

CITY OF ARMADALE

MINUTES

OF CITY AUDIT COMMITTEE HELD IN THE COMMITTEE ROOM,
ADMINISTRATION CENTRE, 7 ORCHARD AVENUE, ARMADALE ON TUESDAY, 4
FEBRUARY 2014 AT 5.45 PM.

PRESENT: Cr J H Munn JP CMC (Chair)
Cr K Busby
Cr R Butterfield
Cr D M Shaw (from 5.55 pm)
Cr H A Zelones JP

APOLOGIES: Nil

OBSERVERS: Cr C Frost

IN ATTENDANCE: Mr A F Maxwell Executive Director Corporate Services
Mrs F Baxter Executive Manager Corporate Services
Mr A Macri Auditor (Macri Partners)
Mr M Gudka Audit Manager (Macri Partners)

DECLARATION OF MEMBERS' INTERESTS

Nil

PUBLIC QUESTION TIME

Note:

Meetings of the City Audit Committee are closed to the public on the basis that matters to be dealt with by Committee will generally be of a sensitive and confidential nature which, if disclosed could reasonably be expected to impair the effectiveness of the audit process – Council resolution CS18/2001 refers.

DEPUTATION

Nil

CONFIRMATION OF MINUTES

RECOMMEND

Minutes of the City Audit Committee Meeting held on 10 December 2013 be confirmed.

**Moved Cr K Busby
MOTION CARRIED (4/0)**

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CITY AUDIT COMMITTEE

4 FEBRUARY 2014

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1.1 - SCOPE OF AUDITOR'S INTERIM AUDIT - 2013-2014 YEAR

WARD : ALL
FILE No. : M/54/14
DATE : 30 January 2014
REF : FB
RESPONSIBLE : Executive Manager
MANAGER : Corporate Services

In Brief:

- This Report presents the Auditor's proposed scope of the Interim Audit for 2013-2014 Financial Year.
- Recommend the Auditor's Schedule for the Interim Audit for the Financial Year 2013-2014 be confirmed.

Tabled Items

Nil

Officer Interest Declaration

Nil

Strategic Implications

Good Governance and Leadership –

- Support an Audit Committee to assist accountability and good governance,
- Ensure governance policies, procedures and activities align with legislative requirements and best practice.

Legislation Implications

Local Government Act 1995

- Section 7.1A – Audit Committee
- Section 7.1C – Decisions of audit committees
- Section 7.9 – Audit to be conducted
- Section 7.12A – Duties of local government with respect to audits

Local Government (Audit) Regulations 1996

- Clause 7 – Agreements with Auditors, contents of.

Council Policy/Local Law Implications

Nil

Budget/Financial Implications

Nil

Consultation

Council's Auditor

BACKGROUND

The City's Auditor has advised that we will be conducting the 2013-14 Financial Year Interim Audit on 18 to 20 February 2014. At the last City Audit Committee meeting (10 December 2013) it was resolved:

**“That Council:
Prior to the next Interim Audit, invite the Auditor to meet with the City Audit Committee to discuss the proposed scope of that next interim audit.”**

Hence this report.

DETAILS OF PROPOSAL

The City's Auditor has provided the following explanatory notes and proposed scope of the Interim Audit for discussion and determination with Committee:

“Our examination of internal controls during interim audit for the year ending 30 June 2014 is carried out for audit purposes designed primarily for the purpose of expressing an opinion on the financial statements of the City of Armadale. During this process, we carry out certain checks and tests to ensure that the policies and procedures established by the management and Council are being adhered to.

The interim audit is not intended to cover all aspects of the City's internal controls and accounting systems and is limited to those matters that arise from our normal audit procedures. To this end, we have designed audit programs to carry out our interim audit and we summarise below the areas which we normally cover:

- ✓ *Bank Reconciliations*
- ✓ *Investments*
- ✓ *Rates / ESL Levy*
- ✓ *Receipts*
- ✓ *Sundry Debtors*
- ✓ *Purchase of Goods and Services and Payments*
- ✓ *Creditors*
- ✓ *Payroll*
- ✓ *General Accounting*
- ✓ *IT Controls*
- ✓ *Stores/Depot*
- ✓ *Registers (Tender, etc)*
- ✓ *Reserve Fund*
- ✓ *Trust Fund*
- ✓ *Minutes Review”*

The City's Auditor Mr Anthony Macri attended the meeting to discuss the proposed Interim Audit.

As to Interim Audit scope matters Committee may wish to discuss with the Auditor, the following copy extracts from the minutes of the December 2013 Committee meeting (in regards to last year's interim audit report) are relevant:

Committee Discussion

Matters raised and discussed by Committee are summarised as follows:-

- *With regards to the **purchasing and payments** commentary, it was noted by Committee that the aspect of purchase orders not being raised until after receipt of invoice had been raised several times in past audit reports. In acknowledging that such instances will for good reason occur from time to time, Committee sought advice as to what further measures could be taken to reduce such instances in the future. In response, it was suggested and agreed by Committee, that CEO and Executive Director early in the new year, meet with officers having purchasing responsibilities, to explain and emphasize the need to follow 'due process' when procuring goods and services. Committee also noted this matter for discussion with the Auditor when he meets with Committee to scope the next interim audit.*
- *With regards to the **annual leave accruals** commentary, Committee again noted this matter for discussion with the Auditor when he meets with Committee to scope the next interim audit, and requested Management to consider the possible 'human cost implications'.*

From a management perspective there are no additional aspects suggested for inclusion in the proposed scope of the interim audit.

Cr D M Shaw joined the meeting at this juncture, i.e. 5.55 pm.

Committee Discussion:

The Auditor, at the Chair's invitation, explained to Committee the scope and methodology of the interim audit commenting that it was consistent with prior interim audits.

Matters raised and discussed by Committee included:-

- *Whether the meeting with Officers having purchasing responsibilities (as referred to in the minutes of the last Committee meeting) to explain and emphasize the need to follow due process when procuring goods and services, had occurred – the Executive Director advised that the meeting had not occurred yet due to annual leave commitments but would occur in February/March;*
- *On the matter of leave accruals, Committee asked Officers to consider further options aimed at reducing current leave accruals. Committee noted the Auditor's comment about the level of leave accruals at other local governments they audit being similar and that the level of accruals had not increased in the past (12) months due in part to new procedures introduced during that (12) month period.*
- *Committee queried with Officers as to when the pending matter of the expanded role of the Audit Committee (to include reviewing the effectiveness of systems in regards to risk management, internal control and legislative compliance) could be expected. The Executive Director confirmed that the matter is a key action in the Corporate Business Plan for the current year with a budget allocation of approx. \$100,000 and that a Report on the matter would be presented before 30th June 2014.*

- *Committee did not raise with the Auditor any particular matters for inclusion in the scope of the interim audit.*

ATTACHMENTS

There are no attachments for this report.

CA1/2/14 RECOMMEND

That Council supports the City Auditor's 2013-14 scope of Interim Audit covering the following areas:

- ✓ Bank Reconciliations
- ✓ Investments
- ✓ Rates / ESL Levy
- ✓ Receipts
- ✓ Sundry Debtors
- ✓ Purchase of Goods and Services and Payments
- ✓ Creditors
- ✓ Payroll
- ✓ General Accounting
- ✓ IT Controls
- ✓ Stores/Depot
- ✓ Registers (Tender, etc)
- ✓ Reserve Fund
- ✓ Trust Fund
- ✓ Minutes Review

**Moved Cr D M Shaw
MOTION CARRIED (5/0)**

COUNCILLORS' ITEMS

Nil

MEETING DECLARED CLOSED AT 6.25 PM