

Notice of Meeting



17 Queen Street, Pingelly
Western Australia 6308
Telephone: 9887 1066
Facsimile: 9887 1453
admin@pingelly.wa.gov.au

Dear Councillor

A meeting of the Shire of Pingelly Audit Committee will be held on Wednesday 19 July 2017 in the Council Chambers, 17 Queen Street, Pingelly commencing at 3.00pm.

A handwritten signature in black ink, appearing to read 'Barry Gibbs'.

Barry Gibbs
Acting Chief Executive Officer

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Pingelly for any act, omission or statement or intimation occurring during Council or Committee meetings or during formal/informal conversations with staff. The Shire of Pingelly disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings or discussions. Any person or legal entity that act or fails to act in reliance upon any statement does so at the person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or limitation of approval made by a member or officer of the Shire of Pingelly during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Pingelly. The Shire of Pingelly warns that anyone who has an application lodged with the Shire of Pingelly must obtain and only should rely on WRITTEN CONFIRMATION of the outcome of the application, and any conditions attaching to the decision made by the Shire of Pingelly in respect of the application.

AGENDA

Shire of Pingelly
Audit Committee Meeting
19 July 2017

MISSION STATEMENT

To enhance the quality of life for the people of Pingelly through the provision of leadership, services and infrastructure.

DISCLAIMER

INFORMATION FOR PUBLIC ATTENDING COUNCIL MEETINGS

PLEASE NOTE:

The recommendations contained in this agenda are officer's recommendations only and should not be acted upon until Council has resolved to adopt those recommendations.

The resolutions of Council should be confirmed by perusing the minutes of the Council meeting at which these recommendations were considered.

Members of the public should also note that they act at their own risk if they enact any resolution prior to receiving official written notification of Councils decision.

A handwritten signature in black ink, appearing to read 'B. Gibbs', with a stylized flourish at the end.

**BARRY GIBBS
ACTING CHIEF EXECUTIVE OFFICER**

COUNCIL MEETING INFORMATION NOTES

Your Council generally handles all business at Ordinary or Special Council Meetings.

From time to time Council may form a Committee to examine subjects and then report to Council.

Generally all meetings are open to the public; however, from time to time Council will be required to deal with personal, legal and other sensitive matters. On those occasions Council will generally close that part of the meeting to the public. Every endeavour will be made to do this as the last item of business of the meeting.

Public Question Time. It is a requirement of the Local Government Act 1995 to allow at least fifteen (15) minutes for public question time following the opening and announcements at the beginning of the meeting. Should there be a series of questions the period can be extended at the discretion of the Chairman.

Written notice of each question should be given to the Chief Executive Officer fifteen (15) minutes prior to the commencement of the meeting. A summary of each question and response is included in the Minutes.

When a question is not able to be answered at the Council Meeting a written answer will be provided after the necessary research has been carried out. Council staff will endeavour to provide the answers prior to the next meeting of Council.

Councillors may from time to time have a financial interest in a matter before Council. Councillors must declare an interest and the extent of the interest in the matter on the Agenda. However, the Councillor can request the meeting to declare the matter trivial, insignificant or in common with a significant number of electors or ratepayers. The Councillor must leave the meeting whilst the matter is discussed and cannot vote unless those present agree as above.

Members of staff, who have delegated authority from Council to act on certain matters, may from time to time have a financial interest in a matter on the Agenda. The member of staff must declare that interest and generally the Chairman of the meeting will advise the Officer if he/she is to leave the meeting.

Agendas, including an Information Bulletin, are delivered to Councillors within the requirements of the Local Government Act 1995, i.e. seventy-two (72) hours prior to the advertised commencement of the meeting. Whilst late items are generally not considered there is provision on the Agenda for items of an urgent nature to be considered.

Should an elector wish to have a matter placed on the Agenda the relevant information should be forwarded to the Chief Executive Officer in time to allow the matter to be fully researched by staff. An Agenda item, including a recommendation, will then be submitted to Council for consideration. The Agenda closes the Monday week prior to the Council Meeting (i.e. ten (10) days prior to the meeting).

The Information Bulletin produced as part of the Agenda includes items of interest and information, which does not require a decision of Council.

Agendas for Ordinary Meetings are available in the Shire of Pingelly Office, on the website and the Pingelly Library seventy-two (72) hours prior to the meeting and the public are invited to secure a copy.

Agenda items submitted to Council will include a recommendation for Council consideration. Electors should not interpret and/or act on the recommendations until after they have been considered by Council. Please note the Disclaimer in the Agenda (page 3).

Public Inspection of Unconfirmed Minutes (Reg 13)

A copy of the unconfirmed Minutes of Ordinary and Special Meetings will be available for public inspection from the Shire of Pingelly Office and the Shire of Pingelly website within ten (10) working days after the Meeting.

NOTE:

Unopposed Business

Upon a motion being moved and seconded, the person presiding may ask the meeting if any member opposes it.

If no member signifies opposition to the motion the person presiding may declare the motion in sub clause (1) carried without debate and without taking a vote on it,

A motion carried under sub clause (2) is to be recorded in the minutes as a unanimous decision of the Council or committee.

If a member signifies opposition to a motion the motion is to be dealt with according to this Part.

This clause does not apply to any motion or decision to revoke or change a decision which has been made at a Council or committee meeting.

Question Time

This Policy provides guidance to the Presiding Member (noting the provisions of the *Local Government (Administration) Regulation 7*).

- Question time is for the asking of questions. General comments, issues for debate etc. are to be progressed through the normal procedure for submitting Agenda items for Council's consideration. Tabled correspondence will not be accepted.
- Unless the person is known to all other persons in the Chamber, the Questioner is to state their name and address prior to asking the question.
- The Questioner is to stand to address the Presiding Member, unless illness or a physical or other disability prevents him/her from doing so. All questions are to be addressed to the Presiding Member.
- The question must be immediately put and may be followed by a brief statement related to the question.
- The Presiding Member may respond to the question or may nominate a Councillor or an Officer to respond.
- Debate between the Questioner or public and a Councillor or Officer is not permitted.
- Questions may not be put by Councillors to the Questioner or other members of the public except for the purpose of clarification.
- If the Presiding Member determines that a full and complete answer is unable to be given at that time, the question may be taken on notice. In that case, an answer will be given in writing to the Questioner within 7 days and the response tabled at the next Ordinary Council meeting.
- A summary of the question and the response only is to be recorded in the minutes of the meeting.

QUESTION TIME FOR THE PUBLIC

(Please write clearly)

DATE:

NAME:

TELEPHONE :

ADDRESS:

QUESTIONS TO THE PRESIDENT:

GENERAL QUESTION / QUESTION RELATED TO THE AGENDA *(strike out which is not applicable)*

ITEM NO	PAGE NO	QUESTION

PLEASE PASS TO THE CHIEF EXECUTIVE OFFICER FOR REFERRAL TO THE PRESIDENT BY 11AM AT THE MEETING, OR BY 10.45AM ON THE DAY OF THE MEETING AT THE SHIRE OF PINGELLY OFFICE, 17 QUEEN STREET, PINGELLY.

Public Question Time – Statutory Provisions – Local Government Act 1995

Time is to be allocated for questions to be raised by members of the public and responded to at: every ordinary meeting of a council; and

Such other meetings of councils or committees as may be prescribed.

Procedures and the minimum time to be allocated for the asking of and responding to questions raised by members of the public at council or committee meetings are to be in accordance with regulations.

9A. Question Time for the Public at Certain Meetings – s5.24 (1) (b)
Local Government (Administration) Regulations 1996

Reg 5 For the purpose of section 5.24(1)(b), the meetings at which time is to be allocated for questions to be raised by members of the public and responded to are:

every special meeting of a council; and

every meeting of a committee to which the local government has delegated a power or duty.

Minimum Question Time for the Public – s5.24 (2)

Reg 6 (1) The minimum time to be allocated for the asking of and responding to questions raised by members of the public at ordinary meetings of councils and meetings referred to in regulation 5 is fifteen (15) minutes.

(2) Once all the questions raised by members of the public have been asked and responded to at a meeting referred to in sub regulation (1), nothing in these regulations prevents the unused part of the minimum question time period from being used for other matters.

Procedures for Question Time for the Public – s5.24 (2)

Local Government (Administration) Regulations 1996

Reg 7 (1) Procedures for the asking of and responding to questions raised by members of the public at a meeting referred to in regulation 6 (1) are to be determined:

by the person presiding at the meeting; or

in the case where the majority of members of the council or committee present at the meeting disagree with the person presiding, by the majority of members, having regard to the requirements of sub regulations (2) and (3).

The time allocated to the asking and responding to questions raised by members of the public at a meeting referred to in regulation 6(1) is to precede the discussion of any matter that requires a decision to be made by the council or the committee, as the case may be.

Each member of the public who wishes to ask a question at a meeting referred to in regulation 6(1) is to be given an equal and fair opportunity to ask the question and receive a response.

Nothing in sub regulation (3) requires:

A council to answer a question that does not relate to a matter affecting the local government;

A council at a special meeting to answer a question that does not relate to the purpose of the meeting; or

A committee to answer a question that does not relate to a function of the committee.

SHIRE OF PINGELLY

DISCLOSURE OF INTERESTS

TO THE CHIEF EXECUTIVE OFFICER:

Under the Provisions of Division 6 of Part 5 of the Local Government Act 1995, I hereby disclose a Financial Interest/s in the matter/s listed on this form, which is/are scheduled for consideration at the meeting of Council to be held on:

19 July 2017

(Print Name)

(Signature)

(Date)

NOTE: Members of Council are asked to deliver this completed form to the Chief Executive Officer on the day of the Council Meeting as required by the Act. Where this is not practicable the Disclosure/s may be telephoned to the Council Office on 9887 1066 and/or the form subsequently passed to the Chief Executive Officer prior to the meeting.

ITEM NO	PAGE NO	TYPE	REASON

DISCLOSURE OF FINANCIAL INTEREST, PROXIMITY INTEREST AND/OR INTEREST AFFECTING IMPARTIALITY

Chief Executive Officer, Shire of Pingelly

In accordance with Section 5.60-5.65 of the *Local Government Act* and Regulation 34(B) and 34(C) of the *Local Government (Administration) Regulations* and Regulation 11 of the *Local Government (Rules of Conduct) Regulations*, I advise you that I declare a (appropriate box):

- financial interest (Section 5.60A)

A person has a financial interest in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.

- proximity interest (Section 5.60B)

A person has a proximity interest in a matter if the matter concerns a proposed —

- (a) change to a planning scheme affecting land that adjoins the person's land;
- (b) change to the zoning or use of land that adjoins the person's land; or
- (c) development (as defined in section 5.63(5)) of land that adjoins the person's land.

- interest affecting impartiality (Regulation 11). I disclose that I have an association with the applicant. As a consequence, 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 and vote accordingly.

An interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association but does not include a financial or proximity interest as referred to in section 5.60.

SHIRE OF PINGELLY

Agenda for the Shire of Pingelly Audit Committee meeting to be held in the Council Chamber, 17 Queen Street, Pingelly on Wednesday, 19 July 2017 – commencing at 3.00pm.

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1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairman to declare the meeting open.

1.1 Welcome to Country

I respectfully acknowledge the past and present traditional owners of this land on which we are meeting, the Noongar people. It is a privilege to be standing on Noongar country. I also acknowledge the contributions of Aboriginal Australians and non-Aboriginal Australians to the security and wellbeing of all the people of this country where we live and that we share together – Australia.

2. RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

4. PUBLIC QUESTION TIME

5. APPLICATIONS FOR LEAVE OF ABSENCE

6. DISCLOSURES OF INTEREST

The *Local Government Act* (Section 5.60 – 5.62) provides that it is the Councillor's obligation to declare an interest if they believe that they have a financial interest, proximity interest, closely associated persons interest or an interest affecting impartiality in a matter being discussed by Council.

The Act provides that the interest may be declared in writing to the Chief Executive Officer prior to the meeting or declared prior to discussion of the agenda item at the meeting. Forms for this purpose are available to Councillors.

The Act further provides that the extent of the interest needs to be declared if the Councillor seeks to remain in the Chamber during the discussion, debate or voting on the item.

A Councillor declaring a financial or proximity interest must leave the meeting prior to the matter being discussed or voted on (including the question as to whether they are permitted to remain in the Chamber). Councillors remaining in the Chamber may resolve to allow the member to return to the meeting to participate in the proceedings.

7. CONFIRMATION OF MINUTES AND REPORTS

7.1 Audit Committee Meeting – 1 March 2017

Statutory Environment:

Section 5.22 of the Local Government Act provides that minutes of all meeting to be kept and submitted to the next ordinary meeting of the council or the committee, as the case requires, for confirmation.

Voting Requirements:

Simple Majority

Recommendation:

That the Minutes of the Audit Committee of the Shire of Pingelly held in the Council Chambers on 1 March 2017 be confirmed.

Moved: _____ Seconded: _____

8. ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

9. PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

10. BUSINESS

10.1 AMD Interim Audit Report June 2017

File Reference: ADM0074
Location: Shire of Pingelly
Applicant: Auditor - AMD Chartered Accountants
Author: Stuart Billingham, Director Corporate & Community Services
Date: 12 July 2017
Disclosure of Interest: Nil
Attachments: Interim Management Report for Year ending 30 June 2017

Summary:

To provide the Audit Committee with the Interim Management Report from its Auditor AMD Chartered Accountants for consideration.

Background:

AMD Accountants visited the Shire of Pingelly on the 15-16 May 2017 to conduct the Interim Audit for the year ending 30 June 2017.

Below is listed the matters raised in the Interim Management Report and the Shire Management Comments.

AUDIT FINDINGS

1. ACCOUNT RECONCILIATIONS

Finding Rating: Significant

1.1 Bank Accounts

Our interim audit procedures indicated municipal, licensing and trust bank reconciliations have not been completed on a timely basis after each month end.

At the time of our May onsite visit, the last municipal reconciliation completed was to 31 December 2016.

We also noted the July, August, September, and November municipal and trust bank account reconciliations were not completed and reviewed on a timely basis, being signed off with a review date of 1 November, 3 November, 3 November and 17 February respectively.

We also recommend formal bank reconciliations be completed for all other Council bank and investment accounts (including Licensing, Term Deposits, Savings on Call, etc.) on a monthly basis (even where nil transactions for the month) which are signed off and dated as evidence of timely completion and review.

Management Comment

Change from SynergySoft Banks Reconciliations module to Manual bank Reconciliations causing delays in the production of timely Bank Reconciliations for each Bank Account. All Bank Recs up to and including April 2017 as of the 30 May 2017 are now up to date and balancing to the General Ledger bank accounts for Muni bank, Trust bank, Licensing bank, Reserve Fund bank and On Call bank, Term deposits. Where nil transaction still occur a Bank Rec will be provided for those accounts still. Since the Finance Department has now caught up on the back log moving forward Bank Reconciliations will now be prepared on a timely monthly basis to ensure accuracy.

1.2 Rate Debtors Reconciliations

Our interim audit indicated rate debtors reconciliations have not been completed on a monthly basis during the period July 2016 to April 2017.

Management Comment

Although this report was not prepared until April 2017 the DCCS balances the IE code for rates every month in the Monthly Statement of Financial Activity as a matter of course. When this report was run in April 2017 it balanced for each rates and charges including legal fees category to the cent.

1.3 Rateable values

Inquiries made during our interim visit indicated, rateable value reconciliations had not been completed during the 2016/17 year.

Management Comment

Rolling Rates reconciliations for UV and GRV are currently being prepared ASAP as the FO has not prepared these reconciliations before, the DCCS is providing on the job training on this required Rates valuations reconciliation with the VGO rolls as a priority.

1.4 Sundry Debtors Reconciliations

We noted the August, December, January, February, and March sundry debtor reconciliations were not completed on a timely basis, being completed on the 5 March 2017.

Management Comment

The FO has not prepared these reports before, the DCCS has provided on the job training to produce these reports now at the end of each month on a timely basis. Again the FO has been under a heavy workload taking on both Payroll/Creditors (up to March 2017) and Rates responsibilities for the last 5 months with the Departure of Mrs Lisa Dyer due to illness. When prepared these reports balanced each month to the cent.

1.5 Sundry Creditor Reconciliations

Our review indicated sundry creditor reconciliations for the months of July 2016 through to April 2017 were completed and reviewed on the 5th of May 2017.

Management Comment

The new Casual FO has not prepared these reports before and the DCCS has provide on the job training to produce these reports now at the end of each month on a timely basis. When prepared these reports balanced each month to the cent, the only exception for one month which was a timing issue created by a GJ the DCCS undertook, which in the next month then balanced out.

Implication

Risk of material misstatement, error or omission within accounting records.

Recommendation

We recommend that the key balance sheet accounts (i.e. including the accounts outlined above) be regularly reconciled to the general ledger on a timely basis. This will ensure that any errors or imbalances are detected on a timely basis and the appropriate action taken accordingly.

These key general ledger account reconciliations should also be independently reviewed and signed off as evidence of independent review.

Management Comment

Due to the Departure of the entire Finance Department Staff including the DCCS, SFO and FO from the Shire of Pingelly in and around June – August 2016 and the new DCCS and FO not starting until mid-September 2016. Several months' worth of back log occurred and the new FO and DCCS encountered many problem areas requiring correction of errors made by the contracted in Management Accountant from Hays. Assistance from Mr Bob Waddell and Mrs Bev Webb of great assistance in the 30 June 2017 Annual Financial Report.

2. ANNUAL BUDGET REVIEW

Finding Rating: Non-Compliance

In accordance with the requirements of Regulation 33 of the Local Government (Financial Management) Regulation, Council's annual budget is to be forward to the Department within 30 days after Council acceptance.

Our audit indicated that although the budget was prepared and adopted by Council on 12 August 2016, the budget was not forwarded to the department within 30 days after Council approval as required.

Accordingly, we will be required to report this compliance matter within the compliance section of our audit report for the year ending 30 June 2017.

Implication

Breach of statutory requirement.

Recommendation

In the future please ensure the budget is forwarded to the Department within the required time frame.

Management Comment

Due to staff turnover/changes this was missed and was not lodged by the 30 day deadline of 12 September 2016. This matter was addressed by the incoming DCCS with lodgement by email to annual.budget@dlgc.wa.gov.au on the 28 September 2016.

3. ANNUAL COMPLIANCE REVIEW

Finding Rating: Non-Compliance

We note Council's annual compliance review was not submitted to the Department of Local Government by 31 March 2017 as required by Section 15 of the Local Government (Audit) Regulations 1996 (submission dated 4 April 2017).

Implication

Breach of statutory requirement.

Recommendation

Please ensure Council's compliance review is submitted to the Department by 31 March each year.

Management Comment

The DLGC requires this return to be prepared and lodged through the new Microsoft Portal that experienced many problems in its first year of introduction. Many Local Governments also were locked out or experienced delays in processing and lodgement due to the site issues. The DLGC are aware of the issues are working on getting the bugs out. The final date the DLGC website has recorded is the 18th April 2017 as finalised.

4. EMPLOYEE RECORDS, TERMINATION CHECKLIST

Finding Rating: Minor

During our payroll testing we note an employee file could not be located for one employee who ceased employment during the 2016/2017 year.

We noted there is no formal termination checklist in place for when an employee either resigns or is terminated, to ensure all tasks relating to the employee's termination have been completed.

Implication

Risk of tasks required to be undertaken following an employee's departure not being completed on a timely basis.

Recommendation

Employee files should be retained in a secure area, for all current employees and former employees as per statutory record keeping requirements. We recommend a formal termination checklist be developed which is required to be completed upon termination of an employee and signed off once completed. Items which may be relevant to include on the termination checklist would vary according to the individual employee's role, and may include sign off in respect to:

- Return of laptop, computers and accessories;
- Return of gate key / office key and updating of register;
- Return of business cards;
- Removal from IT access;
- Redirect team member's emails for one month to an alternative employee;
- Disable team member from company login system;
- Update payroll database;
- Email team member for updated postal address for sent PAYG; and
- Alarm codes to be deactivated.

Management Comment

A new Terminated Employee Check list has been developed to address this matter. Over the last 9 months all terminated employees 'termination payments' have been prepared by the payroll officer and reviewed independently by the DCCS for accuracy and correctness.

When required the Shire has even had WALGA Workplace Solutions (Termination payments) and WALGA Tax Service review (ETP's) check working and calculations to ensure compliance with the Shire Enterprise Bargaining Agreement and relevant Industry Employment Awards and legislation and tax implications. I am happy to provide evidence of this for the Interim Audit File for past terminated employees in 2016/17 for Mrs Lisa Dyer and Mr Wade Taylor the two terminated employees at the Shire in the last 9 months.

5. PAYMENT OF EMPLOYEE SUPERANNUATION

Finding Rating: Minor

Our audit testing identified one employee (details can be provided on request) who had elected to contribute voluntary superannuation from 16 January 2017, however review of a payslip dated 18th April 2017 indicated the deduction was not effected.

Implication

Risk of error in respect to payment of employee super.

Recommendation

We recommend when employees request to have additional superannuation deducted from their pay, payroll implement the change from the date of request.

Management Comment

This human error oversight occurred after the Christmas Break period that Payroll Finance Officer left the Shire before Christmas, after being diagnosed with a terminal illness.

The remaining Shire Finance Officer assumed the duties and roles of the missing Finance Officer taking on Creditors, Payroll etc. Due to workloads and being time poor the FO missed this on the deductions form, due to staff shortages and increased workload levels.

A review by the DCCS on this matter, has a new separate superannuation deductions form is being created separate from the current payroll deduction form. The new clearer separate superannuation deduction form will reduce human error when dealing with changes to the Superannuation contribution changes being entered into SynergySoft Payroll System.

6. PURCHASE ORDERS

Finding Rating: Minor

During our testing of payments on a sample basis we identified instances whereby purchase orders were dated after the invoice date.

Implication

Risk of unauthorised goods and services being purchased and liabilities being incurred.

Recommendation

We recommend purchase orders be completed prior to purchasing goods and services with exception of utilities and regular payments.

Management Comment

The Purchase Orders which were found to be post-dated are to be follow up to resolve this issue for the future.

Consultation:

Shire of Pingelly Audit Committee
Chief Executive Officer
AMD Chartered Accountants

Statutory Environment:

Local Government Act 1995 and associated regulations

Policy Implications:

There are no policy implications arising from this report.

Financial Implications:

There are no known financial implications upon either the Council's current budget or long term financial plan.

Strategic Implications:

There are no known significant strategic implications relating to the report or the committee recommendation.

Voting Requirements:

Simple Majority

Recommendation:

That the Audit Committee recommends to Council:

1. receive the minutes of the Audit Committee dated 19 July 2017; and
2. notes there are no further actions required by the Chief Executive Officer to address matters raised in the attached Interim Management Report.

Moved: _____ Seconded: _____

11. CLOSURE

The Chairman to declare the meeting closed.

30 June 2017

Cr S Lange
President
Shire of Pingelly
17 Queen Street
PINGELLY WA 6308

Dear Shirley

SHIRE OF PINGELLY
INTERIM MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2017

We provide our Interim Management Report following completion of our Shire of Pingelly 30 June 2017 interim audit site visit, conducted on the 15th and 16th of May 2017.

1.0 OUR AUDIT APPROACH

Australian Auditing Standards require us to obtain an understanding of the internal control structure and accounting system relevant to Shire of Pingelly's financial reporting, as part of our annual audit process.

During our interim audit, we carried out audit procedures necessary for us to comply with the requirements of the auditing standards in respect to audit planning, risk assessment, assessment of fraud and assessment of the control environment.

The interim audit included preparation of our audit plan and completing our assessment of risks, in accordance with a risk based audit approach required under Australian Auditing Standards.

A comprehensive and detailed review of Shire of Pingelly's compliance with the financial management requirements of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996 was also completed.

We reviewed, documented and tested key accounting systems and related internal controls in place at the Shire of Pingelly, including the following key areas:

- Revenue and receipting;
- Purchasing and payments;
- Payroll; and
- Reconciliation of key accounts and preparation of monthly financial reports including:
 - bank and investment reconciliations;
 - sundry debtors;
 - rates debtors reconciliations;
 - ratable value reconciliations;
 - sundry creditor reconciliations; and
 - fixed asset reconciliations.

Please note our procedures were performed for audit purposes only, and therefore did not include a complete review of all controls and transactions.

Our recommendations (including our first recommendation within Appendix 1) note various accounting reconciliations not completed on a monthly basis throughout the 2016/2017 financial year. We acknowledge unanticipated challenges during this period in respect to resourcing, requiring team members to take on multiple responsibilities at times.

We understand at the date of this report most outstanding issues have been addressed.

We will follow up on the status of our recommendations on our final visit in October to determine whether appropriate action has been taken.

2.0 REGULATION 17 REVIEW

In accordance with the Local Government (Audit) Regulations 1996, a Regulation 17 Review includes a review of the appropriateness and effectiveness of the risk management, internal controls and legislative compliance of the Shire of Pingelly, and is required to be conducted every 2 years.

It is our understanding the Shire of Pingelly was due to have a Regulation 17 review completed by 31 December 2016, which we understand has not occurred. We therefore recommend this review be completed as soon as possible.

3.0 OTHER MATTERS

We would like to take this opportunity to thank Stuart and the finance team for the assistance provided to us during our interim audit. Please refer to Appendix 1 for specific comments and recommendations arising from our interim procedures.

Should you have any queries in respect to this report or any other matters relating to our audit, please do not hesitate to contact me.

Yours sincerely

AMD Chartered Accountants



TIM PARTRIDGE FCA
Director

cc Mr G Pollock
Chief Executive Officer

APPENDIX 1
Audit Recommendations for the period ended 30 April 2017

GUIDANCE TO FINDINGS RATING / IMPLICATION

Findings identified during the final audit have been weighted in accordance with the following scale:

Non Compliance: Those findings where there is non compliance with Local Government Act or Regulations.

Significant: Those findings where there is potentially a significant risk to the entity should the finding not be addressed promptly.

Moderate: Those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible.

Minor: Those findings that are not of primary concern however still warrant action being taken.

AUDIT FINDINGS

1. ACCOUNT RECONCILIATIONS

Finding Rating: Significant

1.1 Bank Accounts

Our interim audit procedures indicated municipal, licensing and trust bank reconciliations have not been completed on a timely basis after each month end.

At the time of our May onsite visit, the last municipal reconciliation completed was to 31 December 2016.

We also noted the July, August, September, and November municipal and trust bank account reconciliations were not completed and reviewed on a timely basis, being signed off with a review date of 1 November, 3 November, 3 November and 17 February respectively.

We also recommend formal bank reconciliations be completed for all other Council bank and investment accounts (including Licensing, Term Deposits, Savings on Call, etc.) on a monthly basis (even where nil transactions for the month) which are signed off and dated as evidence of timely completion and review.

Management Comment

Change from SynergySoft Banks Reconciliations module to Manual bank Reconciliations causing delays in the production of timely Bank Reconciliations for each Bank Account. All Bank Recs up to and including April 2017 as of the 30 May 2017 are now up to date and balancing to the General Ledger bank accounts for Muni bank, Trust bank, Licensing bank, Reserve Fund bank and On Call bank, Term deposits. Where nil transaction still occur a Bank Rec will be provided for those accounts still. Since the Finance Department has now caught up on the back log moving forward Bank Reconciliations will now be prepared on a timely monthly basis to ensure accuracy.

1.2 Rate Debtors Reconciliations

Our interim audit indicated rate debtors reconciliations have not been completed on a monthly basis during the period July 2016 to April 2017.

Management Comment

Although this report was not prepared until April 2017 the DCCS balances the IE code for rates every month in the Monthly Statement of Financial Activity as a matter of course. When this report was run in April 2017 it balanced for each rates and charges including legal fees category to the cent.

APPENDIX 1
Audit Recommendations for the period ended 30 April 2017

1.3 Rateable values

Inquiries made during our interim visit indicated, rateable value reconciliations had not been completed during the 2016/17 year.

Management Comment

Rolling Rates reconciliations for UV and GRV are currently being prepared ASAP as the FO has not prepared these reconciliations before, the DCCS is providing on the job training on this required Rates valuations reconciliation with the VGO rolls as a priority.

1.4 Sundry Debtors Reconciliations

We noted the August, December, January, February, and March sundry debtor reconciliations were not completed on a timely basis, being completed on the 5 March 2017.

Management Comment

The FO has not prepared these reports before, the DCCS has provided on the job training to produce these reports now at the end of each month on a timely basis. Again the FO has been under a heavy workload taking on both Payroll/Creditors (up to March 2017) and Rates responsibilities for the last 5 months with the Departure of Mrs Lisa Dyer due to illness. When prepared these reports balanced each month to the cent.

1.5 Sundry Creditor Reconciliations

Our review indicated sundry creditor reconciliations for the months of July 2016 through to April 2017 were completed and reviewed on the 5th of May 2017.

Management Comment

The new Casual FO has not prepared these reports before and the DCCS has provide on the job training to produce these reports now at the end of each month on a timely basis. When prepared these reports balanced each month to the cent, the only exception for one month which was a timing issue created by a GJ the DCCS undertook, which in the next month then balanced out.

Implication

Risk of material misstatement, error or omission within accounting records.

Recommendation

We recommend that the key balance sheet accounts (i.e. including the accounts outlined above) be regularly reconciled to the general ledger on a timely basis. This will ensure that any errors or imbalances are detected on a timely basis and the appropriate action taken accordingly.

These key general ledger account reconciliations should also be independently reviewed and signed off as evidence of independent review.

Management Comment

Due to the Departure of the entire Finance Department Staff including the DCCS, SFO and FO from the Shire of Pingelly in and around June – August 2016 and the new DCCS and FO not starting until mid-September 2016. Several months' worth of back log occurred and the new FO and DCCS encountered many problem areas requiring correction of errors made by the contracted in Management Accountant from Hays. Assistance from Mr Bob Waddell and Mrs Bev Webb of great assistance in the 30 June 2017 Annual Financial Report.

APPENDIX 1
Audit Recommendations for the period ended 30 April 2017

2. ANNUAL BUDGET REVIEW

Finding Rating: Non-Compliance

In accordance with the requirements of Regulation 33 of the Local Government (Financial Management) Regulation, Council's annual budget is to be forward to the Department within 30 days after Council acceptance.

Our audit indicated that although the budget was prepared and adopted by Council on 12 August 2016, the budget was not forwarded to the department within 30 days after Council approval as required.

Accordingly, we will be required to report this compliance matter within the compliance section of our audit report for the year ending 30 June 2017.

Implication

Breach of statutory requirement.

Recommendation

In the future please ensure the budget is forwarded to the Department within the required time frame.

Management Comment

Due to staff turnover/changes this was missed and was not lodged by the 30 day deadline of 12 September 2016. This matter was addressed by the incoming DCCS with lodgement by email to annual.budget@dlgc.wa.gov.au on the 28 September 2016.

3. ANNUAL COMPLIANCE REVIEW

Finding Rating: Non-Compliance

We note Council's annual compliance review was not submitted to the Department of Local Government by 31 March 2017 as required by Section 15 of the Local Government (Audit) Regulations 1996 (submission dated 4 April 2017).

Implication

Breach of statutory requirement.

Recommendation

Please ensure Council's compliance review is submitted to the Department by 31 March each year.

Management Comment

The DLGC requires this return to be prepared and lodged through the new Microsoft Portal that experienced many problems in its first year of introduction. Many Local Governments also were locked out or experienced delays in processing and lodgement due to the site issues. The DLGC are aware of the issues are working on getting the bugs out. The final date the DLGC website has recorded is the 18th April 2017 as finalised.

APPENDIX 1
Audit Recommendations for the period ended 30 April 2017

4. EMPLOYEE RECORDS, TERMINATION CHECKLIST

Finding Rating: Minor

During our payroll testing we note an employee file could not be located for one employee who ceased employment during the 2016/2017 year.

We noted there is no formal termination checklist in place for when an employee either resigns or is terminated, to ensure all tasks relating to the employee's termination have been completed.

Implication

Risk of tasks required to be undertaken following an employee's departure not being completed on a timely basis.

Recommendation

Employee files should be retained in a secure area, for all current employees and former employees as per statutory record keeping requirements. We recommend a formal termination checklist be developed which is required to be completed upon termination of an employee and signed off once completed. Items which may be relevant to include on the termination checklist would vary according to the individual employee's role, and may include sign off in respect to:

- Return of laptop, computers and accessories;
- Return of gate key / office key and updating of register;
- Return of business cards;
- Removal from IT access;
- Redirect team member's emails for one month to an alternative employee;
- Disable team member from company login system;
- Update payroll database;
- Email team member for updated postal address for sent PAYG; and
- Alarm codes to be deactivated.

Management Comment

A new Terminated Employee Check list has been developed to address this matter. Over the last 9 months all terminated employees 'termination payments' have been prepared by the payroll officer and reviewed independently by the DCCS for accuracy and correctness.

When required the Shire has even had WALGA Workplace Solutions (Termination payments) and WALGA Tax Service review (ETP's) check working and calculations to ensure compliance with the Shire Enterprise Bargaining Agreement and relevant Industry Employment Awards and legislation and tax implications. I am happy to provide evidence of this for the Interim Audit File for past terminated employees in 2016/17 for Mrs Lisa Dyer and Mr Wade Taylor the two terminated employees at the Shire in the last 9 months.

APPENDIX 1
Audit Recommendations for the period ended 30 April 2017

5. PAYMENT OF EMPLOYEE SUPERANNUATION

Finding Rating: Minor

Our audit testing identified one employee (details can be provided on request) who had elected to contribute voluntary superannuation from 16 January 2017, however review of a payslip dated 18th April 2017 indicated the deduction was not effected.

Implication

Risk of error in respect to payment of employee super.

Recommendation

We recommend when employees request to have additional superannuation deducted from their pay, payroll implement the change from the date of request.

Management Comment

This human error oversight occurred after the Christmas Break period that Payroll Finance Officer left the Shire before Christmas, after being diagnosed with a terminal illness.

The remaining Shire Finance Officer assumed the duties and roles of the missing Finance Officer taking on Creditors, Payroll etc. Due to workloads and being time poor the FO missed this on the deductions form, due to staff shortages and increased workload levels.

A review by the DCCS on this matter, has a new separate superannuation deductions form is being created separate from the current payroll deduction form. The new clearer separate superannuation deduction form will reduce human error when dealing with changes to the Superannuation contribution changes being entered into SynergySoft Payroll System.

6. PURCHASE ORDERS

Finding Rating: Minor

During our testing of payments on a sample basis we identified instances whereby purchase orders were dated after the invoice date.

Implication

Risk of unauthorised goods and services being purchased and liabilities being incurred.

Recommendation

We recommend purchase orders be completed prior to purchasing goods and services with exception of utilities and regular payments.

Management Comment

The Purchase Orders which were found to be post-dated are to be follow up to resolve this issue for the future.

