

# TOWN OF COTTESLOE



## AUDIT COMMITTEE MINUTES

AUDIT COMMITTEE  
HELD IN THE  
Mayor's Parlour, Cottesloe Civic Centre  
109 Broome Street, Cottesloe  
3:00PM Tuesday, 17 July 2018

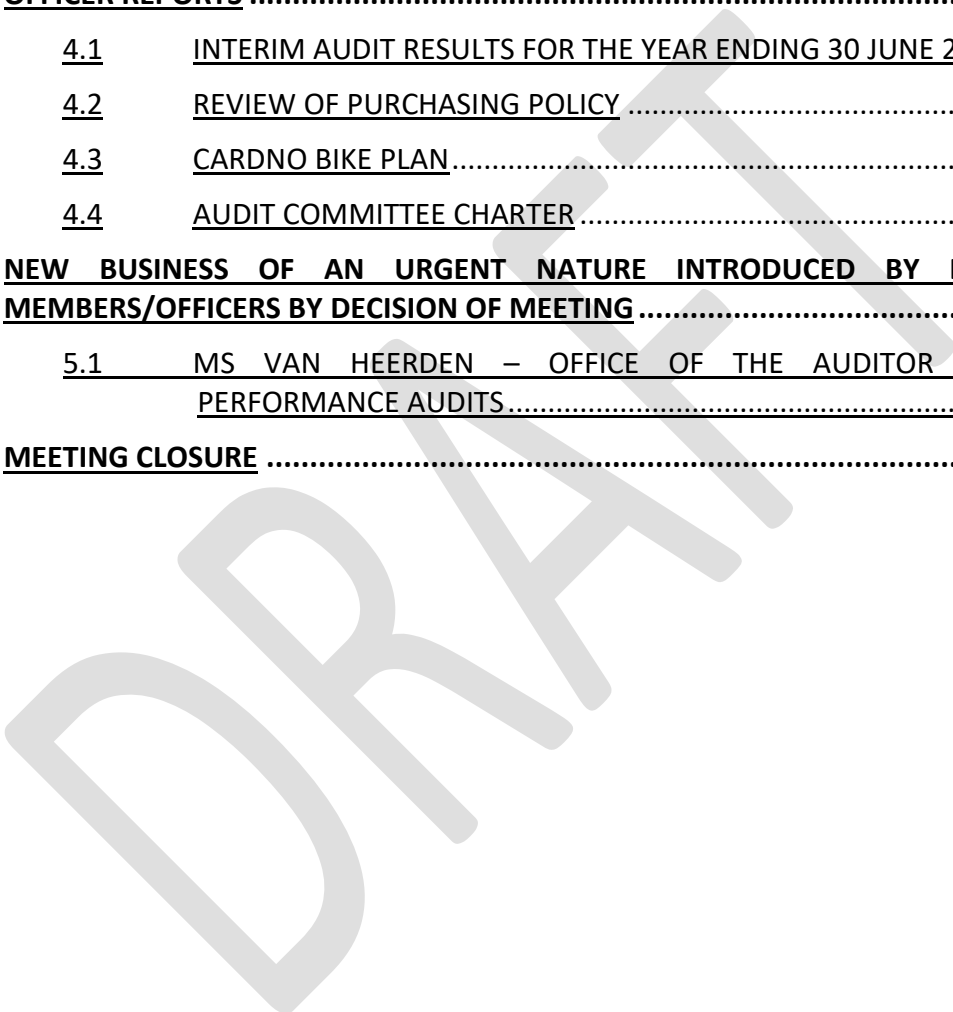
**MAT HUMFREY**  
Chief Executive Officer

2 August 2018

DRAFT

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**1 DECLARATION OF MEETING OPENING/ANNOUNCEMENT OF VISITORS**

Mr Humfrey announced the meeting opened at 3.01pm.

**2 RECORD OF ATTENDANCE/APOLOGIES****Committee Members Present**

Cr Sandra Boulter	Presiding Member, Elected Member
Cr Lorraine Young	Elected Member
Ms Vicky Van Heerden	Community Representative

**Apologies**

Cr Mark Rodda	Elected Member
Prof David Gilchrist	Community Representative

**Officers Present**

Mr Mat Humfrey	Chief Executive Officer
Mr Garry Bird	Deputy Chief Executive Officer
Mr Wayne Richards	Finance Manager
Ms Elizabeth Nicholls	Senior Administration Officer

**Apologies**

Ms Ann-Marie Donkin	Governance Coordinator
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**Others in Attendance**

Kelly Tonich	Office of the Auditor General
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**2.1 ELECTION OF PRESIDING MEMBER**

Mr Humfrey called for nominations for the appointment of the Presiding Member.

Cr Young nominated Cr Boulter to be elected Presiding Member. There being no further nominations, Cr Boulter was declared elected.

Cr Boulter assumed the Chair and acknowledged the traditional owners of the land.

**3 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**Moved Cr Boulter, seconded Ms Van Heerden**

**That the Minutes of the Audit Committee Meeting held on Tuesday 13 March 2018 be confirmed as a true and accurate record.**

**Carried 3/0**  
**For: Crs Boulter and Young and Ms Van Heerden**  
**Against: Nil**

## 4 OFFICER REPORTS

### 4.1 INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2018

**File Ref:** SUB/2596  
**Applicant(s) Proponents:** Nil  
**Attachments:** 4.1(a) Town of Cottesloe Interim Audit Report 2018  
**Responsible Officer:** Mat Humfrey, Chief Executive Officer  
**Author:** Garry Bird, Deputy Chief Executive Officer  
**Author Disclosure of Interest:** Nil

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#### SUMMARY

The Interim Audit for the 2017/18 financial year was undertaken on May 3 and 4. The results of this Audit have now been received from the Office of the Auditor General and are attached for Committee Members consideration.

#### BACKGROUND

The Interim Audit is a process whereby the appointed Auditors and their assistants undertake a review of various financial management and reporting matters. This essentially assists the Auditors with forming a view of the accuracy etc. of the Annual Financial report, which is further scrutinised after its completion, normally in September each year.

The 2017/2018 Interim Audit has identified several issues which are summarised below:

#### 1. Review of Journal Entries

##### Rating: Significant

Journal entries are being posted by the Assistant Finance Manager without review by a senior staff member.

##### Staff Comment

Noted and supported. The process has now been amended by staff with all journals now requiring authorisation by a more senior officer.

#### 2. Monthly Statement of Financial Activity

##### Rating: Moderate

We noted the statement of financial activity for the month of December 2017 was not presented to Council within two months as required by the Local Government (Financial Management) Regulation 34 (4).

##### Staff Comment

Noted. This was an administrative oversight at the February 2018 Meeting with the report/s completed and submitted however due to a casual member of staff

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preparing the February Agenda, and the presence of the January 2018 financial statements, this was missed. They will be presented to the June Meeting for adoption.

Note – These Statements were adopted by Council at the June 2018 Meeting.

### **3. List of Payments Not Presented to Council**

#### **Rating: Moderate**

We noted the list of payments for the month of December 2017 was not presented to Council at the next Council meeting as required by the Local Government (Financial Management) Regulation 13 (3).

#### Staff Comment

Noted. This was an administrative oversight at the February 2018 Meeting with the report/s completed and submitted however due to a casual member of staff preparing the February Agenda, and the presence of the January 2018 financial statements, this was missed. They will be presented to the June Meeting for adoption.

### **4. Manual Rates Rolling Reconciliation Not Performed.**

#### **Rating: Moderate**

The monthly manual rates rolling reconciliation of property valuations was not performed during the period 1 July 2017 to 31 March 2018.

#### Staff Comment

Noted. Attributable to staff vacancies and heavy workload at the time. New staff have been trained in the requirement to balance the Valuation Roll to the rates database.

### **5. Council Minutes Not Signed By The Mayor**

#### **Rating: Moderate**

The Council Minutes for the month of December 2017 were not signed by the Mayor as required by section 5.22 (3) of the Local Government ACT.

#### Staff Comment

Noted. This was an administrative oversight at a particularly long meeting, held over two days with a casual staff member responsible for the Minutes and other matters, such as signing of the previous month's minutes. They have been confirmed by Council and staff will arrange for Mayors signature.

**6. Annual Returns****Rating: Minor**

Whilst reviewing the annual leave returns we noted one instance where a Councillor did not indicate the correct financial year on their annual return as required by section 5.76 of the *Local Government Act 1995* resulting in a technical non-lodgement of an annual return for the year ended 30 June 2017.

**Staff Comment**

Noted. A copy of the return has been forwarded to Cr Pyvis for resubmission with the correct date.

**7. Payroll Reconciliations****Rating: Minor**

Reconciliations between payroll reports and the general ledger are only performed every three months.

**Staff Comment**

Noted. Payroll reconciliation will now be undertaken on a fortnightly basis at the end of the payroll process.

**STRATEGIC IMPLICATIONS**

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

**POLICY IMPLICATIONS**

There are no perceived policy implications arising from the officer's recommendation.

**STATUTORY ENVIRONMENT**

*Local Government Act 1995*

*Local Government (Financial Management) Regulations 1996*

*Local Government (Audit) Regulations 1996*

**FINANCIAL IMPLICATIONS**

There are no perceived financial implications arising from the officer's recommendation.

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**STAFFING IMPLICATIONS**

There are no perceived staffing implications arising from the officer's recommendation.

**ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

There are no perceived sustainability implications arising from the officer's recommendation.

**CONSULTATION**

- Town of Cottesloe staff
- Moore Stephens Pty Ltd

**OFFICER COMMENT**

See 'Staff Comment' on each issue above.

Generally staff support the comments received during the interim audit process and view this feedback as an opportunity to improve systems wherever possible.

Although disagreeing with some of the rating assessments, amendments to financial systems have been implemented where appropriate.

**VOTING REQUIREMENT**

Simple Majority

**OFFICER RECOMMENDATION**

That Council:

1. NOTE the matters identified in the 2017/18 Audit Report; and,
2. ENDORSE the actions of staff in responding to the outlined issues.

**COMMITTEE RECOMMENDATION**

**Moved Cr Young, Seconded Ms Van Heerden**

That Council:

1. NOTE the matters identified in the 2017/18 Interim Audit Report; and,
2. ENDORSE the actions of staff in responding to the outlined issues as follows:
  - a. Payroll reconciliation will now be undertaken on a fortnightly basis at the end of the payroll process.
  - b. All general journal entries now require authorisation by a more senior officer.
  - c. New staff will be trained in the requirement to balance the rate roll to the rating database.

Carried 3/0

For: Crs Boulter and Young and Ms Van Heerden

Against: Nil



**4.2 REVIEW OF PURCHASING POLICY**

**File Ref:** SUB/2596  
**Applicant(s) Proponents:** Nil  
**Attachments:** 4.2(a) Draft Purchasing Policy - March 2018  
4.2(b) Summary of Creditors for Purchasing Policy  
**Responsible Officer:** Mat Humfrey, Chief Executive Officer  
**Author:** Garry Bird, Deputy Chief Executive Officer  
**Author Disclosure of Interest:** Nil

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**SUMMARY**

At the June 2017 Audit Committee Meeting the following Resolution was adopted.

*COMMITTEE RESOLUTION*

*Moved Cr Rodda, seconded Cr Angers*

*That the Report received from Moore Stephens Pty Ltd in regards to a review of specified purchases be noted and used to inform the review of the Purchasing Policy that include;*

- 1. That staff undertake an immediate refresher course on the Town's updated Purchasing Policy.*
- 2. That the staff be reminded of the specific requirements of the policy, particularly in regards to verbal quotes received.*
- 3. That the Administration in undertaking its review specifically address;*
  - a. thresholds and record keeping (verbal quotes)*
  - b. exemptions*
  - c. improved reporting back to Council and the Audit Committee about*
  - d. non-compliant/departures.*
- 4. Where the outcome of purchases or engagements are presented to Council, that compliance with the Purchasing Policy be noted in that Report.*

At the March 2018 Ordinary Council meeting, the Committee resolved as follows.

*PROCEDURAL MOTION*

*Moved Cr Young, seconded Cr Rodda*

*That Council defer consideration of this item pending further investigation by Officers to provide an analysis of transactions within the prescribed ranges in the Policy and*

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*give further consideration to these ranges and the requirement for verbal quotations above \$3,000.*

As a result of this the attached draft policy has been prepared for the consideration of Committee Members.

## **BACKGROUND**

The Town's Purchasing Policy was adopted in 2011, as a result of a fraud matter by a member of staff. The Policy is considered very restrictive in its application to minimise future acts of fraud. It is worth noting the act of fraud committed would not have been prevented or detected by the controls in the current policy.

The Policy was amended in 2015 to reflect changes to the *Local Government Act 1995* which increased the threshold for which a tender process needed to be undertaken (with exemptions).

The ability of staff to implement the Policy in practice is proving to be problematic, given the available staff resources and those required to comply with the Policy.

Staff considers it appropriate to have a discussion with the Audit Committee to address this issue in an honest and frank manner and seek direction from Council as to an agreed solution.

Effectively this discussion will revolve around:

1. Endorsing the existing Policy and allocating additional resources to ensure compliance, or
2. Review the Policy and relax its strict requirements to better reflect practices appropriate to the size of the Town of Cottesloe whilst still ensuring the objectives of the Policy are met.

## **STRATEGIC IMPLICATIONS**

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

## **POLICY IMPLICATIONS**

- Purchasing Policy
- Purchasing Orders Policy

## **STATUTORY ENVIRONMENT**

*Local Government Act 1995*

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*Local Government (Financial Management) Regulations 1996*

*Local Government (Functions and General) regulations 1996*

### **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this Item, although significant staff resources are required to administer the Policy. These costs are in accordance with the existing budgetary allocation.

### **STAFFING IMPLICATIONS**

Staff resources to administer and implement the Policy are considered significant. The time taken to write a brief, seek quotations and then assess is time consuming and can be quite complex.

### **ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

The Policy contains sustainability purchasing requirements.

### **CONSULTATION**

- Moore Stephens Pty Ltd
- Town of Cottesloe Staff

### **OFFICER COMMENT**

The existing Purchasing Policy is considered by staff to be an example of best practice and the requirement to obtain quotes for all purchases over \$250 and two quotes for purchases between \$250 and \$3,000 is difficult to question from a theoretical perspective.

Where staff find difficulties in implementing these objectives relate to those purchases of a frequent nature and include:

- Engaging trades to fix relatively minor problems.
- Difficulties in getting companies to provide quotes.
- Time taken to prepare briefs for relatively minor matters.
- Engaging specialist services such as legal services where the exact brief can be difficult to define in the first instance.
- Having preference for companies who are regular suppliers and provide a quality service.

Following the March 2018 Audit Committee Meeting, staff have undertaken an analysis of creditors payments and the dollar value associated with these transactions.

A summary of all creditors' payments for 2018 is attached for the consideration of Committee members.

This summary shows there were approximately 2,685 transactions totalling \$9,664,086, with payments made to 310 creditors. This includes a number of payments where no discretion is available to staff, for example, remittance of the annual emergency service levies to the Department of Fire and Emergency Services.

Having reviewed this list of payments and taking into consideration comments from Committee Members at the March 2018 meeting, staff are of the view that the Draft Policy could be simplified and better targeted at the transactions between \$5,000 and \$50,000 which account for a large percentage of the total value and number of transactions.

Accordingly, the limits prescribed in the Draft policy could be amended as suggested below:

Amount of Purchase	Quotation Requirements
Up to \$500	Direct purchase from suppliers requiring no quotations due to the minor and frequent nature of such goods.
\$501 to \$5,000	Direct purchase from suppliers requiring only two verbal or written quotations.
\$5,001 to \$50,000	Obtain at least three written quotations.
\$50,001 to \$149,999	Obtain at least three written quotations using a specification or brief describing the goods and services with purchasing decision based on all value for money considerations.
\$150,000 and above	Conduct a public tender process.

**VOTING REQUIREMENT**

Simple Majority

**OFFICER AND COMMITTEE RECOMMENDATION**

**Move Cr Young, Seconded Ms Van Heerden**

**For discussion and consensus agreement with staff to redraft the Policy for presentation to the November 2018 Committee Meeting for further consideration.**

**Carried 3/0  
For: Crs Boulter and Young and Ms Van Heerden  
Against: Nil**

### 4.3 CARDNO BIKE PLAN

<b>File Ref:</b>	<b>SUB/2596</b>
<b>Applicant(s) Proponents:</b>	<b>Nil</b>
<b>Attachments:</b>	<b>4.3(a) Bike Plan Brief</b>
	<b>4.3(b) Payments to Cardno</b>
<b>Responsible Officer:</b>	<b>Ann-Marie Donkin, Governance Coordinator</b>
<b>Author:</b>	<b>Garry Bird, Deputy Chief Executive Officer</b>
<b>Author Disclosure of Interest:</b>	<b>Nil</b>

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#### SUMMARY

The following Resolution was passed by the Audit Committee Meeting on 15 November 2017:

*“That the history of the ‘Town of Cottesloe’ Bike Plan 2015-2025 document developed by Cardno be presented to the Audit Committee at the next meeting.”*

#### BACKGROUND

Due to the need to retrieve archived records from storage meant that this report was not available for the March 2018 Audit Committee Meeting, whereby it was subsequently resolved:

*“That the information relating to the history of the Town of Cottesloe Local Bike Plan 2015-2025 document developed by Cardno be circulated by the end of March 2018 to members of the Audit Committee and that this item be removed from the Audit Committee Agenda, to be reinstated by request of any member of the Committee should they have reason to believe, on review of the circulated information, that matters of concern arise which warrant the consideration of the Audit Committee.”*

The Report was prepared in accordance with the above Resolution however it came to the attention of officers that it has not been circulated to the Committee Members and as such this matter is included on the Agenda for this meeting for review.

#### STRATEGIC IMPLICATIONS

This report is consistent with the Town’s *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

#### POLICY IMPLICATIONS

Purchasing Policy.

#### STATUTORY ENVIRONMENT

*Local Government Act 1995*

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**FINANCIAL IMPLICATIONS**

There are no perceived financial implications arising from the officer's recommendation.

**STAFFING IMPLICATIONS**

There are no perceived staffing implications arising from the officer's recommendation.

**ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

There are no perceived sustainability implications arising from the officer's recommendation.

**CONSULTATION**

Nil

**OFFICER COMMENT**

The Town sought quotations from firms as per the attached brief. A search of records indicates that there was only one submission filed, being the successful one from CARDNO. Officer's recollections are that there were other submissions received, however they do appear to have been filed incorrectly.

Staff appointed CARDNO to prepare a Bike Plan and Way Finding Strategy on May 29 2015 (see attached purchase order).

The total value of the contract was \$30,500.

A Draft Bike Plan was presented to Elected Members in 2016 however was deemed to be unsatisfactory and was never formally adopted.

**VOTING REQUIREMENT**

Simple Majority

**OFFICER RECOMMENDATION**

**THAT the Audit Committee note the information provided.**

**Note: The Committee discussed the contents of the Report, however, no resolution or Recommendation was made.**

#### 4.4 AUDIT COMMITTEE CHARTER

**File Ref:** SUB/2596  
**Applicant(s) Proponents:**  
**Attachments:** 4.4(a) Draft Audit Committee Charter  
**Responsible Officer:** Mat Humfrey, Chief Executive Officer  
**Author:** Garry Bird, Deputy Chief Executive Officer  
**Author Disclosure of Interest:** Nil

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#### SUMMARY

In order to properly define the role of all Council committees staff have prepared Charters relevant to each Committee for consideration.

The Draft Audit Committee Charter is attached for the consideration of the Committee.

#### BACKGROUND

The Audit Committee Charter was previously adopted by Council on 21 February 2017. Following the October 2017 Council Elections, staff have reviewed the Charter's for all Council Committee's for consistency and clarity.

No significant amendments are recommended for the Audit Committee. There has been some clarification on some of the statutory obligations of a Council Committee, including the format of minutes to ensure compliance with the *Local Government Act 1995*.

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#### STRATEGIC IMPLICATIONS

This report is consistent with the Town's *Strategic Community Plan 2013 – 2023*.

Priority Area 6: Providing open and accountable local governance

Major Strategy 6.2: Continue to deliver high quality governance, administration, resource management and professional development.

#### POLICY IMPLICATIONS

There are no perceived policy implications arising from the officer's recommendation.

#### STATUTORY ENVIRONMENT

*Local Government Act 1995*

##### **7.1A. Audit committee**

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
  - (2) *The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*
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*\* Absolute majority required.*

- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

#### **FINANCIAL IMPLICATIONS**

There are no perceived financial implications arising from the officer's recommendation.

#### **STAFFING IMPLICATIONS**

There are no perceived staffing implications arising from the officer's recommendation.

#### **ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS**

There are no perceived environmental sustainability implications arising from the officer's recommendation.

#### **CONSULTATION**

Town of Cottesloe Senior Staff

#### **OFFICER COMMENT**

The introduction of a Charter for all Council committees' will improve the efficiency of the committee system and standardise many of their processes. The role of the Audit Committee is defined by the *Local Government Act 1995* and in this respect is different to many of the other committee's of Council whose role is not so specific.

For the purposes of consistency across all Council committees' it is recommended that the Audit Committee also has a charter.

#### **VOTING REQUIREMENT**

Simple Majority

#### **OFFICER RECOMMENDATION**

That Council ADOPT the Audit Committee Charter as attached.

#### **COMMITTEE RECOMMENDATION**

**Moved Ms Van Heerden, Seconded Cr Young**

**That Council defer consideration of the Audit Committee Charter until the next Audit Committee meeting.**

**Carried 3/0**  
**For: Crs Boulter and Young and Ms Van Heerden**  
**Against: Nil**



**5 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY ELECTED MEMBERS/OFFICERS BY DECISION OF MEETING****5.1 MS VAN HEERDEN – OFFICE OF THE AUDITOR GENERAL PERFORMANCE AUDITS**

Ms Van Heerden noted the new system whereby the Office of the Auditor General will undertake performance audits of a sample of local governments and report on their findings. Ms Van Heerden requested that these Reports be included in future Audit Committee meeting agendas for consideration, including comment from staff on how the Town of Cottesloe may compare or manage any issues identified in the Reports.

Staff advised they would include the Reports in future agendas and at the next meeting of the Audit Committee will include the following reports from the Office of the Auditor General:

1. Timely Payment of Suppliers
2. Control over Corporate Credit Cards
3. Local Government Procurement (if available for the next meeting)

**6 MEETING CLOSURE**

Cr Boulter announced the meeting closed at 4.19pm.