ Huxtable	
Cr RA Della Bosca	
Cr RS Corsini	

Staff:

Mr. AW Price	Chief Executive Officer
Mrs. JL Geier	Manager of Corporate Services

Members of the Public: Nil

Apologies: Nil

Approved Leave of Absence: Nil

3. PUBLIC QUESTION TIME (2.25PM – 2.48PM)

Nil

4. CONFIRMATION OF PREVIOUS MINUTES

OFFICER RECOMMENDATIONS



That the Minutes of the Audit Committee Meeting held on Thursday 16th March 2023 be confirmed as a true and correct record.

5. PRESIDENT/COUNCILLORS ANNOUNCEMENTS

Nil:

6. MATTERS REQUIRING A COUNCIL DECISION

6.1.1 FINANCIAL MANAGEMENT REVIEW

Responsible Officer:	Bill Price, CEO	
Author:	Jasmine Geier, DCEO	
File Reference:	ES1.7.1	
Disclosure of Interest:	Nil	
Attachments:	9.1.8 Attachment Financial Management Review and Regulation 17 Report.	
Signature:	Officer	CEO
		

Purpose of the Report

Council to consider the 2023 Financial Management Review.



Executive Decision



Legislative Requirement

Background

It is a requirement of the *Local Government (Financial Management) Regulations 1996* that at least once every three years, Council undertake a review of the appropriateness and effectiveness of its financial management systems and procedures.

It is a requirement of *Local Government (Audit) Regulations 1996* that a review of risk management is conducted at least once every three years.

The last review was undertaken by Moore Stephens WA Pty Ltd (now Moore Australia) in June 2016.

The outcomes of the most recent review undertaken in March 2023 by AccWest Pty Ltd consulting are presented for Council's consideration.

Comment

Financial Management Review

Nothing was noted by the consultants as representing high risk management control matters or noncompliance matters; however, several areas of high to low risk were identified as requiring attention and improvement.

High risks relate to:

1. Investments - regulation 19 - regulation 19 requires that a procedure for investment of funds be developed
2. Monthly reporting - the December report was not presented to council in February (no meeting in January) - staff to ensure compliance by presenting all months reports
3. debtors' system - staff to ensure website is update with current fees and charges

Medium risks relate to:

1. Financial systems - a comprehensive portable and attractive assets register needs to be prepared for compliance
2. Policies and procedures - all finance related tasks should be prioritised and procedures documented.
3. Accounts payable policies and guidelines
4. Segregation of finance duties

Low risks identified relate to:

1. Resource recovery - reports from the it supplier re back up details can be useful to assess against any potential emergency - 2v.net be approached to obtain backup detail reports on a regular basis
2. Policy manual - overall recommend that values identified in policies be assessed each year with the budget and that references to values in policies be pointed to the budget rather than included in the policy.
3. Internal audit - that the shire consider developing a rotating internal audit program for key areas that encompasses matters identified as risks in various reviews. (or as per the risk register)
4. Formal procedures

Other observations related to purchase orders, investment management, cash handling and security and procurement.

Management agrees with most of AccWest Pty Ltd recommendations and will look to implement changes when time permits.



Statutory Environment

Local Government Act 1995



Policy Implications

The recommendations will require the development and/or review of several finance related policies.



Strategic Implications

Nil



Financial Implications

Nil



Voting Requirements



Simple Majority



Absolute Majority

OFFICER RECOMMENDATIONS

That Council:-

- 1. Receive the 2023 Financial Management Review**
- 2. Direct the CEO to address the recommendations from the reports**

Shire of Westonia

REVIEW OF FINANCIAL SYSTEMS

Friday, 30 June 2023

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Disclosures:

The consultant is unaware of any issues that will result in a conflict of interest in relation to this consultancy.

Disclaimers:

The consultant is unaware of any issues that will result in a conflict of interest in relation to this consultancy.

Shire of Westonia

REVIEW OF FINANCIAL SYSTEMS

Local Government (Financial Management) Regulations 5(2)(c)

Period Reviewed 1 April 2022 to 31 March 2023

Reviewed by - AccWest Pty Ltd 30 June 2023

This document is to assist the Chief Executive Officer obtain a view as to the appropriateness and effectiveness of the financial management systems and procedures operating at the Shire of Westonia. The inclusion of the action task is to identify if and where improvements can be made to the current systems employed by the Shire.

Local Government (Financial Management) Regulations 1996

PART 2 – GENERAL FINANCIAL MANAGEMENT – s 6.10

5 Financial management duties of the CEO

- (1) Efficient systems and procedures are to be established by the CEO of a local government –
 - (a) for the proper collection of all money owing to the local government;
 - (b) for the safe custody and security of all money collected or held by the local government;
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
 - (d) to ensure proper accounting for municipal or trust —
 - (i) revenue received or receivable;
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;
 - (f) for the maintenance of payroll, stock control and costing records; and
 - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.
- (2) The CEO is to -
 - (a) ensure that the resources of the local government are effectively and efficiently managed;
 - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
 - (c) 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 3 financial years) and report to the local government the results of those reviews.

[Regulation 5 amended in Gazette 31 Mar 2005 p. 1047 and 1053. 26 June 2018 p.2388]

Communication and Support to the Council

Open and relevant communication between the Chief Executive Officer and the Council enables the Council to undertake its governance role based on appropriate and accurate information.

The Council needs to be informed of relevant trends, anticipated adverse media coverage or material, external and internal changes, particularly changes in the assumptions upon which any Council policy has previously been established. Where, in the Chief Executive Officer's opinion, the Council is not in compliance with its own policies or any legislation the Council needs to be informed of any breach of any externally imposed compliance requirement.

Local Government (Financial Management) Regulations 5(2)(c)
Shire of Westonia

continued

Period Reviewed 1 April 2022 to 31 March 2023

Financial Planning and Budgeting

A Council should consider the following to be the obligations of the Chief Executive Officer:

- Ensuring that financial commitments are within the organisation's financial capacity
- Producing financial reports or records which are sufficient to enable:
 - Ø compliance with all legislative requirements;
 - Ø clear interpretation and disclosure of the Shire's financial position;
 - Ø identification of real and/or perceived financial, legal or social risks to the
 - Ø reflect legislation and Council policies and procedures to protect the communities assets under the stewardship of the Shire; and
 - Ø reflect Council's direction established in its Strategic Plans.
- Present for adoption by Council annual budgets in a timeframe approved by Council and within the legislative framework;
- Producing corporate plans which achieve budget outcomes materially aligned with those determined by the Council and contained in the Strategic Community Plan;
- '- Protecting the Shire's assets;
- Achieving legislative and Council determined key performance indicators; and
- Provide for current and future capital requirements and general provisions.

Sound financial management shall be demonstrated at all times so that financial plans and budgets are achieved and legislative, probity and accounting standards are met.

Financial Reporting and Activities

The Council considers the following to be the obligations of the Chief Executive Officer:

- Presentation of financial reports required by the legislation and the Council in a timely, accurate, and understandable fashion directly addressing provisions of the legislation and/or Council's policies and strategic direction;
- Providing financial reports that make clear:
 - o significant trends
 - o data relevant to agreed benchmarks and measures, e.g., financial ratios to be determined by the legislation and Council,
 - o Ad hoc financial reports as determined by the Council from time to time.
- Ensuring that expenditure complies with budget allocations in the financial year to date unless otherwise approved by Council;
- '- Ensuring that the Shire does not accrue debt of an amount greater than can be repaid within an agreed contract period;
- Ensuring that payroll and undisputed debts are settled in a timely manner
- Ensuring that tax payments or other government-ordered payments or filings are paid by the due date and accurately filed;
- Ensuring that any real property that is not included in the budget is not to be encumbered or disposed of ;
- Ensuring that Council's approval is obtained for negative budget variations in accordance with Councils policies and procedures;
- Actively pursuing receivables after a reasonable grace period
- '- Ensuring that organisational funds, contracts or other liabilities are not used other than for the furtherance of the Shire's purposes and priorities as approved by the Council;
- Ensuring restricted grants or reserve contributions are not used for any purposes other than those designated;

Shire of Westonia

continued

Period Reviewed 1 April 2022 to 31 March 2023

- Upholding Australian Accounting Standards or commonly agreed professional accounting practices;
- Ensuring the cash backed reserves are only applied for the specified purpose as authorised by Council;
- Variation Reporting to Council is based on variations greater than \$10,000 or 15% above or below budget.

Asset and Resource Protection

The smooth operation of the Shire is dependent on the protection of its assets and resources in accordance with sound risk management policies.

The Chief Executive Officer shall ensure assets owned by or under the stewardship of the Shire are protected, adequately maintained and secure.

The Council considers the following to be the obligations of the Chief Executive Officer:

- Insuring the organisation, its Council, staff and volunteers against personal injury or liability exposures in an amount not less than that specified by Council;
 - Insuring property against property damage or loss based its replacement value;
 - Abiding by insurance policy conditions;
 - Ensuring that plant and equipment is not subjected to unnecessary wear and tear or improper maintenance;
 - '- Ensuring that personnel do not have unauthorised access to Shire funds;
 - Ensuring the organisation, the Council, or staff are not unnecessarily exposed to claims of liability
-
- Ensuring protection of intellectual property, information, and files from loss or significant damage
 - Ensuring that receipt, processing and disbursing of funds are sufficiently controlled to meet the legislation and the Australian Accounting Standards;
 - Ensuring that operating capital is invested in secure instruments in accordance with legislation and Council policy; and
 - '- Ensuring that the Shire's public image or credibility, particularly in ways that would hinder the accomplishment of its mission, is not endangered.

Shire of Westonia

continued

Period Reviewed 1 April 2022 to 31 March 2023

Local Government Act 1995

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Local Government (Financial Management) Regulations 1996

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* Including Amendments to date

Relevant DLG Guidelines

Attendance at Events Policy

Declaring Financial Interests in Meetings

#17 - Delegations

Disclosure of gifts and disclosure of interests relating to gifts

Elected member Induction

Financial Ratios

Local government CEO Recruitment and Selection, Performance Review and Termination.

#14 - Legal Representation for Council Members and Employees.

Local Laws

#8 - Net Current Assets Used in the Annual Budget

Primary and Annual Returns

#9 - The appointment, function and responsibilities of audit committees

Use of Corporate Credit Cards

OAG - Better Practice Guidance

Audit Committees

Contract management - extensions and variations

Control of Monies Held for Specific Purposes

Controls over Purchasing Cards

COVID-19 Financial control matters

Cyber Security

Management of Supplier Master Files

Procurement

Records management in Local Government

Staff exit controls

Verifying Employee Identity and credentials

OAG - Audit Reports

Audit results (various years)

Fraud Prevention in Local Government

Local Government Financial Hardship support

Timely payment of suppliers

Local Government (Financial Management) Regulations 5(2)(c)				
Shire of Westonia				
DASHBOARD		Period Reviewed 1 April 2022 to 31 March 2023		
Accounting and Information Systems				
Systems/Integration	<div></div>	92%	2 comments/actions	
POLICIES AND PROCEDURES -				
Written policies up to date	<div></div>	65%	2 comments/actions	
Written procedures				
Disbursement of funds	<div></div>	56%	1 comments/actions	
Assets/Liabilities	<div></div>	42%		
Other accounting processes	<div></div>	65%		
Independent review of processes/systems				
Internal Audit	<div></div>	51%	1 comments/actions	
Reg 5(2)(c) Review	<div></div>	50%	1 comments/actions	
Reg 17 Review	<div></div>	100%	1 comments/actions	
Compliance Audit Return	<div></div>	100%		
Appropriateness of process/systems				
Accounting Software	<div></div>	75%		
Resource Recovery/Information Technology Hardware	<div></div>	85%		
Other Systems	<div></div>	93%		
Compliance Issues				
Finance Regulations 7 to 11	<div></div>	85%		
Regulation 12 Payments from Municipal or Trust funds	<div></div>	88%		
Investments - Regulation 19	<div></div>	50%	1 comments/actions	
Reporting	<div></div>	100%	1 comments/actions	
Budget and Budget Review	<div></div>	86%	1 comments/actions	
Annual Statements	<div></div>	59%		
Internal Control Functionality	<div></div> 3.00	75%	0	
Internal Control Appropriateness				
Rating System	<div></div>	76%		
Creditor Payment System	<div></div>	78%		
Debtors System	<div></div>	78%	1 comments/actions	
Cash Receipting System	<div></div>	63%		
Payroll System	<div></div>	64%		
Asset Register	<div></div>	76%		
Banking	<div></div>	80%		
Stock	<div></div>	80%		
Reserve Accounts	<div></div>	72%		
Management Financial Reporting	<div></div>	80%	4 comments/actions	
Integrated Planning and Reporting			4 comments/actions	
Strategic Community Plan	<div></div>	Shire Strategic Community Plan 2018 - 2028		
Corporate Business Plan	<div></div>	Shire Corporate Business Plan 2019 - 2023		
Long Term Financial Plan.	<div></div>	Shire Long Term Financial Plan		
Workforce Plan	<div></div>	Shire Workforce Plan 2020		
Asset Management Plan	<div></div>	Shire Asset Management Plan 2023		
Audit Committee	<div></div> 3.00	75%	1 comments/actions	
LEGEND				
	<div></div>	acceptable		
	<div></div>	room for improvement		
	<div></div>	unacceptable		
	<div></div>	serious concern		

Shire of Westonia			Management Comments
REVIEW OF FINANCIAL SYSTEMS Period Reviewed 1 April 2022 to 31 March 2023 Local Government (Financial Management) Regulations 5(2)(c)		Priority H M L	
ACTION/COMMENT			
1	Financial Systems - A comprehensive Portable and Attractive Assets Register needs to be prepared for Compliance	M	
2	Resource Recovery - Reports from the IT supplier re back up details can be useful to assess against any potential emergency - 2V.net be approached to obtain backup detail reports on a regular basis	L	
3	Policy Manual - The Policy manual was updated in May 2020. Some policies are out of date (i.e. reference changed position titles and or include past dates). Staff to review recommendations and apply as required.	H	
4	Policy Manual - Overall recommend that values identified in policies be assessed each year with the budget and that references to values in policies be pointed to the budget rather than included in the policy.	L	
5	POLICIES AND PROCEDURES - All Finance related tasks should be prioritised and procedures documented.	M	
6	Internal Audit - That the Shire consider developing a rotating Internal Audit program for key areas that encompasses matters identified as Risks in various reviews. (Or as per the Risk register)	L	
7	Reg 5(2)(c) Review - That the actions identified n the Reg 5(2)(c) Review be presented to the Audit Committee Meetings as a recurring Agenda item	M	
8	Reg 17 Review - That the actions identified in the Reg 17 Review be presented to the Audit Committee Meetings as a recurring Agenda item	M	
9	Investments - Regulation 19 - Regulation 19 requires that a Procedure for Investment of funds be developed	H	
10	Monthly Reporting - The December report was not presented to Council in February (no meeting in January) - Staff to ensure compliance by presenting all months reports	H	
11	Budget and Budget Review - Staff to ensure Budget and Budget review preparation comply with legislation.	H	
12	Debtors System - Staff to ensure Website is update with current Fees and Charges	H	
13	Management Financial Reporting - Staff to develop processes to ensure Monthly Financial Statements Original Budget are consistent with Adopted Budget.	H	
14	Management Financial Reporting - Staff to develop processes to ensure Monthly Financial Statement Net Funding Position balances to Statement of Financial Activity	H	
15	Internal Controls - Appropriateness Of Systems - A formal review of monthly reconciliation processes be undertaken and documented.	H	
16	Internal Controls - Appropriateness Of Systems - Documented End of month processes should be developed to inform the CEO that all reconciliation processes are in order. This will provide confidence around EOM reporting to Council.	H	
17	Integrated Planning and Reporting - A review of the Strategic Community Plan is undertaken	H	
18	Integrated Planning and Reporting - A Corporate Business Plan be developed for 2023/24 to 2027/28	H	
19	Integrated Planning and Reporting - The Long Term Financial Plan needs to be updated.	M	
20	The Workforce Plan needs to be updated along with the Long Term Financial Plan.	M	
21	Staff need to ensure that documents on the website are up to date.	H	

7. ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

8. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY A DECISION OF THE MEETING

Nil

9. DATE AND TIME OF NEXT MEETING

The next Audit meeting of Council will be held on Thursday schedule XXXXX commencing at 3.30pm

10. MEETING CLOSURE

There being no further business the President, Cr Crees declared the meeting closed at 2.48pm