

CITY OF ARMADALE

MINUTES

OF CITY AUDIT COMMITTEE HELD IN THE COMMITTEE ROOM,
ADMINISTRATION CENTRE, 7 ORCHARD AVENUE, ARMADALE ON MONDAY, 2
OCTOBER 2017 AT 5.30PM.

PRESENT: Cr C Frost (Chair)
Cr R Butterfield (5.34pm to 6.12pm)
Cr H A Zelones OAM JP

APOLOGIES: Cr H Nixon

OBSERVERS: Cr C A Campbell JP
Cr L Sargeson
Cr M Silver

IN ATTENDANCE: Mr A F Maxwell Executive Director Corporate Services
Mrs F Baxter Executive Manager Corporate Services

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.

“For details of Councillor Membership on this Committee, please refer to the City’s website – www.armadale.wa.gov.au/your_council/councillors.”

DECLARATION OF MEMBERS' INTERESTS

Nil

DEPUTATIONS

Nil

CONFIRMATION OF MINUTES

RECOMMEND

Minutes of the City Audit Committee Meeting held on 20 February 2017 be confirmed.

Moved Cr H A Zelones

MOTION CARRIED

(2/0)

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CITY AUDIT COMMITTEE

2 OCTOBER 2017

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1.1 - AUDITOR'S INTERIM AUDIT REPORT - 2016/17 FINANCIAL YEAR

WARD : ALL
FILE No. : M/591/17
DATE : 19 September 2017
REF : FB
RESPONSIBLE : Executive Director
MANAGER : Corporate Services

In Brief:

- This Report presents matters raised in the Auditor's Interim Audit Report for Council's attention together with responses from Management to those matters;
- The Report Recommendation is to note the Auditor's comments and support the responses to those comments by Management.

Tabled Items

Nil

Officer Interest Declaration

Nil

Strategic Implications

4. Leadership
 - 4.1 Visionary Civic Leadership and Sound Governance
 - 4.1.2 Make decisions that are sound, transparent and strategic.

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

Council Policy/Local Law Implications

Nil

Budget/Financial Implications

Nil

Consultation

City's Auditor

BACKGROUND

Each year as part of the City's audit program, an Interim Audit is undertaken by the City's Auditor to identify areas of improvement associated with the City's internal controls, systems and procedures. The comments received from the Auditor are then assessed by Management and action is taken as required. The findings of the Interim Audit together with responses from Management are presented in this Report for Committee's consideration and recommendation to Council.

DETAILS OF PROPOSAL

As part of Council's committee structure, the City Audit Committee has been established to review and address audit matters arising. The Interim Audit Report is summarised in this Report. It is to be noted that the Interim Audit is primarily concerned with a review of internal controls/practices/procedures and Management's compliance with those controls. The findings of the Interim Audit help inform the Auditor in his Independent Audit Report to Ratepayers. The Interim Audit reports on an exception basis those matters that the Auditor believes Council should be aware of and/or requiring action by Management.

The Auditor's Interim Audit Report is prefaced with the following comments:

"Our interim audit covered a review of the accounting and internal control procedures in operation, as well as testing of transactions, in the following areas:

- *Bank Reconciliations and Petty Cash Management*
- *Bank Reconciliations*
- *Investment of Surplus Funds*
- *Purchases Payments and Creditors*
- *Rate Receipts and Rate Debtors*
- *Receipts and Sundry Debtors*
- *Payroll*
- *Stores and Depot*
- *General Accounting (Journals, etc.)*
- *IT Controls*
- *Registers (Tenders Register, etc)*
- *Compliance*
- *Review of Council Minutes*

Our review also covered an examination of some compliance matters, which are required under the Local Government Act 1995 (as amended) and Financial Management Regulations 1996.

Please note that our examination of internal controls was carried out for audit purposes designed primarily for the purpose of expressing an opinion on the financial statements of the City of Armadale.

Because of the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

It should be appreciated that the matters noted came to our attention during the course of our normal audit examination and as a result do not necessarily include all those matters which a more extensive or special examination might identify.

Accordingly, our comments in this management letter are not intended to cover all aspects of the Council's internal controls and accounting systems and are limited to those matters that arose from our normal audit procedures."

COMMENT

Matters raised by the Auditor together with Management's responses to those matters are as follows:

1. Auditor's Comment - Purchases And Payments

Generally the controls surrounding purchases, creditors and payments are appropriate to meet the City's requirements.

However, the following matters were noted as requiring attention:

- (i) Our review of the outstanding purchase orders file revealed that some purchase orders were outstanding since May 2014. Some of these outstanding purchase orders may have been completed and may require cancellation.

We request that management review the outstanding purchase orders periodically and purge unwanted and fulfilled purchase orders from the file. This will ensure that only valid outstanding purchase orders are on file.

Management Response:

The Auditor's comments are acknowledged. Management continues to monitor and purge old purchase orders annually as part of the end of year process. The financial system also generates monthly reminders to the requisitioner on a weekly basis 30 days after the expected delivery date of the purchase order.

Some of the outstanding purchase orders noted involve projects that span past 12 months or are annual purchase orders raised for the new financial year which are then purged annually.

- (ii) We noted six (6) instances (18 samples tested) where the purchase orders did not contain the price for the purchase of goods and services.

As auditors, we are concerned about the legal liability to the City should any dispute arise over a supply of goods/services.

We recommend that purchase orders with all the details should be forwarded to the suppliers to confirm the contractual obligation between the City and suppliers to supply goods/services at the agreed quantity, quoted price, etc. and to avoid future disputes due to misunderstanding of supply details.

Management Response:

The Auditor's comments are acknowledged. There are already appropriate controls in place to ensure that suppliers do not invoice the City for more than the agreed price from either a quote or tender received. It is the responsibility of the requisitioner to raise the purchase order ensuring that the appropriate price or schedule of rates used. It is then the responsibility of the purchaser and invoice approver to ensure that the goods/services are delivered and that the price being charged by the supplier is accurate. The financial system also prevents the person from approving the invoice if the final price is greater than the purchase order amount by 10% or \$500 whichever is greater. In this case the person's supervisor or manager will have to approve the variance.

There will continue to be instances where purchase orders are submitted to the supplier without the price, as there will be cases where we would not want the supplier to know what the maximum amount the City would be willing to pay for a particular good or service.

2. Auditor's Comment - Creditors

We reviewed the Creditors "Trial Balance By Category" as at 29 March 2017 and noted that there were long outstanding invoices. Upon enquiry, we were informed that the reason for such long outstanding invoices was the late receipt of such invoices.

The period outstanding as shown in the trial balance is based on the date of invoice and not on the date captured by the system. Consequently, invoices captured by the finance department long after the invoice date fall into the 90 to 120 days categories.

This weakness in the internal control results in undue delays in the settlement of creditors which could lead to unhealthy relationships with the suppliers and also unrecorded liabilities at year end.

We recommend that management put in place procedures to ensure that all supplier invoices are sent to the finance department by the operational staff without delay, in order to avoid problems associated with such delays.

Management Response:

The Auditor's comments are acknowledged. The City has processes and controls in place to ensure that invoices are paid in a timely manner. All approved invoices are paid within 30 days and statements are reconciled by Accounts Payable staff on a monthly basis. The financial system also generates reminder emails to the respective officers weekly to remind them of unapproved invoices that are still awaiting their approval. Accounts Payable will continue to work with officers to ensure that invoices are received, processed and approved for payment in a timely manner.

3. Auditor's Comment - Corporate Credit Cards

As part of the audit, we examined the policy and procedures in place for the management and use of corporate credit cards in the Council. The objective of the audit in this area was to check the controls over the authorisation and payment of expenditure.

During our testing of credit card transactions, we observed 9 instances (10 credit card statements tested) where the credit card expenditure was incurred and approved by the same cardholders. There was no independent review of the credit card statements and related expenditure documentation.

Cardholders should not approve expenditure incurred on their own credit cards. To maintain internal control over credit card expenditure, we recommend that the credit card statements and related expenditure documentation be reviewed and approved by a senior officer independent to the cardholder.

Cr R Butterfield joined the meeting at 5.34pm.

Management Response:

The Auditor's comments are noted. The City's use of four Corporate Credit Cards remains very low and is still an exception based payment method only when the purchase order/invoice payment and/or cheque request procurement practices are not available, as documented in Council Policy (Fin 5 – Use of Corporate Credit Cards). The combined limits of these four corporate credit cards amount to only \$16,000 and only three of these cards are used on a regular basis. As such the risk has been assessed by Management as being 'Low'.

The City already has a mechanism in place whereby all transactions incurred on a Corporate Credit Card are reviewed by a Finance Officer, as per its Management Practice (FIN 5 – Use of Corporate Credit Cards):

Cardholders are responsible for the purchases made on their corporate credit card and must sign the statement received at the end of each month certifying they have checked that all transactions listed match their purchases for that month. Since 27 February 2017 when the credit card policy/practice was first introduced, cardholders are to obtain in all instances a compliant tax invoice or receipt which records an adequate description of the goods or services obtained and shall write on the statement or the supporting documents for each transaction, the applicable expense account budget number for cost allocation purposes.

In accordance with policy/practice FIN/5

- i. All corporate credit card statements from the City's financial institution are mailed directly to the Finance Department for distribution to cardholders.*
- ii. Corporate credit card statements (including supporting documentation of the goods or services acquired) when signed by the cardholder as being true and correct, are to be returned to the Finance Department.*
- iii. The Finance Department then:*
 - Reconciles the corporate credit card statements to the total monthly payment made to the City's financial institution.*
 - Reviews the transactions and supporting documents on each corporate credit card statement, and report any irregularities or discrepancies to the MFS.*
 - Files all corporate credit card statements and supporting documentation.*

4. Auditor's Comment - Sundry Debtors

As part of our audit, we examined the policies and procedures in relation to debtors invoicing, receipting, banking and debt collection. The debtors system including raising of invoices was reviewed with limited testing in respect of allocation/posting.

The following matter was noted during our audit and is brought to your attention:

During our testing of debtor invoices (8 samples tested), we noted 5 instances where the 'Tax Invoice Request Form' was forwarded to the finance department by its preparer for processing and raising the debtor invoice on the system without it being reviewed and authorised by a senior officer of the department.

We recommend that invoice request forms be always authorised by the relevant senior officer (Manager or Director, etc.) of the department concerned prior to sending them over to the

finance department for processing. This procedure will ensure the authenticity and the accuracy of the information contained in the invoice request forms.

Management Response:

Management agrees with the recommendation made. The 'Tax Invoice Request Form' has now been amended to include a section for the requesting officer's supervisor/manager to approve the invoice request, prior to sending it to Finance.

5. Auditor's Comment - Receipting

As part of our review of the City's receipting function at the Council Administration Office, we noted that:

- the "Receipt Listing After Closing" report produced from the system is reconciled to the daily takings (cash, EFTPOS, credit cards, etc.) at the end of the day by the customer service officer; and
- the report lists any cancelled receipts processed during the day by the customer service officer.

However, there was no evidence that this reconciliation report was reviewed by an independent senior officer. The absence of such review provides opportunities to the preparer to conceal cash discrepancies and misappropriations.

We recommend that the "Receipt Listing After Closing" report be signed and dated by the preparer and reviewed and initialled by a senior officer independent of the receipting function to indicate that the receipt reconciliations are correct and to provide evidence that the review has been carried out.

This matter was raised in our previous audit management letter dated 15 June 2016. The management response then provided was as follows:

"The Auditor's recommendations have been implemented."

Management Response:

Management agrees with the recommendation made. There was an oversight and miscommunication between Customer Service and Finance, when getting this recommendation implemented in 2016. This has now been successfully implemented and confirmed by the Manager Financial Services.

6. Auditor's Comment - Payroll

Our audit examined the City's payroll system which consists of controls assessment around the following areas:

- Reviewing the policies and procedures at the City in relation to the Payroll system
- Staff additions and terminations
- Changes to employees pay, including variations to pay

- Authorisation and monitoring of leave taken by employees
- Processing of payroll
- Segregation of duties

The following matter was noted and brought to your attention:

We obtained an Employee “Annual Leave Balances Report” as at 23 March 2017 and noted that the report contained 26 staff with outstanding annual leave entitlements (inclusive of pro-rata accruals) in excess of 3 years. i.e. from 12 weeks to a maximum of 23 weeks.

Section 17.5.1 of the City of Armadale Enterprise Agreement 2013 stipulates that annual leave shall be given and taken in such period or periods and at such a time or at such times mutually convenient to the employer and the employee and, except as hereinafter provided, within six months of the date upon which the leave accrued due. Section 17.5.2 of the City of Armadale Enterprise Agreement 2013 stipulates that in special circumstances, and with the consent of the employer, an employee may defer the taking of any accrued annual leave, or any part thereof not taken, for a period not exceeding three years after the date when the leave accrued is due.

Excess annual leave entitlements may have adverse effects on the City including:

- key staff not being rotated, a preventive control against fraud;
- health and safety concerns with staff members not taking their annual entitlements; and
- increase the City’s costs given salary rises and increments over time.

As the maximum allowable period of three years under the City of Armadale Enterprise Agreement 2013 has been exceeded, we recommend that management implement processes for identifying and monitoring staff that have accrued excess annual leave balances and take appropriate action.

This matter was also reported in our previous management letter dated 15 June 2016.

Management Response:

The Auditor’s comments are acknowledged. Management is aware of the risks associated with excess leave accumulation.

As per The City’s leave management procedure, annual leave may under the following circumstances be deferred for a maximum of three years:

- impending retirement,
- future holiday commitment (for example an overseas trip),
- long term personal commitments (for example, building a house, taking care of a sick family member), or
- special circumstances, which will be considered on a case by case basis.

Currently we are also working through the list to reduce the number of people with excess leave.

7. Auditor's Comment - Stores/Depot

During our review of the City's Depot Procedures Manual, we noted that the City does not have documented procedures over its stock take activities within the depot. As a result, there is a reliance on staff knowledge and experience in order to ensure the function operates effectively.

The absence of adequate documentation of stock take procedures increases the risk that key controls will not operate effectively.

We recommend that management consider documenting stock take procedures that detail how a stock take should be conducted, the frequency they are to be performed and the treatment of identified variances. We also recommend that these procedures be communicated to responsible officers in order to provide clarity in terms of management expectations on stock take procedures.

Management Response:

The Auditor's comments are acknowledged. The City undertakes a major stocktake of its inventory items at the Depot at the end of every financial year, which is an essential part of the end of year procedures that is also checked by the external auditors. The stocktake is conducted by the Senior Administration Officer from the Depot and entered into the financial system by the Manager Financial Services. The Senior Administration Officer then reviews the discrepancy report and makes the appropriate adjustments in conjunction with the relevant works that have been undertaken. Whilst the documentation of these procedures would be ideal, given the low value of inventory that the City holds when compared to the overall balance sheet, Management will take this recommendation on notice.

CONCLUSION

The Auditor's Interim Audit Report is considered to reflect favourably on the City's internal controls/practices/procedures and Management's compliance with those controls.

ATTACHMENTS

There are no attachments for this report.

RECOMMEND

CA4/10/17

That Council:

- 1. Notes the matters raised by the Auditor in his Interim Audit Report for the 2016/17 financial year, and supports the Management responses to those matters, as presented in this Report; and**
- 2. Prior to the next Interim Audit, invite the Auditor to meet with the City Audit Committee to discuss the proposed scope of the next interim audit.**

**Moved Cr H A Zelones
MOTION CARRIED**

(3/0)

1.2 - INDEPENDENT REVIEW OF FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES

WARD : ALL
FILE No. : M/593/17
DATE : 19 September 2017
REF : FB
RESPONSIBLE : Executive Director
MANAGER : Corporate Services

In Brief:

- This Report presents an independent review and assessment of the appropriateness and effectiveness of the City's financial management systems and procedures;
- The independent review and assessment overall finding is that the City has established and maintained in all material respects, appropriate and effective financial management systems and procedures;
- The Report recommends that Council:
 1. Receive the independent Consultant's report, and
 2. Note the Consultant's comments for improvements and support Management responses to those comments.

Tabled Items

Nil

Officer Interest Declaration

Nil

Strategic Implications

4. Leadership
- 4.1 Visionary Civic Leadership and Sound Governance
- 4.1.2 Make decisions that are sound, transparent and strategic.

Legislation Implications

Local Government (Financial Management) Regulations 1996

Division 5 CEO's duties as to financial management

Section (2) The CEO is to —

- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.

Council Policy/Local Law Implications

ADM 19 – Procurement of goods & services

FIN 4 – Investments

FIN 5 – Corporate credit cards

Budget/Financial Implications

The budgeted cost of the Consultant's Financial Management Review and Assessment is \$17,500 (ex GST)

Consultation

Independent Consultant – Moore Stephens Pty Ltd

BACKGROUND

As noted earlier under the report heading legislation implications, the CEO is to 'undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.'

To facilitate this review process, the City developed a Request for Proposal and lodged it with (3) suppliers on WALGA's list of preferred suppliers, i.e. Grant Thornton Australia Ltd, Deloitte Australia and Moore Stephens Pty Ltd, all of whom have considerable experience, knowledge and skills in the local government accounting and auditing sector.

Moore Stephens Pty Ltd was then engaged on 25 January 2017.

DETAILS OF PROPOSAL

Presented as a confidential Attachment is the Consultant's Financial Management Review Report to the CEO.

The Report contains (4) major parts, namely:

1. Report to the CEO;
2. Objective, scope and overview of findings;
3. Summary of Findings, and
4. Details of systems/procedures examined with detailed observations and comments.

The Report examined (24) financial management systems and procedures, namely:

1. *Purchases, Payments and Payables (Including Purchase Orders)*
2. *General System Practices and Authorisations*
3. *Petty Cash Management*
4. *Receipts/Receivables*
5. *Payroll*
6. *Rates*
7. *Bank Reconciliations*
8. *Trust Fund*
9. *Fees and Charges*
10. *Cost Management and Controls*
11. *Administration and Overhead Allocations*
12. *Minutes and Meetings*
13. *Financial Reports*
14. *Budget*
15. *Long Term Financial Plan*
16. *Bank Guarantees*
17. *General Journals*
18. *Fixed Assets (including acquisitions & disposals, depreciation and valuations)*
19. *Delegations*
20. *Registers (including Annual and Primary returns)*

21. *Audit Committee*
22. *Insurance*
23. *Storage of Documents/Record Keeping*
24. *Credit Card Procedures*

The Report:

- a) examined systems and procedures during the period 1 July 2016 to 28 February 2017, and
- b) concluded *“based on the work described in this Report (which is not an audit) nothing has come to our attention to indicate the City of Armadale has not established and maintained in all material respects, appropriate and effective financial management systems and procedures.”*

All (24) financial management systems and procedures examined in detail were found to be appropriate, effective and properly maintained.

The Consultant’s Report offers comment for improvement on (8) aspects and those comments together with a rating assessment (i.e. minor, moderate, significant) and a Management Response, are presented for Council’s information/review in the following section of this Report. The majority of the improvement comments attract a ‘moderate’ rating assessment meaning *“issue represents a weakness which may become more serious if not addressed – requires management action within a reasonable period of time”*.

COMMENT

The Consultant’s comments for improvement together with their rating assessment (ie. minor, moderate, significant) and a Management Response, are as follows (NB: for reasons of security and safety, several of the following comments from the Consultant and the Management responses have been abridged to that shown in the confidential Report) :

1 Consultant’s Assessment - Receipts and Receivables

a) Administration Centre

Overall testing was completed satisfactorily. Most controls and procedures are considered to be operating effectively and are appropriate for the City’s current scope of operations with the following exceptions:

- No evidence of independent review on daily takings summary sheets

Rating Assessment: Moderate

Management Response:

Management agrees with the comments made. Customer Service (who also performs receipting) has now revised their end of day procedure whereby an electronic cash counting machine will be used to generate a print out of the daily cash count. This will then be independently verified by the Coordinator Customer Service or the Senior Customer Services Officer on the end of day receipt report.

(b) Aquatic Centre and Landfill Site

In addition to the detailed testing of documentation described above, separate onsite visits were conducted at both the Aquatic Centre and the Landfill Site to examine and evaluate

current cash handover and end of day procedures. Interviews and tours of both premises were conducted with relevant staff.

Overall testing was completed satisfactorily. Most controls and procedures are considered to be operating effectively and are appropriate for the City's current scope of operation with the following exceptions:

- No review of sequence of receipts by an independent person for the Aquatic Centre.
- Cancellation reports are not attached to the daily banking reconciliation reports at the landfill site.

Rating Assessment: Moderate

Management Response:

Management agrees with the comments made. Customer Service at the Administration Centre now verifies the end of day banking reconciliation reports from the Landfill site, Aquatic and Recreation Centre for unaccounted gaps in receipting and ensures that all cancelled receipts are supported by documentation and appropriately authorised.

2. Consultant's Assessment – Fees and Charges

Fees and Charges imposed at the time of budget adoption were found to be in accordance with legislative requirements.

Overall testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for the City's current scope of operations except for the following matter:

- Invoices are not independently checked with the adopted fees and charges.

Rating Assessment: Moderate

Management Response:

Management agrees with the recommendation made. The 'Tax Invoice Request Form' will be amended to include a section for the requesting officer's supervisor/manager to approve the invoice request, ensuring that the appropriate fee/charge has been levied as per the current budget.

The Finance team as part of the Budget process will be seeking confirmation from the respective Managers to ensure that the appropriate fees and charges have been updated in their point of sales system where necessary.

3. Consultant's Assessment – Purchases, Payments and Payables

In general, controls and procedures over purchases, payments and payables appear to be operating effectively and are appropriate for the City's current scope of operations except for the following matter:

- No written procedures relating to changes to banking details.

Rating Assessment: Significant

Management Response:

Management agrees with the comments made and implemented an internal Finance Guideline/Procedure on the 24 March 2017.

4. Consultant's Assessment - Payroll

The system described to us and its supporting controls were found to be operating effectively, except for the following area which was assessed as having opportunity for improvement:

- Changes to employees' bank details actioned by email.

Rating Assessment: Moderate

Management Response:

This advice has been noted however an organisational assessment of our process has determined the risk to the City as low (Rare Likelihood and Low Consequence). If the banking details were changed inappropriately or incorrectly there would be immediate feedback and corrective steps taken.

5. Consultant's Assessment – Credit Card Procedures

Overall testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for the City's current scope of operations with the following exceptions noted:

- No credit card agreement between credit cardholders and the City.
- Credit card statements are not certified by card holder.
- Items on credit card statements not always supported by tax invoices.

Rating Assessment: Moderate

Management Response:

Management agrees and have now obtained signed 'Corporate Credit Card - Cardholders Agreement to Conditions of Use' from all cardholders. Council Policy and Management Practice (Fin 5 - Use of Corporate Credit Cards) was developed and approved by Council on the 27 February 2017. The cardholder agreement was also developed during this time and was in the process of being signed by all the cardholders during this review.

Management will be reinforcing the requirements set out in Policy and Management Practice (Fin 5 - Use of Corporate Credit Cards), requiring cardholders to sign their monthly credit card statements and ensure that it is supported by a compliant tax invoice or receipt.

6. Consultant's Assessment – Administration and Overhead Allocations

The City's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed.

Our review noted the system is being maintained properly except for the following matters:

- No documentation in relation to the basis of determination for internal plant charge out rates in Civica.
- No evidence of review of internal plant charge out rates in Civica.

Rating Assessment: Moderate

Management Response:

Management agrees with the comments made. Asset Management is currently undertaking a review of the internal plant charge out rates in conjunction with Finance, Civil Works and Parks. It is anticipated that the revised rates will be uploaded into the system for the 2017/18 financial year.

7. Consultant's Assessment – Financial reports

The following reports were reviewed for compliance with legislative requirements:

- Annual Report;
- Annual Financial Report; and
- Monthly Financial Reports.

All were found to be of a satisfactory standard and in compliance with legislative requirements except for the following matter:

- Annual Financial Report for 2015/2016 was not submitted to the Department within 30 days of receipt of Audit Report.

Rating Assessment: Minor

Management Response:

Management agrees with the comments made and calendar reminders are now in place with several key officers to address this oversight in the future. In this instance the Annual Financial Report for the 2015/16 financial year was submitted to the Department of Local Government and Communities 6 days past the 30 days requirement.

8. Consultant's Assessment - Investments

Internal control procedures and restrictions over investments are properly maintained and complied with the Local Government (Financial Management) Regulation 19C with the following exception:

Whilst we noted no investments which would breach the restrictions imposed by Local Government (Financial Management) Regulation 19C on the investment of money, we noted the following in Council's Management Practice – FIN 4 – Investments document which could lead to breaches of Regulation 19C:

- Investment policy does not include all restrictions as per Financial Management Regulation 19C.

Rating Assessment: Moderate

Management Response:

Management agrees with the comments made and have made amendments to Council's Management Practice (FIN 4) to appropriately reflect the restrictions imposed by the Local Government (Financial Management) Regulation 19C over authorised investments.

CONCLUSION

The Consultant's Financial Management Review Report/Assessment is a good outcome providing Council and the community with confidence that the City's financial management systems and procedures are not only appropriate and effective, but are being properly maintained.

ATTACHMENTS

1. Financial Management Review Report - FINAL - *This matter is considered to be confidential under Section 5.23(2) (e iii) of the Local Government Act, as it deals with the matter, if disclosed, would reveal information about the business, professional, commercial or financial affairs of a person*

RECOMMEND

CA5/10/17

That Council:

- 1. receives the Consultant's Financial Management Review Report presented as a confidential attachment; and**
- 2. notes the Consultant's comments for improvement and supports Management's responses to those comments.**

**Moved Cr H A Zelones
MOTION CARRIED**

(3/0)

COUNCILLORS' ITEMS

Nil

MEETING DECLARED CLOSED AT 6.12 PM