



# Audit Committee

25 February 2014

# MINUTES



**MINUTES OF AN AUDIT COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON TUESDAY, 25 FEBRUARY 2014, COMMENCING AT 5.30PM.**

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**MINUTES OF AN AUDIT COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON TUESDAY, 25 FEBRUARY 2014, COMMENCING AT 5.30PM**

**A1. OPENING OF MEETING**

The Presiding Member opened the meeting.

**A1.1 Present**

Cr M McPhail	Presiding Member
Mr J O'Neill	Mayor
Cr S Martin	
Cr M Rico	
Cr A Watkins	
Mr L Mainwaring	Executive Manager Finance & Administration
Ms J May	Minute Secretary

**A2. ACKNOWLEDGEMENT OF COUNTRY**

*"On behalf of the Council I would like to acknowledge the Nyoongar people as the traditional custodians of the land on which this meeting is taking place."*

**A3. WELCOME TO GALLERY**

There were no members of the public present.

**A4. APOLOGIES**

Nil.

**A5. PUBLIC QUESTION TIME**

Nil.

**A6. CONFIRMATION OF MINUTES**

**A6.1 Audit Committee Meeting – 4 December 2013**

Mayor O'Neill – Cr Martin

That the Minutes of the Audit Committee held on 4 December 2013 and adopted at the Council Meeting held on 10 December 2013 be confirmed. CARRIED

**A7. CORRESPONDENCE (LATE RELATING TO ITEMS IN AGENDA)**

Nil.

**A8. BUSINESS**

**A8.1 2013 Compliance Audit Return**

By Les Mainwaring Executive Manager Finance and Administration on 17 February 2014

**PURPOSE**

To facilitate the adoption of the Compliance Audit Return 2013 for submission to the Department of Local Government and Communities by 31 March 2014. **ATTACHMENT**

**BACKGROUND**

Section 7.13(i) of the Local Government Act 1995 requires that each local government carry out a compliance audit for the period 1 January to 31 December each year.

In 2013 the Department of Local Government and Communities (DLGC) has included 78 compliance audit questions, which require Yes or No answers, however where an item has not occurred during the calendar year a response of not applicable (N/A) will be provided.



The Compliance Audit Return is to be:

1. presented to an Ordinary Meeting of Council,
2. adopted by Council; and
3. recorded in the minutes of the meeting at which it is adopted.

After the Compliance Audit Return (CAR) has been presented to Council, a certified copy of the return signed by the Mayor and Chief Executive Officer, along with the relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGC by 31 March 2013.

### **REPORT**

The statutory Compliance Audit Return runs on a calendar year basis and is for the period 1 January 2013 to 31 December 2013.

The statutory Compliance Audit Return is completed by self assessment by the Chief Executive Officer and other Principal Officers relevant to their responsibilities.

Council is required to adopt the Compliance Audit Return and forward it to the Minister for DLGC no later than the 31 March 2013.

All compliance matters in 2013 were either marked as Yes or N/A and there were no matter of non-compliance reported for this period.

### **Statutory Requirements**

#### **Local Government Act 1995**

##### **7.13. Regulations as to audits**

- (i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are —
  - (i) of a financial nature or not; or
  - (ii) under this Act or another written law.

#### **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.



**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.

**Relevant Council Policies**

Nil

**Principal Activity Plan Implications**

Nil

**Strategic Plan Implications**

Nil

**Financial/Resource/Budget Implications**

Nil

**Conclusion**

There were no matters of non-compliance to be reported for this period.

**RECOMMENDATION TO COUNCIL**

That Council adopt the Compliance Audit Return for the period 1 January to 31 December 2013.

**RECOMMENDATION TO COUNCIL**

**Cr Rico – Cr Watkins**

**That Council adopt the Compliance Audit Return for the period 1 January to 31 December 2013.** CARRIED UNANIMOUSLY

**A8.2**

***Appointment of External Auditor***

*By Les Mainwaring Executive Manager Finance and Administration on 6 February 2014*

**PURPOSE**

To exercise the option of extending the appointment of suitably qualified auditors for the purpose of providing external audit services for an additional period of two (2) financial years from 1 July 2013 to 30 June 2015.

**BACKGROUND**

The Local Government Act and Regulations provide that:

- on the recommendation of the audit committee a local government is to, from time to time, appoint by absolute majority, a person to be its auditor.
- the local government may appoint one or more persons as its auditor, who is a registered company auditor, but not for more than five years.
- the appointment of a person as an auditor is to be made by agreement in writing and is to include; the objectives of the audit; the scope of the audit; a plan for the



audit; details of remuneration and expenses to be paid to the auditor; and the method to be used by the local government to communicate with, and supply information to, the auditor.

At the Ordinary Meeting 19 March 2013, Council resolved:

*That Council appoint:*

- *Bill Thomas (Registered Co. Auditor #302989)*
- *Chris McLaughlin (Registered Co. Auditor #302919)*

*as the nominated auditors from Anderson Munro and Wylie Chartered Accountants for one (1) financial year with an option of two (2) financial years covering the reporting periods 1 July 2012 to 30 June 2015.*

## **REPORT**

In February 2013 auditors from Anderson Munro and Wylie Chartered Accountants (AMW) were successful in a competitive tendering process and were appointed on a contract basis of one (1) financial year with an option of a further two (2) years ending 30 June 2015.

At that time the State Government had not released their reform timetable and Council was considering a change in auditor for the first time in ten years after a significant price increase from the incumbent. The short term contract allowed Council to review the performance of the new auditors before committing to a longer term.

Since that time, the State Government have released their reform timetable which includes a proposed amalgamation date of 30 June 2015 for all metropolitan Councils included in the government model. At present 30 June 2015 would sit neatly with the terms of extension of this audit contract.

From a performance perspective, staff found AMW to be efficient and effective in their audit undertakings and are confident that they will perform with sufficient rigour over the course of the remaining two financial periods.

## **Statutory Requirements**

### **Local Government Act 1995**

#### **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.



#### 7.4. Disqualified person not to be auditor

- (1) A person may not be appointed as a local government's auditor if that person is a disqualified person.
- (2) In this section —  
**disqualified person** means a person who —
  - (a) is a councillor or an employee of the local government; or
  - (b) is a person who is in debt for more than the prescribed amount to the local government for a period of more than 35 days after —
    - (i) in the case of that part of the debt which is for a rate or service charge under Part 6, the date the rate notice was issued; or
    - (ii) in the case of that part of the debt which is not for a rate or service charge, the date an account was rendered to the person by the local government;or
  - (c) is an employee of, or a member of the governing body of, an entity of a kind prescribed for the purposes of this paragraph; or
  - (d) is a member of a class of persons prescribed for the purposes of this subsection.

#### 7.6. Term of office of auditor

- (1) The appointment of a local government's auditor is to have effect in respect of the audit of the accounts and annual financial report of the local government for a term of not more than 5 financial years, but an auditor is eligible for re-appointment.
- (2) The appointment of an auditor of a local government ceases to have effect if -
  - (a) his or her registration as a registered company auditor is cancelled; or
  - (b) his or her approval as an approved auditor is withdrawn; or
  - (c) he or she dies; or
  - (d) the auditor ceases to be qualified to hold office as auditor or becomes a disqualified person; or
  - (e) the auditor resigns by notice in writing addressed to the local government; or
  - (f) the appointment is terminated by the local government by notice in writing.
- (3) Where —
  - (a) the registration of a local government's auditor as a registered company auditor is suspended; or
  - (b) a local government's auditor becomes unable or unwilling to carry out all or part of his or her duties,

the local government is to appoint\* a person to conduct the audit or to complete that part of the audit which remains to be conducted, as the case requires.

\* *Absolute majority required.*



**7.7. Departmental CEO may appoint auditor**

If by 30 November in any year a local government has not appointed an auditor the Departmental CEO may appoint —

- (a) a qualified person; or
- (b) in default of an appointment under paragraph (a), the Auditor General,

to be the auditor of the local government's accounts and annual financial report for the relevant financial year.

**7.8. Terms of appointment of auditors**

- (1) Subject to this Part and to any regulations, the appointment of a person as auditor of a local government is to be made by agreement in writing on such terms and conditions, including the remuneration and expenses of the person to be appointed, as are agreed between that person and the local government.
- (2) The remuneration and expenses payable to the auditor of a local government (whether appointed by the local government or by the Departmental CEO under section 7.7) are payable by the local government.

**Relevant Council Policies**

Nil

**Principal Activity Plan Implications**

Nil

**Strategic Plan Implications**

Nil

**Financial/Resource/Budget Implications**

Nil

**Discussion**

The first year audit is the most difficult for any new firm and additional time is usually taken to gain a familiarity with the paper flow and procedures of an organisation. In this first year AMW were held up by delays with the completion of the South Metropolitan Regional Council (SMRC) audit, which is required for various equity disclosure notes. SMRC delays were attributable to the statutory changes requiring fair value valuations for all plant and equipment by 30 June 2013. But for these issues, Anderson Munro and Wylie had completed the remaining audit work within the desired timeframe.

**Conclusion**

It is recommended that the auditor from AMW be offered an extension of contract in accordance with the 2 year option approved at the Council Meeting on 19 March 2013.

**Voting Requirements**

Absolute Majority

**RECOMMENDATION TO COUNCIL**

That Council appoint:

- Bill Thomas (Registered Co. Auditor #302989)
- Chris McLaughlin (Registered Co. Auditor #302919)

as the nominated auditors from Anderson Munro and Wylie Chartered Accountants for the contract option of two (2) financial years covering the reporting periods 1 July 2013 to 30 June 2015.

**Absolute Majority Resolution**





**RECOMMENDATION TO COUNCIL**

Cr Martin – Mayor O’Neill

That Council appoint:

- Bill Thomas (Registered Co. Auditor #302989)
- Chris McLaughlin (Registered Co. Auditor #302919)

as the nominated auditors from Anderson Munro and Wylie Chartered Accountants for the contract option of two (2) financial years covering the reporting periods 1 July 2013 to 30 June 2015. CARRIED UNANIMOUSLY

**A9. NOTICE OF MOTION FOR CONSIDERATION AT THE FOLLOWING MEETING**

Nil.

**A10. URGENT BUSINESS WITHOUT NOTICE BY PERMISSION OF THE MEETING**

Nil.

**A11. CLOSURE OF MEETING**

There being no further business, the meeting closed at 5.40pm

*I hereby certify that the Minutes of the meeting of the **Audit Committee** of the Town of East Fremantle, held on **25 February 2014**, Minute Book reference **A1. to A11.** were confirmed at the meeting of the Committee on*

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**Presiding Member**