



MINUTES OF AN AUDIT COMMITTEE MEETING, HELD IN THE UPSTAIRS MEETING AREA, ON TUESDAY, 1 MARCH, 2011 COMMENCING AT 6.30PM.

A1. OPENING OF MEETING

The Presiding Member opened the meeting.

A1.1 Present

Mayor A Ferris

Cr R Olson Presiding Member

Cr B de Jong

Cr R Lilleyman

Mr J Roberts Executive Manager Finance & Admin

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

The Presiding Member welcomed Cr D Nardi to the meeting.

A4. APOLOGIES

Cr M Rico.

A5. PUBLIC QUESTION TIME

Nil.

A6. CONFIRMATION OF MINUTES

A6.1 Audit Committee Meeting – 10 November 2010

Mayor Ferris - Cr de Jong

That the Minutes of the Audit Committee Meeting held on 10 November 2010, and adopted at the Council Meeting held on 16 November 2010 be confirmed. CARRIED

A7. BUSINESS

A7.1 2010 Compliance Audit Return

By John Roberts Executive Manager Finance and Administration on 15 February 2011

PURPOSE

To facilitate the adoption of the attached Compliance Audit Return 2010. **ATTACHMENT**

BACKGROUND

In 1994, a Working Group was established by the then Minister for Local Government, the Hon Paul Omodei, MLA, to consider the implementation of a Compliance Assessment Program for Western Australian local governments.

As a result of the Working Group's determinations, a voluntary self-assessment Statutory Compliance Return Program was introduced by the (then) Department of Local Government and Regional Development for completion by local governments on an annual basis. Although voluntary, a majority of councils participated in the program.

In 2000, participation in the program was made compulsory for all local governments.

During 2009 and 2010 the Department carried out reviews of the process, in response to widespread concerns in the local government sector in relation to the magnitude of the reporting and the resource implications involved for the officers concerned.

**REPORT**

This Statutory Compliance Return is for the period 1 January 2010 to 31 December 2010.

The statutory Compliance Audit Return is designed to be self-assessed by the Chief Executive Officer and other Principal Officers, as relevant to their responsibilities.

Council is required to complete and adopt the Compliance Audit Return and forward it to the Minister for Local Government no later than the 31 March 2011.

The level of compliance in 2010 was once again, almost total, with minimal technical non-compliance.

Statutory Requirements

Each local government is required to carry out an annual Compliance Audit Return in accordance with Section 7.13(i) of the Local Government Act 1995 and Local Government (Audit) Regulations 13-15. On completion of the audit, the local government is to complete a Compliance Audit Return. The return must be:-

- presented to Council at a meeting of the Council;
- adopted by the Council; and
- recorded in the minutes of the meeting at which it is adopted

Relevant Council Policies

Nil

Principal Activity Plan Implications

Nil

Strategic Plan Implications

Nil

Financial/Resource/Budget Implications

Nil

RECOMMENDATION

That Council adopt the Compliance Audit Return, as attached, for the period 1 January to 31 December 2010.

Cr Lilleyman - Mayor Ferris

That Council adopt the Compliance Audit Return for the period 1 January to 31 December 2010. CARRIED

A7.2***Extension to Appointment of Auditors***

By John Roberts, Executive Manager Finance & Admin on 15 February 2011

PURPOSE

The purpose of this report is to facilitate the appointment of auditors to undertake the external audit of the financial management of the Council for the period 1 July 2010 to 30 June 2012

BACKGROUND

Council previously appointed Anthony Macri, of Macri & Partners, as Council Auditor to undertake the audit of Council's financial affairs for a period of three years with an option to extend for a further two years. The current three year contract expired on the 30 June 2010.

EXTERNAL AUDIT

The Local Government Act 1995 has specific provisions regarding audits, which are designed to provide Council with an independent review of the financial affairs of the



Town. In summary, the statutory requirements for the audit of local governments are as follows:

The Act

- The accounts and annual financial report of a local government for each financial year must be audited by an auditor appointed by the local government for a term not longer than 5 years, however they can be re-appointed;
- The appointed auditor must be either a registered company auditor or an auditor approved by the Minister. If by 30 November in any year a local government has not appointed an auditor the Executive Director may appoint one for that year;
- The appointment of an auditor must be made by an agreement in writing on such terms and conditions (including the remuneration and expenses of the person to be appointed) as are agreed between the parties;

The appointed auditor is required to:

- examine the accounts and annual report;
- by 31 December, prepare and forward a report to the Mayor, the CEO and the Minister.

The Regulations

The agreement between the local government and an auditor is to include –

- the objectives and scope of the audit;
- a plan for the audit;
- details of fees and expenses to be paid to the auditor;
- the method of communications and information supply, to be used by the parties.
- an auditor is to carry out such work is necessary to form an opinion as to whether the accounts are properly kept, the annual financial report is prepared in accordance with those accounts and the annual financial report fairly represents the results of the local governments operations and its financial position at the end of the financial year;
- forwarding of the report to the Mayor, CEO and Minister must occur within 30 days of the completion of the audit.

The report should include:

- the opinion (as mentioned above);
- any material matters relevant to the financial position or financial management practices;
- any matters indicating non-compliance (in respect of financial matters);
- whether information/explanations were obtained by the auditor;
- a report on the conduct of the audit;
- where it is considered by the auditor to be appropriate, prepare and submit an accompanying management report;
- accompanying the auditor's report to the Minister must be detailed statements of hours worked on the audit and of the fees and expenses due to the auditor.

Role and Responsibilities of an Audit Committee:

- Process of auditor selection;
- Recommending appointment of auditor to the Council;
- Managing the Audit process from the Council perspective;



1 March 2011

MINUTES

- Meet auditor at least annually to discuss process/outcomes;
- Monitor administration's actions and responses to significant issues identified in the Management Report;
- Submission of current audit contract to DLG each time new contract issued;
- Submission of annual report to the Council and DLG on the audit function;
- Review Statutory Compliance Return and monitor the corrective action on matters of non-compliance;
- Management Report is a requirement of the auditor – CEO must take action and report such action to the Audit Committee – Audit Committee must advise Council as to its satisfaction with the CEO's action.

REPORT

Council previously appointed Macri & Partners as Council's Auditors for a period of three years. The current contract expired on the 30 June 2010.

Macri & Partners have provided a quotation to provide services for a further two years

Audit Company	2010/11 \$	2011/12 \$	Total Hours Provided	Total Cost \$
Macri & Partners	13,000	13,800	319.2	26,800

All prices exclude GST

Comments on the background of the firm are as follows:

Macri and Partners – (Previously Barrett & Partners) is a Western Australian firm of auditors and accountants. They have provided external Audit services to the Town of East Fremantle until 30 June 2010. They currently provide audit services to another twenty one (21) local governments in Western Australia.

CONCLUSION

Tony Macri has provided excellent value for money as the current auditor. The auditors have built a good understanding of the Town of East Fremantle and its processes and procedures. Macri & Partners are able to undertake the audit with a minimum of disruption to the operations of the administration staff. They have a deep understanding and experience of local government issues and are helpful as a knowledge base.

RECOMMENDATION

It is recommended that Council appoint Mr Anthony Macri, of the firm of Macri and Partners, to carry out the audit of the annual statements and financial affairs of the Town of East Fremantle for a further two year period commencing 1 July 2010 to 30 June 2012 for the fee of \$26,800 plus GST. **Absolute Majority Resolution Required**

Cr de Jong - Cr Lilleyman

That Council appoint Mr Anthony Macri, of the firm of Macri and Partners, to carry out the audit of the annual statements and financial affairs of the Town of East Fremantle for a further two year period commencing 1 July 2010 to 30 June 2012 for the fee of \$26,800 plus GST.

CARRIED
ABSOLUTE MAJORITY

A8. OTHER BUSINESS**A8.1 Review of Business Processes and Procedures**

Discussion ensued regarding a review of the Town's business processes and procedures and possible improvements that may arise from such a review. The Executive Manager



Finance & Administration was requested to research an appropriate method for undertaking a review.

Mayor Ferris - Cr Lilleyman

That the Executive Manager Finance & Administration prepare an initial report on the feasibility and methodology of undertaking a review of the Town's business processes and procedures. CARRIED

A9. CLOSURE OF MEETING

There being no further business, the meeting closed at 7.04 pm.

*I hereby certify that the Minutes of the meeting of the **Audit Committee** of the Town of East Fremantle, held on Tuesday **1 March 2011**, Minute Book reference **A1. to A9.** were confirmed at the meeting of the Committee on*

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Presiding Member