



## **AGENDA**

**FOR THE AUDIT COMMITTEE MEETING**

**TO BE HELD ON**

**12 NOVEMBER 2014**

**AT 10:00AM**

**SHIRE OF YALGOO**

**NOTICE OF AUDIT COMMITTEE MEETING**

**A MEETING OF THE AUDIT COMMITTEE WILL BE HELD IN THE COUNCIL  
CHAMBERS ON 12 NOVEMBER 2014 COMMENCING AT 10:00AM.**

**Dr Ross Theedom  
MEC PHD FAIM GAICD MLGMA  
Chief Executive Officer  
Shire of Yalgoo**

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**Agenda for the Audit Committee Meeting  
to be held in the Council Chambers, 37 Gibbons Street, Yalgoo,  
on Thursday 12 November 2014 Commencing at 10:00AM.**

**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)*
- *Cr Percy Lawson (C2014-0505)*

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

*As at 22 May 2014, the members of the Audit Committee are Crs N Grinham, R Valenzuela, R Grinham, S Willock, P Lawson and Adam Fawkes.*

*An election was held at the meeting for the office of Presiding Member: Cr Raul Valenzuela was elected. Cr Adam Fawkes was elected to the office of Deputy Presiding Member.*

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

**2. RECORD OF ATTENDANCE/APOLOGIES**

MEMBERS

STAFF

GUESTS

OBSERVERS

APOLOGIES

**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 11 March 2014 were previously distributed to members.

**Voting Requirements**

Simple majority

**OFFICER RECOMMENDATION**

**Minutes of the Audit Committee Meeting**

**That the minutes of the Audit Committee meeting held on 11 March 2014, as circulated, be confirmed as a true and correct record of proceedings.**

<b>Moved:</b>	<b>Seconded:</b>	<b>Motion put and carried/lost</b>
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**5. BUSINESS AS NOTIFIED**

**5.1 Financial Report, Independent Auditors Report and Management Report for the Year Ended 30 June 2014**

File:	ADM224 Audit Report
Author:	
Interest Declared:	No interest to disclose
Date:	11 November 2014
Attachments	P1 Audited Financial Statements and Auditor’s Report for the year ended 30 June 2014
	P5 Audit Management Letter

**Matter for Consideration**

To consider the audited annual financial statements, the independent auditor’s report (s 7.9 of the Local Government Act 1995) and the audit management report (r10. (4) of the Local Government (Audit) Regulations 1996) for the year ended 30 June 2014.

**Background**

Auditors

Council appointed auditors RSM Bird Cameron for the financial years ending 30 June 2014, 2015 and 2016 by way of resolution A2014-0303 as recommended by the Audit Committee (A2014-0109).

Audit Committee

The Shire of Yalgoo audit committee was established by resolution of Council following the 2013 general election in accordance with s7.1A of the Act as per the following excerpt from the minutes:

C2013-1026      *Audit Committee*

*That Council nominates Cr TK Iturbide, Cr MR Valenzuela, Cr NA Grinham, Cr RW Grinham, Cr SK Willock, and Cr AB Fawkes to comprise the Shire of Yalgoo audit committee in compliance with s7.1A of the Local Government Act 1995 and that the term of office be until the next ordinary elections in October 2015.*

*Moved: Cr SK Willock Seconded: Cr MR Valenzuela Motion put and carried by Absolute Majority 5/0*

Audited Financial Statements and Auditor's Report

The CEO received the audited financial statements, unqualified independent auditor's report and a management report electronically from RSM Bird Cameron on Tuesday 11 November 2014.

**Statutory Environment****Local Government Act 1995**

## 7.1A. Audit committee

(1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.

(2) The members of the audit committee of a local government are to be appointed\* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

**\* Absolute majority required.**

## 7.9. Audit to be conducted

(1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —

- (a) the mayor or president;
- (b) the CEO of the local government; and
- (c) the Minister.

(2) Without limiting the generality of subsection (1), where the auditor considers that —

- (a) there is any error or deficiency in an account or financial report submitted for audit;
- (b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or
- (c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government, details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.

(3) The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —

- (a) prepare a report thereon; and
- (b) forward a copy of that report to the Minister, and that direction has effect according to its terms.

(4) If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government to be dealt with under section 7.12A.

## 7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to —
  - (a) assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and
  - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —
  - (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
  - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to —
  - (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
  - (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

[Section 7.12A inserted by No. 49 of 2004 s. 8.]

**Local Government (Audit) Regulations 1996**

- 10. Report by auditor
  - (1) An auditor’s report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.
  - (2) The report is to give the auditor’s opinion on —
    - (a) the financial position of the local government; and
    - (b) the results of the operations of the local government.
  - (3) The report is to include —
    - (a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government; and
    - (b) any matters indicating non compliance with Part 6 of the Act, the Local Government (Financial Management) Regulations 1996 or applicable financial controls in any other written law; and
    - (c) details of whether information and explanations were obtained by the auditor; and
    - (d) a report on the conduct of the audit.
  - (4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor’s report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor’s report.

**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	The Shire seeks to maintain, and where possible, improve service levels into the future while maintaining a healthy financial position.
Asset Management Plan	
Workforce Plan	
Policy	
Financial (short term/ annual budget)	Report of the financial position and activities of the Shire of Yalgoo for the financial year ended 30 June 2014.

## Consultation

- Ms Heather Boyd, Executive Manager Corporate and Community
- RSM Bird Cameron, Auditors for the Shire of Yalgoo

## Comment

Note that Council is required to formally adopt the Annual Report, which contains the Annual Financial Statements, by absolute majority. The Annual Report will be presented to a Special meeting of Council to be held on 14 November 2013 for consideration.

In summary the Shire has continued to demonstrate growth, with net assets increasing to 32,217,724. The improvement of \$2,327,901 is the total comprehensive income. The surplus of \$2,327,901 is significantly below budget (\$8,755,833) due to a significant reduction in operating transport grants. This has also resulted in an increase in unrestricted cash at year end by \$506,270 to \$1,548,978.

Cash backed reserves increased from \$1,674,610 to \$2,034,335 with considerable movement into unspent grants.

## Responses to Audit Management Report for the Year Ended 30 June 2014

The auditor raised several management matters and Dr Ross Theedom, Chief Executive Officer has responded. The attached sheets and Dr Theedom's responses is attached.

## Voting Requirements

Simple Majority

### Officer Recommendation

#### Audited Financial Report and Independent Auditor's Report for the Year Ended 30 June 2014

That the Audit Committee, having examined the annual financial statements and the report of the auditor, recommends to Council:

1. That there are no matters raised that require action to be taken by the local government under s7.12A (3) (a); and
2. That Council adopt the audited financial statements and independent audit report for the year ended 30 June 2014

Moved: Seconded: Motion put and carried/lost

### Officer Recommendation

#### Audit Management Report for the Year Ended 30 June 2014

That the Audit Committee receives the Audit Management Report for the year ended 30 June 2014 and the responses prepared by Dr Theedom, Chief Executive Officer.

Moved: Seconded: Motion put and carried/lost



## 5.2 Internal Audit Report on Regulation 17 of the Audit Regulations 1996

File:	
Author:	
Interest Declared:	No interest to disclose
Date:	11 November 2014
Attachments	P8 Internal Audit Report

### Matter for Consideration

To consider an internal audit report that addresses Regulation 17 of the Audit Regulations 1996.

### Background

The Western Australian Government has implemented a new requirement in the Audit Regulations 196 whereby all Local Government Authorities are required to undertake an internal audit on the appropriateness and effectiveness of its systems and procedures in relation to:

- Risk Management
- Internal Controls
- Legislative Compliance

### Statutory Environment

#### LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996 - REG 17

#### 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.

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.

(3) The CEO is to report to the audit committee the results of that review.

### Business Implications

Strategic Community Plan	
Corporate Business Plan	
Long Term Financial Plan	
Asset Management Plan	
Workforce Plan	
Policy	
Financial (short term/ annual budget)	

**Consultation**

- Mr Silvio Brenzi, Deputy Chief Executive Officer Technical Services
- Ms Heather Boyd, Executive Manager Corporate and Community
- Ms Margaret Hemsley, RiskID

**Comment**

The internal audit of the systems and processes of the Shire of Yalgoo were undertaken during the week commencing 26 October 2014. Staff within the administration were interviewed using a questionnaire developed by Ms Hemsley. This questionnaire enabled a clear picture of the level of implementation of required systems and procedures to be developed.

The attached report provides an overview of the outcomes of the internal audit. Whilst the Shire can be shown to have implemented a range of accountability measure designed to minimise risk, there is clear evidence that there is a significant amount of work required to achieve an acceptable level of risk minimisation.

Over the coming year, the Administration intends to implement a range of new measures, most notably a business continuity plan and a disaster recovery plan as well as progress existing measures and training staff on what measures are in place and what they need to look for in area.

The implementation of a new financial management system will also provide significant stimulus to improving risk management systems and procedures.

**Voting Requirements**

Simple Majority

**Officer Recommendation****Internal Audit Report on Regulation 17 of the Audit Regulations 1996**

**That the Audit Committee, note the findings of the internal audit required under Regulation 17 of the Audit Regulations 1996.**

**Moved:**

**Seconded:**

**Motion put and carried/lost**

**6. URGENT BUSINESS****7. MEETING CLOSURE**