



UNCONFIRMED MINUTES  
OF THE AUDIT COMMITTEE  
HELD ON  
TUESDAY 11 MARCH 2014  
AT 3:00PM

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**Minutes of the Audit Committee Meeting**  
held in the Council Chambers, 37 Gibbons Street, Yalgoo,  
on Tuesday, 11 March 2014, at 3:00pm.

### **Members of the Audit Committee**

*Council has historically nominated all Councillors to be members of the Audit committee. Nominations to the Audit Committee must be by absolute majority.*

*The Shire of Yalgoo audit committee was established by an absolute majority of Council, resolution S2014-0110, following the 2013 general election in accordance with s7.1A of the Act.*

*At the Special Meeting of Council 16 January 2014, resolution S2014-0109 declared all positions on the Audit Committee vacant. Council subsequently appointed, by absolute majority, the following persons as members of the audit committee:*

- *Cr Robert (Bob) Grinham (S2014-0110)*
- *Cr Stanley (Stan) Willock (S2014-0110)*
- *Cr Neil Grinham (S2014-0110)*
- *Cr MR (Raul) Valenzuela (S2014-0110)*
- *Cr Adam Fawkes (S2014-0110)*

*The term of office is until the next ordinary elections in October 2015.*

*As at 16 January 2014, the members of the Audit Committee are Crs N Grinham, R Valenzuela, R Grinham, S Willock and Adam Fawkes.*

*As all positions on the Audit Committee were declared vacant in January, it is necessary to hold an election at this meeting for the office of Presiding Member.*

## **1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

***In accordance with the Local Government Act Schedule 2.3 (3) the CEO presides at the meeting until the election of the Presiding Member.***

The Shire CEO Sharon Daishe declared the Audit Meeting open at 3:06pm.

### **1.0 ELECTION OF PRESIDING MEMBER**

- The first matter to be dealt with at the Audit Committee meeting is the election of the Presiding Member. The CEO presides at the meeting until this occurs, and conducts this election.
- Providing that a Presiding Member is elected, the next matter to be dealt with is the election of the Deputy Presiding Member if the committee wishes to elect a Deputy (this is not compulsory). The Presiding Member conducts this election.

- A councillor who is nominated by another councillor must confirm that they are willing to be nominated. This must be done verbally or in writing to the person conducting the election.
- If there is more than one nomination voting is conducted by secret ballot.
- The Act prescribes what action is to occur if there are equal votes.

**a) Election of Presiding Member (Section 5.12/ Schedule 2.3, Division 1, 4.)**

The CEO advised that one nomination had been received for Cr Raul Valenzuela for the office of Presiding Member of the Audit Committee.

The CEO called for further nominations.

There being no further nominations, the CEO declared Cr Raul Valenzuela elected to the office of Presiding Member.

Presiding Member Cr Raul Valenzuela assumed the Chair.

Presiding Member Cr Raul Valenzuela thanked the meeting for electing him to the position.

**b) Election of Deputy Presiding Member (Section 5.12/ Schedule 2.3, Division 2, 6.)**

The members of a committee *may* elect a Deputy Presiding Member.

The Presiding Member advised that one nomination had been received for Cr Adam Fawkes for the office of Deputy Presiding Member of the Audit Committee.

The Presiding Member called for further nominations. There being no further nominations, the Presiding Member declared Cr Adam Fawkes elected to the office of Deputy Presiding Member.

Deputy Presiding Member Cr Adam Fawkes thanked the meeting for electing him to the position.

**2. RECORD OF ATTENDANCE/APOLOGIES**

MEMBERS	Cr Neil A Grinham, Shire President Cr M Raul Valenzuela, Deputy Shire President Cr Robert W Grinham Cr Adam B Fawkes
STAFF	Sharon Daishe, Chief Executive Officer (CEO) Bruce Walker Heather Boyd, Executive Manager Corporate (EMC) Karen Malloch, Executive Assistant
GUESTS	
OBSERVERS	
APOLOGIES	Cr Stanley K Willock

### **3. DISCLOSURE OF INTERESTS**

Disclosures of interest made before the Meeting

### **4. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE**

#### **Background**

Minutes of the Audit Committee meeting held on 14 November 2013 at 9:00am were previously distributed to members and received by the Special Meeting of Council held on 14 November 2013 at 11:00am.

#### **Voting Requirements**

Simple majority

#### **OFFICER RECOMMENDATION/COUNCIL DECISION**

##### **A2014-0301 Minutes of the Audit Committee Meeting**

**That the minutes of the Audit Committee meeting held on 14 November 2013, as circulated, be confirmed as a true and correct record of proceedings.**

**Moved: Cr NA Grinham**

**Seconded: Cr AB Fawkes**

**Motion put and carried 4/0**

## 5. BUSINESS AS NOTIFIED

### 5.1 Compliance Audit Return 2013

File:	
Author:	Sharon Daishe, CEO
Interest Declared:	No interest to disclose
Date:	24 February 2014
Attachments	P1 Compliance Audit Return (CAR) 2013
(yellow)	P10 Circular 02-2014 (Department of Local Government), 2013 Compliance Audit Return for Local Government

#### Matter for Consideration

To review the Compliance Audit Return (CAR) for the period 1 January to 31 December 2013.

#### Background

The Chief Executive Officer has prepared the on line Compliance Audit Return for the period 1 January to 31 December 2013.

The CAR is attached and results are summarised in the officer recommendation.

Areas of non compliance are reported under Comments.

#### Statutory Environment

*Local Government (Audit) Regulations 1996*

#### 14. Compliance audits by local governments

(1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.

(2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.

(3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.

(3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —

- (a) presented to the council at a meeting of the council; and
- (b) adopted by the council; and
- (c) recorded in the minutes of the meeting at which it is adopted.

[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724 5; amended in Gazette 30 Dec 2011 p. 5580-1.]

#### 15. Compliance audit return, certified copy of etc. to be given to Executive Director

(1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —

- (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and

(b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Executive Director by 31 March next following the period to which the return relates.

(2) In this regulation —  
certified in relation to a compliance audit return means signed by —

- (a) the mayor or president; and
- (b) the CEO.

[Regulation 15 inserted in Gazette 23 Apr 1999 p. 1725.]

#### *Local Government Act 1995*

s.3.1 (1) The general function of the local government is to provide for the good government of persons in its district.

### **Strategic Implications**

Legislative compliance is an indicator of governance and controls. The Department of Local Government redesigned the CAR in 2011 to reflect areas considered high risk. Refer Circular 35-2011.

### **Policy Implications**

Nil

### **Financial Implications**

Nil

### **Consultation**

Nil

### **Comment**

The compliance annual return shows substantial compliance or complete compliance in each section. Following is a report of non-compliant areas.

1. One elected member failed to submit the annual return by 31 August 2013 for the period ended 30 June 2013. Note that this is a repeated area of non compliance each year despite the extra efforts of staff to remind elected members. Elected members are reminded that it is your responsibility to lodge your primary and annual return by the due date, and there are substantial penalties for non compliance.
2. One consultant who fills a designated employee position part time failed to submit the annual return for the period ended 30 June 2013. This person has a record of compliance in previous years.
3. Delegations were not reviewed in the reporting period, being the financial year ended 30 June 2013. The CEO reported the non compliance to council, refer August 2013 decision C2013-0819: *That Council acknowledges the report of the CEO regarding the delayed annual review of delegations, which will be presented to Council for consideration when the CEO has prepared an accurate and complete review.* The CEO duly presented an agenda item to the ordinary meeting of council in February 2014.

### **Voting Requirements**

Simple Majority



**OFFICER RECOMMENDATION/COUNCIL DECISION****A2014-0302 Compliance Annual Return 2013**

That the Audit Committee, having reviewed the Compliance Annual Return for the period 1 January to 31 December 2013 as presented, reports the result to council as per the attached document and the results shown below.

Section	Questions in section	Compliant	Non Compliant
Commercial Enterprises by Local Governments	5	5	0
Delegation of Power / Duty	13	12	1
Disclosure of Interest	16	14	2
Disposal of Property	2	2	0
Elections	1	1	0
Finance	15	15	0
Local Government Employees	5	5	0
Official Conduct	6	6	0
Tenders for Providing Goods and Services	15	15	
<b>TOTAL</b>	<b>78</b>	<b>75</b>	<b>3</b>
<b>Percentage</b>		<b>96%</b>	<b>4%</b>

**Moved: Cr AB Fawkes****Seconded: Cr RW Grinham****Motion put and carried 4/0**

## 5.2 Appointment of External Auditors

File:	
Author:	Heather Boyd, EMC
Interest Declared:	No interest to disclose
Date:	12 February 2013
Attachments	P13 Shire of Yalgoo Audit Quote
(yellow)	P36 RSM Bird Cameron Capability Statement 2014

### Matter for Consideration

That Audit Committee recommend to Council that the quote from RSM Bird Cameron for audit services for the three financial years 2013/14, 2014/15 and 2015/16 be accepted.

### Background

RSM Bird Cameron was awarded the contract in 2010 to provide the external audit for the Shire for three financial years. That contract has now been completed and the Shire needs to either tender for a new external audit or accept an additional three year contract with RSM Bird Cameron.

The quote for the previous three year term was:

2010/11 - \$10,925:

2011/12 - \$11,361:

2012/13 - \$11,811

The Audit Committee of the Shire of Yalgoo resolved A2013-1104 that the Audit Committee recommends to Council that a quote be obtained from Simon Cubitt of RSM Bird Cameron for audit services for a three year period for the financial years ending 30 June 2014 through to 30 June 2016. A proposal was sought from RSM Bird Cameron to continue with their services for an additional 3 year term and this has been attached for reference.

The proposed fee schedule provided by RSM Bird Cameron for the audit of the Council is for:

2013/14 - \$17,183

2014/15 - \$18,035

2015/16 - \$18,953 (all exclusive of GST).

Comments by Travis Bate on the increase in costs are:

- Fair Value Accounting

Financial Management Regulation 17A requires all local governments to move to fair value accounting over a three year period which commenced in 2013 with plant and equipment. For the years ended 30 June 2014 and 2015 local governments must adopt fair value for land and buildings and infrastructure.

This requires further audit work than the cost basis of accounting, as auditing standards require us to gain an understanding of the process used to calculate fair value, and obtain assurance that the valuation is not materially misstated.

- Reporting Asset Ratios

Amendments to Audit Regulation 10(3) require the audit report to include:

The opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions:

- i) The asset consumption ratio; and
- ii) The asset renewal funding ratio.

These amendments require us to perform further work in relation to reviewing the supporting documents (such as integrated plans) and calculations of these ratios which did not previously need to be performed.

- Analysis of actual hours spent on the audit over the last 3 financial years.

The original quote submitted for 2010 – 2013 allowed for 49 hours to complete the audit. This has been increased to 70 in the current quote based on the actual hours we have spent on the audit each year, plus the anticipated time required to complete procedures in compliance with the Fair Value and Ratio issues discussed above.

This quote does not include services provided separately to the external audit, including financial statement assistance and audits of government grants.

**Statutory Environment**

*Local Government Act 1995*

s.3.1 (1) The general function of the local government is to provide for the good government of persons in its district.

7.3. Appointment of auditors

(1) A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint\* a person, on the recommendation of the audit committee, to be its auditor.

\* Absolute majority required.

(2) The local government may appoint one or more persons as its auditor.

(3) The local government’s auditor is to be a person who is —

- (a) a registered company auditor; or
- (b) an approved auditor.

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an audit committee is to be made by a simple majority.

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[Section 7.1C inserted by No. 49 of 2004 s. 5.]

**Business Implications**

Strategic Community Plan	4.3.2 Ensure compliance with all relevant legislation relating to local government and its activities.
Corporate Business Plan	4.3.2 Ensure compliance with all relevant legislation relating to local government and its activities.
Long Term Financial Plan	
Asset Management Plan	
Workforce Plan	
Policy	
Financial (short term/ annual budget)	Ensure compliance with all relevant legislation relating to local government and its activities.

**Consultation**

Travis Bate, RSM Bird Cameron

**Comment**

As RSM Bird Cameron has audited the Shire for the past three years, they have an extensive knowledge of the Shire of Yalgoo’s operations as they have been actively engaged in the completion of the financial management review as well as assisting with the completion of the Forward Capital Works Plan. RSM Bird Cameron has also provided audit services for grant funded projects.

As per their proposal, RSM Bird Cameron have extensive audit experience with Local Government providing audit services to a number of other Councils in the Murchison and Midwest region as well as private companies.

Travis Bate of RSM Bird Cameron is immediately responsive to any queries from the Shire and where possible is prepared to attend Council meetings when requested.

**Voting Requirements**

Simple Majority

*Refer s7.1C, all decisions of the audit committee are made by simple majority. On the recommendation of the audit committee council appoints the auditor by absolute majority.*

**OFFICER RECOMMENDATION/COUNCIL DECISION**

**A2014-0303     Recommend Appointment of External Auditors**

**That the Audit Committee Recommend that Council:**

- 1. Appoint Simon Cubitt of RSM Bird Cameron as Shire of Yalgoo external auditor for a three year period for the financial years ending 30 June 2014 through to 30 June 2016; and**
- 2. Accept the quote obtained from Simon Cubitt of RSM Bird Cameron for audit services for the above period.**

**Moved: Cr AB Fawkes**

**Seconded: Cr RW Grinham**

**Motion put and carried 4/0**

**6. MEETING CLOSURE**

There being no further business, Presiding Member Cr Raul Valenzuela declared the meeting closed at 3:19pm.

**DECLARATION**

These minutes were confirmed by Council at the Special Meeting held on \_\_\_\_\_.

Signed: \_\_\_\_\_  
 Person presiding at the meeting at which these minutes were confirmed