

Shire of Denmark
Minutes



SHIRE OF DENMARK AUDIT COMMITTEE

HELD IN THE COUNCIL CHAMBER,
953 SOUTH COAST HIGHWAY, DENMARK,
TUESDAY 26 MARCH 2013, COMMENCING 2.00PM.

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1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

2. RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE

MEMBERS:

- Cr Ross Thornton (Presiding Officer)
- Cr John Sampson
- Cr Kelli Gillies
- Cr Adrian Hinds
- Cr Jan Lewis
- Cr Barbara Marshall
- Cr Dawn Pedro
- Cr Ian Osborne
- Cr Roger Seeney
- Cr Alex Syme

STAFF:

- Mr Dale Stewart (Chief Executive Officer)
- Mr Garry Bird (Director of Finance and Administration)
- Mr Steve Broad (Accountant)

APOLOGIES:

- Cr Belinda Rowland

ON LEAVE OF ABSENCE:

ABSENT:

- Cr David Morrell

VISITORS:

DECLARATIONS OF INTEREST:

Name	Item No	Interest	Nature
Cr Hinds	5.1	Impartiality	Client of Byfield's

3. ANNOUNCEMENTS BY THE PERSON PRESIDING

4. CONFIRMATION OF MINUTES

4.1 AUDIT COMMITTEE MEETING 22 & 29 JANUARY 2013

COMMITTEE DECISION & OFFICER RECOMMENDATION	ITEM 4.1
Cr Sampson	Cr Pedro
That the minutes of the Shire of Denmark Audit Committee meeting held on 22 and 29 January 2013, be confirmed as a true and correct record of the proceedings.	
Carried 10:0	

5. OFFICER REPORTS

5.1 APPOINTMENT OF AUDITOR

File Ref:	FIN.31
Applicant / Proponent:	Shire of Denmark
Subject Land / Locality:	Not applicable
Disclosure of Officer Interest:	Nil
Date:	12 March 2013
Author:	Garry Bird, Director of Finance & Administration
Authorising Officer:	Garry Bird, Director of Finance & Administration
Attachments:	5.1 - Audit Contract Submissions

Summary:

The existing Audit Contract with Lincolns Accountants and Business Advisers expired on 30 June 2012.

As such Council is required to appoint a new Auditor effective 1 July 2012.

Background:

The form and scope of the Audit Contract is prescribed by the Local Government Act 1995 and accompanying Local Government (Audit) Regulations 1996.

The previous contract was for a five year term. The current audit specification nominated a three year term.

Comment:

Following the preparation of an Audit Specification, invitations were sent to three firms who specialise in Local Government Auditing (in addition to other services); these firms were as follows;

- Lincolns Accountants and Business Advisers.
- Byfields Accountants and Business Advisers, and
- UHY Haines Norton Chartered Accountants.

All three firms returned their respective submissions by the closing date of 28 February 2013. A copy of these submissions is attached to this report for the consideration of Elected Members.

Firms invited to provide a submission were asked to address the following criteria;

- Methodology.
- Experience.
- Capacity.
- Management Systems, and
- Fee Proposal.

An assessment of the three submissions received against these criteria indicates all three firms would have the ability to undertake the audit to the prescribed standard and have demonstrated experience in this specialised field. Lincoln's Accountants and Business Advisers were considered to have a slight advantage in terms of experience as a result of their familiarity with the Shire of Denmark's financial systems developed over many years as auditor.

This noted, price was considered a determining factor in the Officers Recommendation, with a summary of the quotes submitted and adjusted to reflect the intention of Policy P040216 Regional Price Preference Policy, as follows;

NAME	YEAR 1	YEAR 2	YEAR 3	TOTAL	ADJUSTED FOR RPP
Lincolns	\$14,250	\$14,650	\$15,060	\$43,960.00	\$41,762
Byfields	\$12,500	\$13,000	\$13,650	\$39,150.00	\$39,150
UHY Haines Norton	\$20,300	\$21,350	\$22,400	\$64,050.00	\$64,050

Nb – the above prices are GST exclusive.

Over a three year period, the net cost difference of \$2,612 between Lincoln's and Byfield's is considered to be insignificant in terms of the importance of the services to be provided and given the Shire of Denmark's long association with Lincoln's, the Officer has recommended their appointment for a three year term.

Consultation:

Nil

Statutory Obligations:

Local Government Act 1995 Divisions 2, 3 and 4 Appointment of Auditors.

Division 2 — Appointment of auditors

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.*

7.5. *Approval of auditors*

The Minister may approve a person who, immediately before the commencement of this Act —

- a) *was a registered local government auditor within the meaning of that term in Part XXVII of the Local Government Act 1960 ⁴ as in force before that commencement; and*
- b) *was the auditor of a local government, as an approved auditor for the purposes of this Act.*

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.*

Division 3 — Conduct of audit

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; and*
 - 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; or*
 - 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.*

7.10. Powers of auditor

- (1) *An auditor —*
 - a) *has a right of access at all reasonable times to such books, accounts, documents and assets of the local government as are, in the opinion of the auditor, necessary to allow the audit to be conducted; and*
 - b) *may require from a member or an employee of the local government —*
 - (i) *any book, account, document or asset of the local government; or*
 - (ii) *any information, assistance or explanation, necessary for the performance of the duty of the auditor in relation to the audit; and*

c) *may, at the expense of the local government obtain and act upon a legal opinion on a question arising in the course of an audit.*

(2) *In this section and in section 7.11 **employee** includes a person who has a contract for services with the local government.*

7.11. *Power to demand production of books etc.*

For the purpose of an audit, inspection or inquiry, an auditor has authority at all reasonable times and without notice to demand from the local government and its employees, the production of books, accounts, vouchers, papers, documents, records, assets and cash in hand, belonging to the local government or being in the custody or control of it or any of its employees.

7.12. *Employees and financial institutions to furnish particulars of money received*

(1) *An employee of a local government is to furnish to an auditor, as and when required, a statement in writing of all money received in his or her official capacity by the employee whether on account of the local government or otherwise.*

(2) *A bank or other financial institution at which a local government has an account is required to furnish to an auditor, as and when required, full particulars of the account.*

Division 4 — General

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.*

LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996.

7. *Agreement with auditors, contents of*

- a) *An agreement between a local government and an auditor is to include —*
- b) *the objectives of the audit; and*
- c) *the scope of the audit; and*

- d) *a plan for the audit; and*
- e) *details of the remuneration and expenses to be paid to the auditor; and*
- f) *the method to be used by the local government to communicate with, and supply information to, the auditor.*

8. *Termination of audit agreement, Executive Director to be notified*

- (1) *Where an agreement between a local government and an auditor is terminated —*
 - a) *the local government is to, within a period of 30 days from the termination, give to the Executive Director —*
 - (i) *notice of the termination; and*
 - (ii) *the reasons for the termination;*
 - and*
 - b) *the auditor is to, within a period of 30 days from the termination, advise the Executive Director of the termination.*
- (2) *Notwithstanding any provision of an agreement between a local government and an auditor to the contrary, an auditor is to be given notice in writing of the termination of his or her appointment.*

9. *Performance of audit*

- (1) *An audit is to be carried out in accordance with the “Auditing Standards” and “Auditing Guidance Statements” adopted from time to time by the Australian Society of Certified Practising Accountants and The Institute of Chartered Accountants in Australia.*
- (2) *An auditor is to carry out such work as is necessary to form an opinion as to whether —*
 - a) *the accounts are properly kept; and*
 - b) *the annual financial report —*
 - (i) *is prepared in accordance with the financial records; and*
 - (ii) *represents fairly the results of the operations of the local government and the financial position of the local government at 30 June in accordance with the Australian Accounting Standards and the Act.*

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.

11. Hours and fees, auditor to give Minister statement of

An auditor is to provide to the Minister with the auditor's report a detailed statement of —

- a) the hours worked on the audit; and
- b) the remuneration and expenses due to the auditor by the local government.

12. Auditor's conflict of interest, auditor to report

An auditor is to report a possible conflict of interest to the Minister as soon as possible after the auditor becomes aware of the possible conflict of interest.

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.

Policy Implications:

Regional Price Preference Policy P040216 relates as follows;

“Objective

To provide price preference to regional suppliers tendering for contracts with Council.

Policy

1. Price preference will apply to all tenders invited by Council for the supply of goods and services and construction (building) services, unless Council resolves that this policy not apply to a particular tender.
2. The following levels of preference will be applied under this policy:
 - a) Goods and Services up to a maximum price reduction of \$50,000
10% to businesses located within the Shire of Denmark
5% to businesses located within the City of Albany and Shires of Plantagenet and the Walpole Ward of the Shire of Manjimup.

- b) *Construction (Building) Services up to a maximum price reduction of \$50,000. 5% to businesses located within the Shire of Denmark 2.5% to businesses located within the City of Albany and Shires of Plantagenet and the Walpole Ward of the Shire of Manjimup.*
- c) *Goods and Services, including Construction (Building) Services up to a maximum price reduction of \$500,000, if Council is seeking tenders for the provision of those goods or services for the first time, due to those goods or services having been, until then, undertaken by Council. 10% to businesses located within the Shire of Denmark 5% to businesses located within the City of Albany and Shires of Plantagenet and the Walpole Ward of the Shire of Manjimup.*
3. *The levels of preference outlined in 2.2 above, will only apply to businesses that have been located within the local government areas specified for at least 6 months prior to the closing date of tenders.*
4. *Only those goods or services identified in the tender as being from regional sources will be included in the discounted calculation that forms a part of the assessment of a tender.*
5. *It should be noted that price is only one of the factors to be assessed when Council decides to accept the tender it thinks would be the most advantageous to accept.”*

As stated earlier, Lincolns Accountants and Business Advisers would be entitled to a 5% price reduction in their quoted price, based on their Albany location while the other two firms are outside of the districts specified in the Policy.

Budget / Financial Implications:

The costs of undertaking the annual audit process are included within the 2012/13 Municipal Budget, with a sum of \$15,000 allocated for the current financial year.

Strategic Implications:

There are no known significant strategic implications relating to the report or the officer recommendation.

Sustainability Implications:

➤ **Environmental:**

There are no known significant environmental considerations relating to the report or officer recommendation.

➤ **Economic:**

There are no known significant economic considerations relating to the report or officer recommendation.

➤ **Social:**

There are no known significant social considerations relating to the report or officer recommendation.

Voting Requirements:

Simple Majority for committee purposes. An Absolute Majority of Council will be required to appoint the Auditor.

Cr Marshall left the Meeting at 2.37pm.

<p>ALTERNATE RECOMMENDATION Moved Cr Hinds</p> <p>That the Shire of Denmark Audit Committee recommend to Council the appointment of Mr Dale Woodruff of Byfields Accountants and Financial Advisers as the Auditor for the Shire of Denmark for a one year period effective 1 July 2012 to 30 June 2013, with an option for a further two years. Motion Lost 4/5</p>	<p>ITEM 5.1 Seconded Cr Thornton</p>
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<p>COMMITTEE DECISION & OFFICER RECOMMENDATION Moved Cr Sampson</p> <p>That the Shire of Denmark Audit Committee recommend to Council the appointment of Mr Russell Harrison of Lincolns Accountants and Business Advisers as the Auditor for the Shire of Denmark for the period 1 July 2012 to 30 June 2015. Carried 9:0</p>	<p>ITEM 5.1 Seconded Cr Gillies</p>
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Cr Marshall returned to the Meeting at 2.37pm.

6. NEXT MEETING

The next meeting of the Shire of Denmark Audit Committee is to be held as required or after the completion of the 2012/13 Annual Financial Statement and subsequent audit.

7. CLOSURE OF MEETING

There being no further business to discuss the meeting was declared closed at 2.44pm.

The Chief Executive Officer recommends the endorsement of these minutes at the next meeting.

Signed: _____
Dale Stewart – Chief Executive Officer

Date: 27 March 2013

These minutes were confirmed at a meeting on the _____.

Signed: _____
(Presiding Person at the meeting at which the minutes were confirmed.)