



# Audit Committee Meeting Minutes

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Held on

Wednesday, 27 April 2016

Commencing at 4.35pm

Kirup Community Hall  
South West Highway, Kirup WA

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**Greg Harris**  
A/Chief Executive Officer

**28 April 2016**

## **DISCLAIMER**

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

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## **AUDIT COMMITTEE MEETING MINUTES**

**27 April 2016**

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# SHIRE OF DONNYBROOK/BALINGUP

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## AUDIT COMMITTEE MEETING AGENDA

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Held at Kirup Community Hall, Kirup on Wednesday, 27 April 2016.  
Commencing at 4.35pm

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The Chairperson declared the meeting open at 4.35pm.

### MEMBERS PRESENT

COUNCILLORS	STAFF	COMMUNITY
Cr Logiudice (President)	Greg Harris, A/CEO	
Cr Bailey	Kate O’Keeffe, EA	
Cr Mills		
Cr Mitchell		
Cr Tan		
Cr Van Der Heide		

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### PUBLIC GALLERY

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Nil

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### APOLOGIES

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Cr Dilley

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### 1 PUBLIC QUESTION TIME

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Nil

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### 2 DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST

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Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the Act.

Nil

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### 3 PETITIONS/DEPUTATIONS/PRESENTATIONS

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Nil

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#### 4 CONFIRMATION OF MINUTES

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Moved: Cr Mills

Seconded: Cr Van Der Heide

That the Minutes of the Audit Committee Meeting held on 10<sup>th</sup> February 2016 be confirmed as a true and correct record.

Carried 6/0

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#### 5 REPORTS OF OFFICERS

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##### 5.1 Chief Executive Officer

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5.1.1	<b>SUBJECT:</b>	<b>2016/17 YEAR FINANCIAL AUDIT AND FINANCIAL MANAGEMENT SYSTEMS REVIEW</b>
	<b>Location:</b>	<b>Shire of Donnybrook / Balingup</b>
	<b>Applicants:</b>	<b>Administration</b>
	<b>Zone:</b>	<b>N/A</b>
	<b>File Ref:</b>	<b>ADM 24</b>
	<b>Author:</b>	<b>Greg Harris, A/CEO</b>
	<b>Report Date:</b>	<b>14 April 2016</b>
	<b>Attachments:</b>	<b>5.1.1(1) - Local Government Operational Guideline 09 – Audit in Local Government 5.1.1(2) - Audit Checklist</b>

#### Background

The financial year audit process for the 2016/17 financial year commences with an interim audit. The Shire's appointed auditors, AMD Chartered Accountants will be conducting their onsite review on 30<sup>th</sup> and 31<sup>st</sup> May 2016. This will be followed by the onsite component of the Financial Management Systems review which will be conducted on 1<sup>st</sup> and 2<sup>nd</sup> June 2016.

At the last Audit Committee Meeting it was decided that a further Audit Committee Meeting would be conducted prior to the interim audit. This would give the Committee an opportunity to discuss the impending audit and to review the scope of the audit.

#### Comment

In considering this matter it is worth reviewing the functions of the Audit Committee.

Section 16 of the Local Government (Audit) Regulations 1996 states the following:

**“16. Audit committee, functions of**

*An audit committee —*

(a) *is to provide guidance and assistance to the local government —*

(i) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*

- (ii) *as to the development of a process to be used to select and appoint a person to be an auditor;*
- and*
- (b) *may provide guidance and assistance to the local government as to —*
  - (i) *matters to be audited; and*
  - (ii) *the scope of audits; and*
  - (iii) *its functions under Part 6 of the Act; and*
  - (iv) *the carrying out of its functions relating to other audits and other matters related to financial management; and*
- (c) *is to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —*
  - (i) *report to the council the results of that review; and*
  - (ii) *give a copy of the CEO's report to the council.”*

Local Government Operational Guideline number 09 – revised in September 2013 provides advice in regard to the functions of the Audit Committee. The following is an extract from the guidelines which is relevant to this item.

“The committee may need to liaise regularly with the external auditor to discuss the audit plan, results of the audit and implementation of any recommendations for action emerging from the audit. How communication and liaison between the auditor and committee is to occur should be addressed in the agreement of appointment.

Advice from the auditor may address issues such as –

- (i) As assessment of accounting procedures;
- (ii) An assessment of internal controls;
- (iii) As assessment of risk;
- (iv) Compliance with the Act and associated regulations;
- (v) Compliance with Council policies;
- (vi) Performance assessments on the efficiency and effectiveness of operations;
- (vii) Processes of the internal audit
- (viii) Outcomes of the external audit prior to issue of management and audit reports; and
- (ix) Changes to accounting standards and legislation and the impact on the local government.”

A copy of the guideline will be provided with this agenda.

Also enclosed with this agenda is a copy of the Interim Audit Checklist and Interim Audit Fraud Checklist which is used by AMD Chartered Accountants during their interim audit. These checklists provide an overview on the scope of review undertaken as part of the interim audit.

Councillors may wish to raise questions in regard to the interim audit process or may identify specific areas upon which they wish the Auditor to focus.

Under the terms of the audit contract provision is made for the Auditor to attend Audit Committees. A fee is charged for this attendance. The Auditor has not been asked to attend this meeting.

Section 5 (2) of the *Local Government (Financial Management) Regulations 1996* states the following:

*“The CEO is to —*

- (a) ensure that the resources of the local government are effectively and efficiently managed; and*
- (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
- (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.”*

The review of the Financial Management Systems was last done in 2012 and is therefore due again in 2016. It is expedient to undertake this review at the same time as the interim audit.

AMD Chartered Accountants have been engaged by the CEO to undertake a review and prepare a report on their findings to the CEO. The findings from AMD’s review will form an integral part of the CEO’s report to Council as required by Section 5 (2) of the regulations.

### **Consultation**

N/A

### **Policy/Statutory Implications**

Please refer to the comment section of this report.

Legislative references are:

Section 16 of the Local Government (Audit) Regulations 1996  
Section 5 (2) of the Local Government (Financial Management) Regulations 1996.

### **Financial Implications**

N/A

### **Strategic Implications**

N/A

## Officer's Recommended Resolution

**Moved:** Cr Mills

**Seconded:** Cr Van Der Heide

**That Council note that Council's Auditors will be onsite at the Shire of Donnybrook-Balingup Administration Centre between 30<sup>th</sup> and 31<sup>st</sup> May 2016 to undertake the Interim (Financial) Audit and also between the 1<sup>st</sup> June and 2<sup>nd</sup> June 2016 to undertake the Financial Management Systems Review.**

**Carried 6/0**

<b>5.1.2</b>	<b>SUBJECT:</b>	<b>AUDITING OF LOCAL GOVERNMENT BY THE AUDITOR GENERAL – RENEWAL OF AUDIT CONTRACTS</b>
	<b>Location:</b>	<b>Shire of Donnybrook / Balingup</b>
	<b>Applicants:</b>	<b>Administration</b>
	<b>Zone:</b>	<b>N/A</b>
	<b>File Ref:</b>	<b>ADM 24</b>
	<b>Author:</b>	<b>Greg Harris, A/CEO</b>
	<b>Report Date:</b>	<b>14 April 2016</b>
	<b>Attachments:</b>	<b>Nil</b>

### Background

Circular No. 03-2016 has been received from the Minister for Local Government; Community Services; Seniors and Volunteering; Youth advising that it is intended to amend the Local Government Act 1995 to allow the Auditor General and the Office of the Auditor General (OAG) to take responsibility for local government financial audits from 1<sup>st</sup> July 2017. This initiative is being introduced as part of the State Government's commitment to strengthening local government accountability, performance and transparency and providing independent oversight of the sector.

Under the proposed changes the Auditor General may contract out some of the financial audits, but all financial audits will be done under the supervision of the Auditor General and the OAG.

Local governments have been requested not to renew audit contracts beyond the 2016/17 year as a result of the impending legislation.

### Comment

Council's current contract with AMD Chartered Accountants concludes at the end of the 2017/18 financial year. It is unknown if the legislation will require the existing contract to be terminated prior to its expiry.

AMD Chartered Accountants have indicated that they have lodged an expression of interest to become a contractor for the OAG. Should they be successful there is no guarantee that they will be awarded the contract specifically for the audits of the Shire of Donnybrook-Balingup.

At this stage there is no indication as to the cost to be imposed upon local government however it is envisaged that the OAG will seek full cost recovery of all audit and administrative costs.

Further information will be provided to the Audit Committee and Council once the details of the amended legislation come into force.

## Consultation

N/A

## Policy/Statutory Implications

Part 7, Division 2 of the Local Government Act 1995 relates to the audit of local governments. Sections 7.2 and 7.3 are specifically relevant and currently state:

### 7.2. Audit

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

### 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.

*[Section 7.3 amended by No. 49 of 2004 s. 6.]*

## Financial Implications

The cost of the OAG overseeing the local government financial audit function has not yet been established.

## Strategic Implications

N/A

## Officer's Recommended Resolution

**Moved: Cr Bailey**

**Seconded: Cr Tan**

**That Council receive the Acting CEO's Report advising of the proposed to amend the Local Government Act 1995 to allow for the Auditor General and the Office of the Auditor General to take responsibility for local government financial audits from 1<sup>st</sup> July 2017.**

**Carried 6/0**

<b>5.1.3</b>	<b>SUBJECT:</b>	<b>ORGANISATIONAL RISK MANAGEMENT – ACTION PLAN</b>
	<b>Location:</b>	<b>Shire of Donnybrook / Balingup</b>
	<b>Applicants:</b>	<b>Administration</b>
	<b>Zone:</b>	<b>N/A</b>
	<b>File Ref:</b>	<b>ADM 24</b>
	<b>Author:</b>	<b>Greg Harris, A/CEO</b>
	<b>Report Date:</b>	<b>14 April 2016</b>
	<b>Attachments:</b>	<b>5.1.3 – Organisational Risk Management Plan</b>

## **Background**

At the previous Audit Committee meeting held on 11<sup>th</sup> February 2016 Council endorsed the Shire's Organisational Risk Management Action Plan for the period July 2015 to December 2016. This plan addresses in a systematic way the recommendations of a comprehensive assessment of the Shire's system by AMD Chartered Accountants in November 2014.

The Plan outlines the following information:

- Recommendations from the November 2014 review categorised into three different focus areas; risk management, internal controls and legislative compliance.
- The task required to address each recommendation from the report.
- A proposed timeline.
- Responsible Officer/s.
- Details of Action to date.

One of the recommendations was to include a standing agenda item to the Audit Committee for risk reports to be tabled.

## **Comment**

Committee members are asked to review and note the updated Action Plan.

## **Consultation**

N/A

## **Policy/Statutory Implications**

Regulation 17 of the Local Government (Audit) Regulations 1996 states the following:

- “17. *CEO to review certain systems and procedures*
- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
- (a) *risk management; and*
  - (b) *internal control; and*
  - (c) *legislative compliance.”*

## **Financial Implications**

N/A

**Strategic Implications**

N/A

**Officer’s Recommended Resolution  
(Committee’s Recommended Resolution)**

**Moved: Cr Bailey**

**Seconded: Cr Tan**

**That Council receive and note the updated Organisational Risk Management Action Plan for the period from July 2015 to December 2016.**

**Carried 6/0**

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**6 CLOSURE OF MEETING**

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The Shire President advised that the date for the next Audit Committee Meeting will be advised.

The Shire President declared the meeting closed at 4.40pm.

<b>These Minutes were confirmed as a true and accurate record at the Audit Committee Meeting held on _____.</b>		
<b>Shire President</b>		<b>Presiding Member</b>