



**MINUTES OF THE AUDIT AND FINANCE COMMITTEE OF THE SHIRE OF BOYUP BROOK
HELD IN THE COUNCIL CHAMBERS, ABEL STREET, BOYUP BROOK ON
14 JULY 2020 COMMENCED AT 5.51pm.**

1 RECORD OF ATTENDANCE / APOLOGIES

Committee

Cr K Moir
Cr H O'Connell
Cr R Walker
Cr S Alexander
Cr T Oversby
Cr Price
Cr Kaltenrieder

Staff

Mr P Dittrich – Acting CEO
Maria Lane - Executive Assistant

Cr Kaltenrieder left the Chambers at 5.52pm

2 CONFIRMATION OF MINUTES

Nil

3 REPORTS

3.1 Audit Committee – Interim Audit Management Letter 2020

Location:	Not applicable
Applicant:	Not applicable
Disclosure of Interest:	Nil
Date:	12 July 2020
Author:	Peter Dittrich – Acting CEO
Authorizing Officer:	Peter Dittrich – Acting CEO
Attachments:	Yes – Management Letter – OAG – Interim Audit 2020

PURPOSE

To receive the interim Audit Report from the Office of the Auditor General (OAG).

BACKGROUND

The Office of the Auditor General undertook an Interim Audit on the 6th and 7th April 2020.

Comment

The Interim Audit identified three areas of concern:

- 1) Failure to lodge Annual Compliance Return by due date.
- 2) Rates Debtors reconciliations not evidenced as reviewed.
- 3) Timing of updating of the Asset Register.

All the matters have been addressed by management in the *attached Management letter*.

CONSULTATION

AMD
Office of the Auditor General

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

VOTING REQUIREMENT

Simple Majority

Economic Implications

Nil

Social Implications

Nil

Environmental Implications

Nil

COUNCIL DECISION & COMMITTEE RECOMMENDATION – Item 3.1

MOVED: Cr Moir

SECONDED: Cr O’Connell

That the Committee:

1. Receive the Interim Audit Management Letter of the OAG dated 16 June 2020.
2. Note the actions taken in relation to the matters raised.

CARRIED 6/0

Res 111/20

Cr Kaltenrieder returned to the Chambers at 5.54pm.

4 CLOSURE OF MEETING

There being no further business the Presiding Member thanked all for their attendance and declared the meeting closed at 5.55pm.





Our Ref: 8246

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President
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Dear Mr Walker

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2020**

We have completed the interim audit for the year ending 30 June 2020. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3) (a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the CEO. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7581 if you would like to discuss these matters further.

Yours faithfully

MAHMOUD SALAHAT
ASSISTANT DIRECTOR
FINANCIAL AUDIT
16 June 2020

Attach



SHIRE OF BOYUP BROOK

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Non-compliance with <i>Local Government Act 1995</i> and Regulations 1996		✓	
2. Monthly rate debtor reconciliations		✓	
3. Fixed Asset Register			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF BOYUP BROOK
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Non-compliance With *Local Government ACT 1995* and Regulations 1996

Finding

The following matters of non-compliance were identified:

- Contrary to Regulation 15 of the Local Government (Audit) Regulations 1996, the Annual Compliance Audit Return was not submitted by 31 March 2020, (lodgment date 3 April 2020).

Rating: Moderate

Implication

- Non-compliance with Regulation 15 of the Local Government (Audit) Regulations 1996.

Recommendation

We recommend, in accordance with Regulation 15 of the Local Government (Audit) Regulations 1996, the Annual Compliance Audit Return is submitted to the Department of Local Government by 31 March of the following year.

Management Comment

The Compliance Audit Return was completed and accepted by Council prior to the 31st March 2020. When attempting to lodge the return, via Smarthub, prior to the 31st March 2020 the user was unable to log in to the system. Calls to the Smarthub helpline were not responded to by the Department in a timely manner resulting in the delayed lodgement.

Responsible Officer: Executive Assistant
Completion Date: Resolved

SHIRE OF BOYUP BROOK
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Monthly Rate Debtor Reconciliations

Finding

We noted from testing a sample of the monthly rate debtor sub-ledger reconciliations to the rate debtor balance in Synergy, that the reconciliations are not signed as evidence of independent review.

Rating: Moderate

Implication

Increased risk of fraud and errors not being detected on a timely basis.

Recommendation

The Shire to ensure the Rate Debtor Reconciliations are completed on a timely basis and are signed off as evidence of independent review by an appropriate officer.

Management Comment

Agreed. Whilst the reconciliations were reviewed, they were not evidenced as such. The reviewer will sign the reconciliation as reviewed going forward. Rates Debtors are reported to the Senior Management Team meeting on a weekly basis.

Responsible Officer: Rates Officer, Manager Governance, Accountant

Completion Date: 30th June 2020

SHIRE OF BOYUP BROOK

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Fixed Asset Register

Finding

At the time of our April interim audit, the Shire's fixed assets register had not been updated with asset additions or disposals from 1 July 2019 to date.

Rating: Minor

Implication

Increased risk of misstatement of asset written down values, depreciation expense and profit or loss on disposals.

Recommendation

Asset additions and disposals are processed into the fixed asset register in a timely manner.

Management Comment

Asset addition to be added to the register once the full asset has been received/built. Disposals are to be processed monthly

Responsible Officer: Manager Governance/Accountant

Completion Date: 31 May 2020