



murchisonshire

Ancient land under brilliant skies

Agenda for the Meeting of the

Murchison Shire Council Audit Committee

To be held in the Council Chambers, Carnarvon Mullewa Road, Murchison,
on Thursday **27 June 2024**, commencing at 11:15am

Purpose To receive and consider a report on the Office of The Auditor General's Performance Audit on Local Government Management of Purchasing Cards and Murchison Shire's Review and response.

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ATTACHMENTS

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

2 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

Councillors

Cr R Foulkes-Taylor – President

Cr A Whitmarsh

Cr Q Fowler

Staff

Bill Boehm – CEO

Travis Bate - Financial Accountant RSM

Lisa Keen – Executive Manager DCEO

3 CONFIRMATION OF MINUTES

3.1 Audit Committee Meeting – 22 February 2024

Background

Minutes of the Audit Committee Meeting of Council have previously been circulated to all Audit Committee Members.

Recommendation

That the minutes of the Audit Committee meeting held on 22 February 2024 be confirmed as an accurate record of proceedings

Voting Requirements

Simple Majority

Committee Decision		
Moved: Cr	Seconded: Cr	
Carried/Lost	For	Against

4 ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION

5 REPORTS

5.1 Auditor General's Performance Audit on Local Government Management of Purchasing Cards

File:	2.16
Author:	Bill Boehm – Chief Executive Officer
Interest Declared:	No interest to disclose
Date	19 June 2022
Attachments:	5.1.1 Report on the OAG's General's Performance Audit on Local Government Management of Purchasing Cards 5.1.2 OAG Final Emerging Findings Management of Purchasing Cards

Matter for Consideration

The Office of The Auditor General's Performance Audit on Local Government Management of Purchasing Cards (OAG Report) and Murchison Shire's Review and response and report to Council.

Background

The Office of the Auditor General initiated a Performance Audit on selected local government entities (City of Albany, City of Kalgoorlie-Boulder and Shire of Murchison) relating to their operational practices relating to the management, use and cancellation of purchasing cards. This followed on from the OAG's audit of local government entities' use of credit cards in 2018 which amongst other things found generally satisfactory controls but noted shortcomings of varying significance in policies and procedures.

The OAG's more comprehensive review of purchasing cards, audit looked beyond the use of credit cards and included other cards such as store cards. In reviewing each entity's controls, they indicated that they did not apply a 'one size fits all' approach as the diversity of the sector means some very small entities, with few cardholders, may not need the same controls as larger entities with more cardholders.

Summary Report

As indicated in the attached report the OAG found poor management of some important controls but did not find clear evidence that cardholders misused public money, in part because the entities did not have policy guidance to underpin allowable and reasonable use.

The OAG report which was tabled in State Parliament is aimed to encourage the sector to use their better practice guidance to help mitigate the risks associated with the use of purchasing cards and for creating an effective control environment and to encourage all local government entities to assess their own policies and management of purchasing cards against the focus areas of this audit.

Comment

Staff of the OAG worked cooperatively with Shire Staff who were given every opportunity to provide additional information and clarification in a collegiate manner.

As indicated in the Shire's summary response to the report *"The audit review of credit card use and overall recommendations for administrative improvements is welcome and as indicated in the Murchison Shire's responses will be actioned as a matter of course.*

In this regard a copy of the OAG's Final Emerging Findings Management of Purchasing Cards Letter is attached which includes findings, recommendations and comments relating to specific issues not necessarily detailed in the final report. This more or less outlines improvement actions that are to be implemented.

In relation to Murchison, in my view the OAG Report does not necessarily address the context of our situation which is addressed in the summary response to the report as follows.

In context the Shire is very small and has only one credit card which has historically been assigned to the Chief Executive Officer when he or she commences employment. Whilst there has been no documentation on the actual purpose and operational use, the card has always been predominately used as a corporate card, which the CEO is responsible for, rather than for the CEO's work-related use. This form of usage is essential operationally as from time to time some organisations will only accept credit card payments rather than through the formal purchasing order / account payable system.

Whilst on the surface allowing others to use the credit card increases the risk of unauthorised or fraudulent transactions, the smallness of the organisation with only three in the administrative area other than the CEO, and normal checks and posting of transactions means that there is minimal risk of this actually occurring. Future improved documented policy and procedures will assist in demonstrating this situation.

Council's current policy and operational practices also requires credit card transactions to be authorised by the Chief Executive Officer as card holder and checked by an independent Financial Accountant. Details of credit card transactions are included in the list of payments presented to Council for each Council Meeting and as required included the resolution whereby Council have accepted the payment listing. Councillors are well experienced and familiar with the operations of the Shire, which by and large are relatively straight forward, and regularly ask questions and seek clarification.

Effectively three people use the credit card for Shire related purchases with separate oversight by the external Finance Officer and Council. Improvements will not change this situation.

Improvement Actions

As indicated in the main notwithstanding that any issue issues of fraudulent or corrupt use have been found given the current oversight mechanisms a more specific detailed credit card policy and operational guidelines which are in the process of being developed by staff as part of the CEO's responsibilities. Even though there is only one card applicable the following aspects will be addressed notwithstanding that they have historically operated in practice but not necessarily been documented.

- ~ Ensures efficient and effective procurement and payment operations.
- ~ Minimises the risk of misuse, fraudulent or corrupt use.
- ~ Defines allowable and prohibited uses.
- ~ Defines management and oversight obligations.
- ~ Defines Cardholder duty of care and responsible use obligations

Review of several policies including 3.1 Staff Matters and 4.1 Financial Operations may also be required by Council.

Statutory Environment

Local Government Act 1995

5.41. Functions of CEO

The CEO's functions are to —

- (c) cause council decisions to be implemented; and
- (d) manage the day-to-day operations of the local government; and
- (h) ensure that records and documents of the local government are properly kept for the purposes of this Act and any other written law; and

Local Government (Financial Management) Regulations 1996

5. CEO's duties as to financial management

(1) Efficient systems and procedures are to be established by the CEO of a local government —

- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and

- (d) to ensure proper accounting for municipal or trust —
 - (i) revenue received or receivable; and
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities; and
- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;

Strategic Implications

Nil

Policy Implications

Review of several policies including 3.1 Staff Matters and 4.1 Financial Operations is required as well as a more specific detailed credit card policy and operational guidelines which are developed by the CEO.

Financial Implications

Nil

Recommendation

That the Audit Committee notes the Chief Executive Officers Report on the Auditor General’s Performance Audit on Local Government Management of Purchasing Cards and the actions proposed to be undertaken in response and reports to these findings to the June 2024 Ordinary Council Meeting

Voting Requirements

Simple Majority

Committee Decision		
Moved: Cr	Seconded: Cr	
Carried/Lost	For	Against

5.2 Policy Updates Relating to Management of Purchasing Cards

File:	2.16
Author:	Bill Boehm – Chief Executive Officer
Interest Declared:	No interest to disclose
Date	19 June 2022
Attachments:	5.2.1 Policy 3.1 Staff Matters Draft Update 5.2.2 Policy 4.1 Finance Operations Draft Update

Matter for Consideration

Council policy actions following the review of The Office of The Auditor General's Performance Audit on Local Government Management of Purchasing Cards (OAG Report) and Murchison Shire's Review and response and report to Council.

Background

Following a review of the OAG Report in relation Murchison Shire, various policy updates are considered necessary.

As indicated in the main notwithstanding that any issue issues of fraudulent or corrupt use have been found given the current oversight mechanisms a more specific detailed credit card policy and operational guidelines which are in the process of being developed by staff as part of the CEO's responsibilities. Even though there is only one card applicable the following aspects will be addressed notwithstanding that they have historically operated in practice but not necessarily been documented.

Update

A review of Polices 3.1 Staff Matters and 4.1 Financial Operations is required as per the attached drafts. In the main they refer to specific operational matters that have previously been operating in practice but should have formal Council endorsement. These include the following.

- ~ Whilst there has been no documentation on the actual purpose and operational use, the card has always been predominately used as a corporate card, which the CEO is responsible for, rather than for the CEO's work-related use. This form of usage is essential operational as from time to time some organisations will only accept credit card payments rather than through the formal purchasing order / account payable system. This rationale should be formally endorsed. Unless the Council, thinks otherwise as CEO I have no issue of not carrying a credit card but accept that it's my responsibility to oversee its use as a Corporate Credit Card still needs one person responsible.
- ~ Historically the CEO has used his discretion to purchase items as part of the traditional end of year small thank you to all staff. This has morphed into a \$50 voucher which have been purchased via the credit card. Again, the rationale and amount should be endorsed.

As part of this review a few minor updates have also been included. Both aspects are highlighted in yellow

Recommendation

That the Audit Committee

- 1 Notes the Chief Executive Officers Report Policy Updates Relating to Management of Purchasing Cards and the actions proposed to be undertaken in response
- 2 Endorses the attached Policies 3.1 Staff Matters and 4.1 Financial Operations as amended
- 3 Reports to these findings to the June 2024 Ordinary Council Meeting

Voting Requirements

Simple Majority

Committee Decision		
Moved: Cr	Seconded: Cr	
Carried/Lost	For	Against

6 URGENT BUSINESS

Nil

7 MEETING CLOSURE

The Shire President closed the meeting at.