

9. COMMITTEE REPORTS 9.1 - 9.7

AUDIT COMMITTEE (17 SEPTEMBER 2020)

9.1 REVIEW OF THE AUDITOR'S REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Report Information

Reporting Officer: Chief Executive Officer

COMMITTEE RECOMMENDATION

Moved Cr Timmermanis, Seconded Cr Lagan.

That the Audit Committee recommends that Council:

- 1. RECEIVES the Auditor's Report for the financial year ended 30 June 2020.**
- 2. In relation to Item 2 - Presentation of Financial Activity Statement of the Audit Report APPROVE the Audit Committee meeting on a bi-monthly basis, on alternative months to Council meetings, to consider Statements of Financial Activity; and that the monthly Statements of Financial Activity be circulated to Council members on a monthly basis.**
- 3. NOTES that the Council's Auditor (Butler Settineri) met with the Audit Committee at its meeting of 17 September 2020 to discharge the statutory obligation to meet with the Local Government at least once per annum.**

The Motion was put and declared CARRIED (5/0).

TPRC Recommendation to the Audit Committee

That the Audit Committee recommends that Council:

1. RECEIVES the Auditor's Report for the financial year ended 30 June 2020.
2. In relation to Item 2 - Presentation of Financial Activity Statement of the Audit Report APPROVE the Audit Committee meeting on a bi-monthly basis, on alternative months to Council meetings, to consider Statements of Financial Activity; and that the monthly Statements of Financial Activity be circulated to Council members on a monthly basis.
3. NOTES that the Council's Auditor (Butler Settineri) met with the Audit Committee at its meeting of 17 September 2020 to discharge the statutory obligation to meet with the Local Government at least once per annum.

Voting Requirements

Simple Majority

Report Purpose

To facilitate review of the Auditor's Report as required by Regulation.

Relevant Documents

Appendix: Audit Report for Financial Year ended 30 June 2020

Previous Minutes

- Council Meeting – 17 October 2019 (Item 9.10: Review of the Auditor's Report for the Financial Year Ended 30 June 2019)
- Council Meeting – 18 October 2018 (Item 9.7: Review of the Auditor's Report for the Financial Year Ended 30 June 2018)

Policy Reference

TPRC Audit Charter 6(f) and (h)

Local Government Act/Regulation

- *Local Government Act Section 7.9(3)* – Auditor is to provide a copy of the audit report within 30 days of completion to the Chair, the CEO and the Minister.
- *Local Government Act Section 7.12(3)* – Local Government required to take action on matters raised in Audit Report.
- *Local Government (Audit) Regulations 10.4* – Auditor may prepare a Management Report in addition to the Audit Report and copy to Chair, the CEO and the Minister.

Background

The *Local Government (Audit) Regulations* require the Council's appointed Auditor to prepare an Auditor's Report.

The report is to give the Auditor's opinion of:

- (a) The financial position of the local government;
- (b) The results of the operations of the local government.

Comment

The Council's appointed Auditor (Butler Settineri) has completed its assessment for the financial year ending 30 June 2020. There are no adverse comments raised by the external Auditor in its report.

However, the Auditor has raised six Items to be noted by Council.

1. CEO's review of systems and procedures

The Local Government (Audit) Regulations 1996 paragraph 17 requires the CEO to undertake a review of the appropriateness and effectiveness of a local government's system and procedures in relation to risk management, internal control and legislative compliance, no less than every three financial years. We note that the last review was not carried out in the last 3 years.

Significance of finding: Significant

Management comment:

Recommendation supported.

The Regulation 17 review has been initiated and is expected to be completed and reported to Council in February 2021.

2. Presentation of Financial Activity Statement to Council

Local Government (Financial Management) Regulations 1996 Regulation 34(4) requires the monthly Statement of Financial Activity and the accompanying documents to be presented at an ordinary meeting of Council within two months after the end of the month to which the statement relates. We note that the Council has not complied with this requirement.

Significance of finding: Significant

Management's Comments

Recommendation noted.

The non-compliance with the requirements of Regulation 34(4) of *Local Government (Financial Management) Regulations 1996* is a direct result of the Tamala Park Regional Council meeting on a bi-monthly basis, which does not allow sufficient time for the monthly statement of financial activity to be prepared and presented to Council within the 2-month period specified. This results in 6 of the 12 monthly Statements of Financial Activity not meeting the required timeframe.

It is noted that the monthly Statements of Financial Activity are prepared by the TPRC and by Moore Australia (TPRC accountants) and available for Council's consideration within the prescribed timeframe.

It is recommended that Council approve the Audit Committee meeting on a bi-monthly basis, on alternative months to Council meetings, to consider Statements of Financial Activity. It is further recommended that the monthly Statements of Financial Activity be circulated to Council members on a monthly basis. Whilst implementation of these recommendations will not result in strict compliance with the requirements under Regulation 34 (4), from an oversight and a risk management perspective it will minimize risks arising from the delay in Council's consideration of the monthly Statements of Financial Activity.

3. Financial Ratios

Under note 25 of the financial report we note that the operating surplus ratio and asset sustainability ratio does not meet the benchmark as set out by the Department of Local Government, Sports and Cultural Industries.

Significance of finding: Moderate

Management's Comments

Recommendation noted.

It is acknowledged that the Asset Sustainability Ratio is below the DLGSC's standard.

The TPRC has a small asset base and therefore is subject to more pronounced variations in annual asset renewal expenditure. In the case of the TPRC this has resulted in fluctuations between years as assets of the TPRC are renewed.

The financial ratios need to be considered within the overall context of the financial report. The management of the TPRC operational assets is regularly considered by Moore Australia and considered to be appropriate.

It is noted that the expenditure and management of TPRC assets is consistent with the Council approved Asset Management Plan 2019, approved by Council in February 2020.

4. Supplier Masterfile Amendments

We noted that the validation of the amendments and/or new suppliers' records is not documented therefore the evidence of such validation could not be confirmed.

We also acknowledge that our testing to validate suppliers' information in the system did not identify any discrepancies.

Significance of finding: Moderate

Management's Comments:

Recommendation supported.

Procedure was put in place in December 2019 requiring CEO approval for changes to supplier information and changes to the supplier master file, including independent review of audit trails by the Chief Executive Officer.

5. Journal Entries not independently approved

We noted that journal entries were processed in the accounting system by the Executive Assistant during the financial year. Journals relating to interest accrued and member council's sales and development costs are reviewed by a person independent of preparation, however other journals are not independently reviewed.

Significance of finding: Moderate

Management's Comments

Recommendation supported.

Procedure has been put in place requiring CEO approval and acknowledgement of monthly journals.

6. Related Party Declarations

Six Councillors did not submit their related party declarations.

Significance of finding: Moderate

Management's Comments

Recommendation supported.

Councillors are advised, and provided reminders, of the requirement to submit Related Party Declarations.

There is a statutory obligation for the Council's appointed Auditor to meet with the Local Government at least once per annum. The Auditor (Mr Marius van der Merwe) was in attendance at the Audit Committee meeting of 17 September 2020 to discharge this obligation.