



CITY OF VINCENT

MINUTES

Audit Committee

27 August 2019

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**MINUTES OF CITY OF VINCENT
AUDIT COMMITTEE
HELD AT THE COMMITTEE ROOM, ADMINISTRATION AND CIVIC CENTRE
244 VINCENT STREET, LEEDERVILLE
ON TUESDAY, 27 AUGUST 2019 AT 1PM**

PRESENT:	Mayor Emma Cole Cr Dan Loden Cr Susan Gontaszewski Cr Joshua Topelberg	Mayor Presiding Member South Ward South Ward
IN ATTENDANCE:	David MacLennan Vanisha Govender Meluka Bancroft Steven Tweedie Sharron Kent	Chief Executive Officer Executive Manager Financial Services Manager Governance, Property & Contracts Governance Advisor Council Support Officer

1 INTRODUCTION AND WELCOME

The Presiding Member, Dan Loden, declared the meeting open at 1pm and read the following Acknowledgement of Country statement:

“The City of Vincent would like to acknowledge the Traditional Owners of the land, the Whadjuk people of the Noongar nation and pay our respects to Elders past, present and emerging”.

2 APOLOGIES / MEMBERS ON APPROVED LEAVE OF ABSENCE

APOLOGIES

MR CONLEY MANIFIS
MS ELIZABETH HUNT

EXTERNAL INDEPENDENT MEMBER
EXTERNAL INDEPENDENT MEMBER

3 DECLARATIONS OF INTEREST

NIL

4 CONFIRMATION OF MINUTES

The Presiding Member, Cr Dan Loden, sought a mover to confirm that the Minutes of the Audit Committee held on 11 June 2019 be confirmed.

MOTION AND COMMITTEE DECISION

Moved: Cr Topelberg , Seconded: Cr Gontaszewski

That the Minutes of the Audit Committee held on 11 June 2019 be confirmed.

CARRIED UNANIMOUSLY (4-0)

For: Cr Loden, Mayor Cole, Cr Gontaszewski and Cr Topelberg

Against: Nil

(Mr Manifis and Ms Hunt were apologies for this meeting)

5 BUSINESS ARISING

5.1 OFFICE OF THE AUDITOR GENERAL'S PERFORMANCE AUDIT 2019 - FRAUD PREVENTION LOCAL GOVERNMENT - FINDINGS AND RECOMMENDATIONS

TRIM Ref: D19/42222

Authors: Sharron Kent, Council Support Officer
Meluka Bancroft, Manager Governance, Property and Contracts

Authoriser: David MacLennan, Chief Executive Officer

Attachments: 1. Western Australian Auditor General's report - 'Fraud prevention in local governments' - 15 August 2019 
2. City's response to the Western Australian Auditor General's report - 'Fraud prevention in local government' 

RECOMMENDATION:

That the Audit Committee recommends to Council that it:

1. RECEIVES the Western Australian Auditor General's Report 'Fraud prevention in local governments', which was tabled in Parliament on 15 August 2019, at Attachment 1; and
2. NOTES that the actions arising from the findings and recommendations in the report, as listed in the City's response to the report, at Attachment 2, will be included in the City's audit log until completion.

COMMITTEE DECISION ITEM 5.1

Moved: Cr Gontaszewski, **Seconded:** Cr Topelberg

That the recommendation be adopted.

Note: Cr Gontaszewski requested the following amendments (amendments underlined) to the actions arising from the findings and recommendations in the report (Attachment 2), and that administration include these in the Audit Log:


6. Document clear internal processes and systems to report fraud
The City will investigate systems and processes to report, review and manage any potential fraud, including anonymous reporting and the escalation of fraud reporting. The proposed implementation date is December 2020.
7. Collect, review and manage fraud information and identify trends and emerging issues
The fraud reporting system, as referred to in 6. above, should enable this data to be easily compiled. Governance will periodically review the data annually.

CARRIED UNANIMOUSLY (4-0)

For: Cr Loden, Mayor Cole, Cr Gontaszewski and Cr Topelberg

Against: Nil

(Mr Manifis and Ms Hunt were apologies for this meeting)

5.2 REVIEW OF THE CITY OF VINCENT AUDIT LOG**TRIM Ref:** D19/112680**Author:** Sharron Kent, Council Support Officer**Authoriser:** David MacLennan, Chief Executive Officer**Attachments:** 1. Audit Log **RECOMMENDATION:**

That the Audit Committee recommends to Council that it **NOTES** the status of the City's Audit Log at Attachment 1, with minor administrative amendments to timelines shown in red text.

COMMITTEE DECISION ITEM 5.2**Moved:** Cr Gontaszewski, **Seconded:** Cr Topelberg

That the recommendation be adopted.

CARRIED UNANIMOUSLY (4-0)**For:** Cr Loden, Mayor Cole, Cr Gontaszewski and Cr Topelberg**Against:** Nil

(Mr Manifis and Ms Hunt were apologies for this meeting)

AUDIT DETAILS	MANAGEMENT RESPONSE	ACTION	PROPOSED COMPLETION DATE
<p>IA: 2015/3.2.3 Internal Audit 2015 - Payroll</p> <p>Findings: Written payroll procedures were not formalised and based on an organisation wide standard template.</p> <p>Recommendation: Payroll procedures should be documented based on an organisation wide template. The procedures should be reviewed and updated as required. This will allow employees to clearly understand their roles and responsibilities within predefined limits and allow management to guide operations without constant management intervention, as well as help ensure staff involved give due consideration to appropriate risk management for processing the payroll.</p> <p>Risk Rating: Low</p>	<p>Responsible Officer: Executive Manager Human Resources</p> <p>The Payroll Officer currently maintains two sets of procedures – a lengthy step by step instruction and an abridged version.</p> <p>The MFS and the MGR will work with the rest of the organisation to develop and implement a standard process for the development, approval, appropriate storage/access and standard template for administration procedures.</p>	<p>Action Item 7.1 The MFS and the MHR will work with the rest of the organisation to develop and implement a standard process for the development, approval, appropriate storage/access and standard template for administration procedures.</p> <p>November 2016 A standard template for Administration Procedures (D16/121564) has been developed along with standard guidelines for development, approval and storage (D16/121564). March 2017 An additional payroll support officer commenced on 7 March 2017 which has provided the capacity to address this item. Proposed new timeframe - August 2017. July 2017 Payroll procedures and working instructions are currently being drafted. On track for proposed completion date. September 2017 A payroll procedure and working instructions have been drafted and are being reviewed by the Manager HR. These will be reviewed by the CEO for approval along with all of the HR policies. November 2017 Payroll procedure working instructions have been drafted and are being reviewed by the Manager HR. Proposed new timeframe—31 December 2017. March 2018 Payroll procedure working instructions have been drafted and have been reviewed by the Manager HR. These are required to be transitioned into the standard format for all HR work instructions which is targeted to be completed by June 2018. July 2018 Payroll procedure working instructions are still to be finalised, and have been delayed due to HR team workload. This is the first priority to be completed post year end activities. Proposed new timeframe – September 2018. October 2018 Progress has been made towards finalisation of appropriate payroll procedures, however the continuing HR team workload has impacted on the priority of this task. Proposed new timeframe – December 2018. January 2019 Internal Audit Payroll will commence in February 2019 and include Beatty Park. Proposed new timeframe – March 2019. March 2019 Audit commences end March. New HR Manager will review all payroll processes. July 2019 Internal payroll audit completed.</p>	<p>Complete</p> <p>30/06/2019</p> <p>31/03/2019</p> <p>31/01/2019</p> <p>31/12/2018</p> <p>30/09/2018</p> <p>30/06/2018</p> <p>31/12/2017</p> <p>31/08/2017</p>
<p>IA: 2018/5.1b Purchasing, payments and credit cards - Purchases</p> <p>Findings: We obtained and reviewed all quotes where quotes were required. We ensured the quotes for the supply of goods or services were adequate and matched the purchase order raised and invoice paid.</p> <p>Recommendation: We noted nine items, the City did not obtain the required number of written quotes as specified in the purchasing policy.</p> <p>Failure to obtain the required number of quotes reduces the City's ability to obtain goods and services at the most competitive rate or best value for money.</p> <p>We recommend the City obtain the required number of quotes where required as well as adequately documenting where quotes have been obtained. We may also recommend the City implement a procedure which documents the decision making process in considering and selecting quotes.</p> <p>Risk Rating: Medium</p>	<p>Responsible Officer: Procurement Officer</p> <p>Agreed.</p>	<p>The City will incorporate into its purchasing procedures:</p> <ol style="list-style-type: none"> 1) A requirement to document the decision making process in considering and selecting quotes. 2) A process for identifying and escalating instances of non-compliance with respect to obtaining quotes. 3) Investigate systems changes to Authority to enable explanation /clarification of decision-making. <p>July 2018 1) Complete. 2) On track in line with completion timeframes. 3) Investigating system processes to prevent non-compliance occurring. September 2018 Will be undertaken by newly appointed Procurement Officer. Proposed new timeframe – November 2018. January 2019 1) Complete 2) Complete 3) System and training elements still to be progressed. Proposed new timeframe – March 2019. March 2019 Increasing awareness of requirements surrounding quotations, however system changes are not able to be undertaken due to other system priorities. Proposed new timeframe - August 2019-31 December 2019.</p>	<p>31/08/2019-31/12/2019</p> <p>31/03/2019</p> <p>30/11/2018</p> <p>31/08/2018</p>
<p>EA: 2018/5 External Audit 2018 - Fixed Asset Register</p> <p>Findings: As a result of the revaluation process a number of the non-current assets recorded in the City's asset register were identified as not actually being City assets. These have been corrected and documented accordingly in the Financial Report as at 30 June 2018.</p> <p>Recommendation: To help ensure non-current assets are fairly stated in the Financial Report and asset management practices are improved, in addition to reconciling the Fixed Asset Register to the General Ledger, management should perform periodic physical inspections of all material assets and related documents to ensure existence and ownership of assets.</p> <p>Risk Rating: -</p>	<p>Responsible Officer: Manager Finance</p> <p>A more robust asset management system is being investigated and implemented by Administration, with a due date of April 2018.</p>	<p>January 2019 A more robust asset management system is being investigated and implemented by Administration. Expected timeframe – April 2019. March 2019 Manager Finance is considering a process to reconcile assets as a system solution is not planned for the future. Proposed new timeframe - September 2019.</p>	<p>30/09/2019</p> <p>30/04/2019</p>

AUDIT DETAILS	MANAGEMENT RESPONSE	ACTION	PROPOSED COMPLETION DATE
<p>CA 2018/8 External Audit 2018 - Asset Sustainability Ratio</p> <p>Findings: The asset sustainability ratio is below target and is reflecting that the City is not investing sufficient monies in upgrade/new assets.</p> <p>Recommendation: -</p> <p>Risk Rating: -</p>	<p>Responsible Officer: Director Engineering</p> <p>Noted. Administration will be engaging a consultant to update the City's asset management plans. This work is expected to be completed by April 2019.</p>	<p><u>January 2019</u> Administration will be engaging a consultant to update the City's asset management plans. Proposed timeframe - April 2019.</p> <p><u>July 2019</u> Consultant presented the updated asset management plans to Council at the 30 July 2019 workshop.</p>	<p>Complete 30/06/2019 30/04/2019</p>
<p>Asbestos Review 2019 LGIS Asbestos Register Review</p> <p>Findings: The City is currently in breach of OSH legislation as they have not developed and implemented an Asbestos Management Plan (Plan).</p> <p>Register ACM - The document provided by the City to LGIS for review and feedback has identified some asbestos within the workplace however this is incomplete.</p> <p>Recommendation: In order for the City to meet legislative requirements a Plan should be developed to state the City's clear goals to provide a workplace free of ACM and any health hazards associated with asbestos. The Plan should be effectively implemented within the City and communicated to relevant parties.</p> <p>Currently the document is missing key components that must be included within a register. As a minimum an asbestos register should include the following:</p> <ul style="list-style-type: none"> - Dates - Location, type, condition, equipment - Material, access, testing - Risk assessment - Control measures - Maintenance <p>Risk Rating:</p>	<p>Responsible Officer: Director Engineering</p> <p>City to engage LGIS to update the City's asbestos register to comply with Occupational Safety and Health legislation.</p>	<p>Review of the City's asbestos register.</p> <p><u>March 2019</u> Review completed to comply with OSH legislation.</p> <p><u>April 2019</u> At its meeting on 9 April 2019, the Audit Committee requested Administration to reopen this item and provide further advice prior to October 2019 detailing how the City's asbestos management framework will meet legislative requirements.</p> <p><u>August 2019</u> Draft Framework to be presented to 19 November 2019 Audit Committee meeting.</p>	<p>30/09/2019 31/12/2019</p>
<p>EIA 2019/1 External Interim Audit 2019 - Interest on Trust Funds</p> <p>Findings: Interest earnings on trust fund moneys were not retained in trust or provided back to the entitled recipient on return of their moneys. Rather the City keeps these earnings as their own.</p> <p>The <i>Local Government Act 1995</i> requires "(w)her money or other property is held in the trust fund, the local government is to - in the case of money, pay it to the person entitled to it together with, if the money has been invested, any interest earned from that investment".</p> <p>It is noted that Management have identified this issue and, as of February 2019, have withdrawn all investments of trust funds and transferred these trust monies to non-interest bearing accounts.</p> <p>Recommendation: The City needs to account and manage trust funds and associated interest in accordance with the Act. The City should undertake the necessary steps to identify any obligations it has to return moneys that it has incorrectly retained from current and previous years. The City must also quantify the cumulative effect of the interest earned and may be required to perform a prior year adjustment to reduce income and cash balances accordingly.</p> <p>Risk Rating: Significant</p>	<p>Responsible Officer: Manager Finance</p>	<p><u>June 2019</u> The City is investigating if the trust ledger can be reconstructed to include all trust transactions for the past 10 years. This will include consultations with CIVICA. In the interim, the City shall transfer \$350,000 from the Municipal funds to trust to reflect the realistic probability the customers will request a refund of their interest.</p>	<p>31/10/2019</p>

AUDIT DETAILS	MANAGEMENT RESPONSE	ACTION	PROPOSED COMPLETION DATE
<p>EIA: 2019/2 Reconciliation of payroll to the general ledger not reviewed</p> <p>Finding: There was no evidence that payroll reconciliations were being independently reviewed. This finding was also noted in the June 2018 interim management report.</p> <p>Recommendation: The payroll reconciliations should be subject to supervisory review and sign-off.</p> <p>Risk Rating: Moderate</p>	<p>Responsible Officer: Coordinator Financial Services</p>	<p>June 2019: The Finance team reconciles the payroll suspense account however there is no formal sign-off process. Therefore, a formal sign-off process will be introduced hereon.</p>	<p>Complete 30/06/2019</p>
<p>EIA: 2019/3 Journals not independently reviewed</p> <p>Finding: No evidence of review of monthly journals processed by an independent officer.</p> <p>Recommendation: Although journals are reviewed when prepared and posted, we recommend that an independent senior officer perform a sample review of the monthly list of journals processed to ensure appropriate procedures have been followed when journals were initially prepared.</p> <p>Risk Rating: Moderate</p>	<p>Responsible Officer: Manager Finance</p>	<p>June 2016: All journals are being reviewed when prepared and posted by a senior officer. Moreover, the system generated journals register reports will be reviewed and signed off as part of the month end process by an independent senior officer.</p>	<p>Complete 30/06/2019</p>
<p>EIA: 2019/4 External Interim Audit 2019 - Purchase order dated after invoice date</p> <p>Finding: During sample testing of payments made throughout the year, we identified an instance where the authorised purchase order was dated after the date of the corresponding supplier's invoice.</p> <p>Recommendation: Purchase orders should be approved for all applicable items prior to ordering.</p> <p>Risk Rating: Moderate</p>	<p>Responsible Officer: Procurement and Contracts Officer</p>	<p>June 2019: Mandatory online procurement training was provided to all staff at the start of April 2019 to reinforce the importance of following the correct procurement procedures including raising of purchase orders prior to the ordering of goods and/or services. The Procurement and Contracts team will conduct monthly audits on purchase orders raised after invoices being received commencing from May 2019 with the intent to remove requisitioning abilities from officers who repeatedly (i.e. three or more times) do not adhere to the correct process.</p>	<p>Complete 30/06/2019</p>
<p>EIA: 2019/5 Fixed Assets below \$5,000</p> <p>Finding: From 1 July 2018, Regulation 17A(5) of the Local Government (Financial Management) Regulations 1996 and risk of misstatement of fixed assets in the financial report.</p> <p>Recommendation: Management should review the asset register and ensure any assets acquired with a fair value under \$5,000 are excluded from the register.</p> <p>Risk Rating: Significant</p>	<p>Responsible Officer: Manager Finance</p>	<p>June 2019: Management is in the process of identifying and removing all assets below \$5,000 from the assets register.</p>	<p>30/09/2019</p>

5.3 PAYROLL INTERNAL AUDIT FINDINGS**TRIM Ref:** D19/112682**Authors:** Vanisha Govender, Manager Financial Services
Meluka Bancroft, Manager Governance, Property and Contracts**Authoriser:** David MacLennan, Chief Executive Officer**Attachments:** 1. Payroll internal audit review report **RECOMMENDATION:**

That the Audit Committee recommends to Council that it:

1. RECEIVES the Payroll internal audit review report at Attachment 1;
2. ENDORSES the management comments provided by Administration which are included in the Payroll internal audit review report; and
3. NOTES that the findings and actions required as identified in the report will be included in the City's audit log until such time as they are completed.

COMMITTEE DECISION ITEM 5.3**Moved:** Cr Topelberg , **Seconded:** Cr Gontaszewski

That the recommendation be adopted.

CARRIED UNANIMOUSLY (4-0)**For:** Cr Loden, Mayor Cole, Cr Gontaszewski and Cr Topelberg**Against:** Nil

(Mr Manifis and Ms Hunt were apologies for this meeting)

6 GENERAL BUSINESS

6.1 EXPRESSIONS OF INTEREST ADVERTISEMENT FOR EXTERNAL MEMBERS OF THE AUDIT COMMITTEE

MAYOR COLE QUERIED WHETHER THE CITY WILL BE ADVERTISING FOR EXPRESSIONS OF INTEREST TO FILL THE TWO EXTERNAL MEMBER VACANCIES ON THE AUDIT COMMITTEE, WHEN THE CURRENT TERMS EXPIRE ON 18 OCTOBER 2019.

THE CITY WILL INVITE EXPRESSIONS OF INTEREST FOR THE TWO EXTERNAL MEMBER POSITIONS IN THE VOICE AND EASTERN REPORTER LOCAL NEWSPAPERS, ON SOCIAL MEDIA, IN THE CITY'S E-NEWSLETTER AND ON THE CITY'S WEBSITE, FROM EARLY SEPTEMBER.

6.2 REVIEW OF DELEGATION TO THE AUDIT COMMITTEE

MS BANCROFT ADVISED THE COMMITTEE THAT A REPORT WILL BE PRESENTED TO THE 17 SEPTEMBER 2019 ORDINARY MEETING OF COUNCIL RECOMMENDING THE REVOCATION OF THE DELEGATION OF A DUTY TO THE AUDIT COMMITTEE AS ADOPTED BY COUNCIL AT THE 25 JUNE 2019 ORDINARY MEETING OF COUNCIL. THE DELEGATION RELATES TO THE STATUTORY REQUIREMENT FOR THE CITY'S AUDITOR TO MEET WITH COUNCIL ANNUALLY.

7 NEXT MEETING

The next Audit Committee meeting is scheduled for 19 November 2019.

8 CLOSURE

The Presiding Member, Dan Loden, declared the meeting closed at 1.57pm.

These Minutes were confirmed by the Audit Committee as a true record and accurate of the Audit Committee meeting held on 27 August 2019.

Signed: Cr Dan Loden

Dated this day of2019