

SHIRE OF KOJONUP



Audit Committee Minutes

11th February 2014

SHIRE OF KOJONUP
MINUTES FOR THE AUDIT COMMITTEE MEETING
HELD ON 11th FEBRUARY 2014

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A G E N D A

1 DECLARATION OF OPENING AND ANNOUNCEMENT OF GUESTS

At the Council meeting held 19th November 2013 the following persons were elected by absolute majority as members of the Audit Committee:

Cr Ronnie Fleay	
Cr Robert Sexton	
Cr Jane Trethowan	
Cr John Benn	
Cr Frank Pritchard	
Cr Ian Pedler	
Cr Jill Mathwin	
Cr Ned Radford	
Mr D Prasser-Jones	Community Member of the Audit Committee

Being the first meeting following the elections of committee members the Chief Executive Officer, in accordance with Section 5.12 and Schedule 2.3 Division 1 of the Local Government Act 1995, presided over the meeting until such time as the office of Presiding member was filled.

The Chief Executive Officer declared the meeting opened at 11:25am.

2 ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

Members

Cr Ronnie Fleay	Shire President
Cr Robert Sexton	Deputy Shire President
Cr Jane Trethowan	
Cr John Benn	
Cr Frank Pritchard	
Cr Ian Pedler	
Cr Jill Mathwin	
Cr Ned Radford	
Mr D Prasser-Jones	Community Member of the Audit Committee

Mr Russell Harrison	Shire of Kojonup External Auditor Lincoln's Accountants and Business Advisors (Via a Teleconference from 11.30am)
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Ex Officio

Mr Rick Mitchell-Collins	Chief Executive Officer
Mr Anthony Middleton	Manager of Corporate Services

APOLOGIES

Nil

11.33am Cr Sexton & Cr Fleay left the meeting.

3 ELECTION OF PRESIDING MEMBER

ELECTION OF PRESIDING MEMBER (2 year term)

NOTE: Nomination for Presiding member must be made in writing to the CEO at any time prior to the meeting and during the meeting up until the election. The Committee member nominated must accept the nomination either orally or in writing.

The election of Presiding member will be carried out in accordance with *Local Government Act 1995 Section 2.6(3), Schedule 2.3 & 4.1 and the Local Government (Constitution) Regulations 1998.*

Nominations were called for the position of Committee Presiding Member.

The Chief Executive Officer announced that nominations for the position of Presiding Member would close in one minute's time.

The Chief Executive Officer then declared that nominations for the position of Presiding Member were closed.

A nomination was received from Mr David Prasser-Jones

Mr David Prasser-Jones was declared elected unopposed for a term of 2 years.

Mr David Prasser-Jones assumed the Chair and presided over the remainder of the meeting.

4 PUBLIC QUESTION TIME

There were no members of the public present.

Discussion was held in respect to having more independent members and less elected members on this committee. A few suggestions of community members were discussed and an agenda item is to go the next ordinary meeting of Council.

5 SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

6 APPLICATIONS FOR LEAVE OF ABSENCE

Nil

7 **CONFIRMATION OF MINUTES**

AUDIT COMMITTEE MEETING held 19th February 2013

Corrections: Nil

COMMITTEE DECISION

A32/14 Moved Cr Benn, seconded Cr Mathwin that the Minutes of the Audit Committee Meeting held on 19th February 2013 be confirmed as a true record.

CARRIED 7/0

8 **ANNOUNCEMENTS** by the Presiding Member without discussion

The Presiding Member stated that:

- The lead time of the agenda etc. is insufficient;
- There were simple procedural errors identified by the auditors;
- The Management Letter is startling (ratios, some incomplete); and
- inclusion of additional community members onto the Audit Committee.

9 **PETITIONS, DEPUTATIONS & PRESENTATIONS**

Nil

10 **DECLARATIONS OF INTEREST**

Nil

Item 11.2 was considered now, however has been recorded in the order of the agenda.

11 DISCUSSION WITH RESPECT TO AUDIT REPORT**11.1 2013 COMPLIANCE AUDIT RETURN**

AUTHOR: Anthony Middleton – Manager of Corporate Services
DATE: Wednesday, 5 February 2014
FILE NO: CM.REP.1
ATTACHMENT: 11.1 - 2013 Compliance Audit Return

DECLARATION OF INTEREST

Nil

SUMMARY

To review the 2013 Compliance Audit Return (CAR) and make recommendation to the Council.

BACKGROUND

The Department of Local Government has prepared and circulated to each local government an annual return covering various statutory compliance matters under the Local Government Act and associated regulations. A copy of the completed return is attached.

COMMENT

The completion of the return is mandatory for each local government. The return has been completed following a review of processes and documentation for each activity / area in which compliance is being assessed against the Local Government Act 1995 (as amended) and associated regulations.

A change to regulation 14 requires that the local government's Audit Committee now reviews the CAR and reports the results of that review to the Council prior to adoption by the Council and submission to the Department.

CONSULTATION

Nil required

STATUTORY REQUIREMENTS/ENVIRONMENT

The Local Government Audit Regulations 1996, Regulation 14 states:

- “(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 sub regulation (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.”

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

There are no financial implications

STRATEGIC IMPLICATIONS

There are no strategic implications

VOTING REQUIREMENTS

Simple Majority

COMMITTEE DECISION / OFFICER RECOMMENDATION

A34/14 Moved Cr Trethowan, seconded Cr Benn that:

- 1. The Compliance Audit Return for 2013 as attached be adopted; and**
- 2. The Audit Committee provide a report to the Council in accordance with Regulation 14(3A) of the Local Government Audit Regulations 1996 recommending adoption of the Compliance Audit Return as attached.**

CARRIED 7/0

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

Kojonup - Compliance Audit Return 2013

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government and Communities together with a copy of section of relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2013.	N/A		Anthony Middleton
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2013.	N/A		Anthony Middleton
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2013.	N/A		Anthony Middleton
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2013.	N/A		Anthony Middleton
5	s3.59(5)	Did the Council, during 2013, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Anthony Middleton

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A	No Committees had delegated authority	Anthony Middleton
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Anthony Middleton
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Anthony Middleton
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Anthony Middleton
5	s5.18	Has Council reviewed delegations to its committees in the 2012/2013 financial year.	Yes		Anthony Middleton
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Anthony Middleton
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Anthony Middleton
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Anthony Middleton
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Anthony Middleton
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Anthony Middleton
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Anthony Middleton
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2012/2013 financial year.	Yes		Anthony Middleton
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Anthony Middleton

Disclosure of Interest

No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	No	On one occasion in December 2013, a member remained present but did not participate in the debate or vote.	Anthony Middleton
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Anthony Middleton

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Anthony Middleton
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	No		Anthony Middleton
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Anthony Middleton
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2013.	Yes		Anthony Middleton
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2013.	No	Definition of a designated employee and who should fill out return has been reviewed by Senior Management to capture a greater scope of staff members.	Anthony Middleton
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Anthony Middleton
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Anthony Middleton
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Anthony Middleton
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Anthony Middleton
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Anthony Middleton
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Anthony Middleton

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

No	Reference	Question	Response	Comments	Respondent
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Anthony Middleton
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee,	Yes		Anthony Middleton
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Anthony Middleton

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Anthony Middleton
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes		Anthony Middleton

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes		Anthony Middleton

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Anthony Middleton
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	N/A		Anthony Middleton
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Anthony Middleton

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
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No	Reference	Question	Response	Comments	Respondent
4	s7.3	Was the person(s) appointed by the local government to be its auditor, an approved auditor.	Yes		Anthony Middleton
5	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	N/A	No appointment made in 2013	Anthony Middleton
6	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2013 received by the local government within 30 days of completion of the audit.	Yes		Anthony Middleton
7	s7.9(1)	Was the Auditor's report for 2012/2013 received by the local government by 31 December 2013.	Yes		Anthony Middleton
8	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A		Anthony Middleton
9	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Anthony Middleton
10	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Anthony Middleton
11	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Anthony Middleton
12	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Anthony Middleton
13	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Anthony Middleton
14	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Anthony Middleton
15	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Anthony Middleton

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
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Local Government Employees					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	Yes		Anthony Middleton
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	Yes		Anthony Middleton
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	Yes		Anthony Middleton
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	Yes	The Council through their HR Consultant complied with this requirement	Anthony Middleton
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes		Anthony Middleton
Official Conduct					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Anthony Middleton
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Anthony Middleton
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Anthony Middleton
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Anthony Middleton
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Anthony Middleton
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) (c).	Yes		Anthony Middleton

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Department of Local Government and Communities - Compliance Audit Return

Government of Western Australia
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Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Anthony Middleton
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A		Anthony Middleton
3	F&G Reg 14(1)	Did the local government invite tenders via Statewide public notice.	Yes		Anthony Middleton
4	F&G Reg 14, 15 & 16	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Anthony Middleton
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Anthony Middleton
6	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Anthony Middleton
7	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Anthony Middleton
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Anthony Middleton
9	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Anthony Middleton
10	F&G Reg 21 & 22	Did the local governments' advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Anthony Middleton
11	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A		Anthony Middleton

Department of Local Government and Communities - Compliance Audit Return



Government of Western Australia
Department of Local Government and Communities

No	Reference	Question	Response	Comments	Respondent
12	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes		Anthony Middleton
13	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes		Anthony Middleton
14	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Anthony Middleton
15	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$100,000 or less.	Yes		Anthony Middleton

I certify this Compliance Audit return has been adopted by Council at its meeting on _____

Signed Mayor / President, Kojonup

Signed CEO, Kojonup

Item 11.2 was discussed after Item 10, but has been recorded in the order of the agenda.

11.2 CONDUCT OF MEETING WITH AUDITOR – 2012/2013 AUDIT

DATE: Wednesday, 5 February 2014
AUTHOR: Anthony Middleton, Manager of Corporate Services
FILE NO: FM.AUD.1
ATTACHMENT: 11.2 Audit Letter & Observations

DECLARATION OF INTEREST

Nil

SUMMARY

To resolve how the meeting between the Audit Committee and Councils Auditor will be conducted.

BACKGROUND

The Council's Auditor, Lincolns, have produced an Audit Report and a list of Audit Observations for the 2012/2013 financial year.

The purpose of the meeting is to discuss with the Auditor, the conduct of the audit, the audit findings, and the state of the Shire's financial affairs generally.

It is important to note that the objectives of the Committee include:

- 1.1 The primary objective of the Audit Committee is to assist Council in the effective conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of internal controls and facilitating the organisation's ethical development.
- 1.2 The Audit Committee is established to assist the co-ordination of relevant activities of management, the internal audit function and the external auditor to facilitate achieving overall organisational objectives in an efficient and effective manner.
- 1.3 As part of Council's governance obligations to its community, Council has constituted the Audit Committee to facilitate:
 - a) The enhancement of the credibility and objectivity of internal and external financial reporting;
 - b) Effective management of financial and other risks and the protection of Council assets;
 - c) Compliance with laws and regulations as well as use of best practice guidelines;
 - d) The effectiveness of the internal audit function;
 - e) The provision of an effective means of communication between the external auditor, internal audit, management and the Council.

COMMENT

Legislation specifies that a local government is required to meet with its auditor at least once in every year. The Department of Local Government and Regional Developments Local Government Operational Guidelines – Number 09, Part 16 states:

“It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or Audit Committee should resolve how the meeting with the Auditor will be conducted and for the record of the meeting to show that the Auditor was involved and the matters discussed.”

CONSULTATION

The Department of Local Government and Regional Development has previously been consulted with respect to communication with Auditors via telephone conference.

STATUTORY ENVIRONMENT

Section 5.25 - Local Government Act 1995

Regulation 14A of the Local Government (Administration) Regulations 1996 and Local Government Operational Guidelines – Number 09

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

COMMITTEE DECISION / OFFICER RECOMMENDATION

A33/14 Moved Cr Trethowan, seconded Cr Pritchard that the Audit Committee resolve to conduct a meeting with Councils Auditor Mr Russell Harrison of Lincoln’s Accountants and Business Advisors via telephone conference.

CARRIED 7/0

12:07pm A teleconference was held with Paul Gilbert & Russell Harrison from Lincolns Accountants and Business Advisors (Shire Auditors), commencing at 12.07pm.

12:35pm The teleconference concluded.

Attachment 11-2

13 DEC 2013

T: Audit\ShKoj\2013\ML2013\rlt.jpg



11 December 2013

IFM14761
SHIRE OF KOJONUP
FM.AUD.2

FILE#				
CEO	EC or IIC	NFA	JACS <input checked="" type="checkbox"/>	ARC5
BCR	SFO	WVA	CDPO	PE
MISMA	MM	PLAN		

Mr. Rick Mitchell-Collins
Chief Executive Officer
Shire of Kojonup
PO Box 163
KOJONUP WA 6395

Dear Councillors,

Audit for the year ended 30 June 2013

We are pleased to report that our audit of the Shire of Kojonup's financial statements and records for the year ended 30 June 2013 is now complete.

Accordingly we enclose a signed copy of the financial statements and audit certificate for your attention.

We confirm that we will arrange for one copy to be forwarded directly to the Department of Local Government, and the Shire President on your behalf.

Prior to reporting findings for Council and Management of the nature of audit tests conducted. The work undertaken by us to form an opinion is permeated by judgment, in particular regarding the nature, timing and extent of the audit procedures for gathering of audit evidence and the drawing of conclusions based on the audit evidence gathered.

In addition, there are inherent limitations in any audit. These include the use of testing, collusion and the fact that most audit evidence is persuasive rather than conclusive. As a result, our audit provides reasonable – not absolute – assurance that the financial systems of the Shire of Kojonup are functioning reliably.

In general we found the financial statements presented for audit were well prepared and supporting audit papers were complete and readily available.

We undertook a complete assessment of the Shire's financial systems and assessed areas of risk.

We are pleased to report that this review confirmed the strong internal controls within the financial and reporting systems of the Shire of Kojonup.

70-74 Frederick Street - PO Box 494, ALBANY WA 6331
 • info@lincolns.com.au // lincolns.com.au
 • (08) 9943 1200 / (08) 9943 1094

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Comment on Financial Position

The following table compares your financial ratios (note 19) to standards prescribed by the Local Government Regulations:

Ratio	Description	Result	Prescribed Standard
Current Ratio	Indicates the Shire's ability to meet short term debt obligations.	3.21	The standard is met if the ratio is greater than 1.
Asset Sustainability Ratio	Indicates that the Shire is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.	0.89	The standard is met if the ratio is 0.9 or higher.
Debt Service Cover Ratio	Indicates the Shire's ability to repay its debt including lease payments.	19.62	A basic standard is met if the ratio is greater than or equal to 2. An advanced standard is met if the ratio is greater than 5.
Operating Surplus Ratio	Indicates the Shire's ability to cover its operational costs and have revenues available for capital funding or other purposes.	(0.11)	A basic standard is met between 0.01 and 0.15. An advanced standard is met if the ratio is greater than 0.15.
Own Source Revenue Coverage Ratio	Indicates the Shire's ability to cover its costs through its own revenue efforts.	0.50	A basic standard is met if the ratio is between 0.4 and 0.6. Intermediate standard is between 0.6 and 0.9. An advanced standard is met if the ratio is greater than 0.9.
Asset Consumption Ratio	Measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost	N/A	The standard is met if the ratio is 0.5 or greater. The standard is improving if the ratio is between 0.6 and 0.75.
Asset Renewal Funding Ratio	Measures the ability of the Shire to fund its projected asset renewal/replacements in the future.	N/A	The standard is met if the ratio is between 0.75 and 0.95. The standard is improving if the ratio is between 0.95 and 1.05.

-3-

Other Matters

We refer you to the attached audit observations and comments schedule.

In conclusion we take this opportunity to thank Heather, Brodie and your administration staff for their pleasant and co-operative assistance throughout the audit.

Should there be any matters that you would like to discuss further please do not hesitate to contact us.

Kind Regards



Russell Harrison
Partner

Enc

Matter	Present Procedure Finding	Recommendation	Shire's Comments
Municipal Bank Reconciliation	<p>The Municipal Bank account reconciliation as at 30 June 2013 contains outstanding cheques, which we consider to be more appropriately classified as creditors. The amount of \$242,992.31 was paid by a series of electronic transfers and cheques drawn during July 2013 and are therefore classified under creditors under accounting standards. Whilst the net affect is not material for financial reporting purposes, the correct classification is essential for maintaining consistent processing and internal control procedures.</p>	<p>We recommend that all adjustments be investigated and cleared as part of the bank reconciliation process.</p>	<p>Agreed</p>
Review of Month End Bank Reconciliations	<p>We note that the year end bank reconciliation had not been signed off as reviewed by a person independent of who prepared it. The year end reconciliation had several drafts and amendments made to it, making it difficult to trace the audit trail (particularly lists) of reconciling items.</p>	<p>We recommend that the bank reconciliations are checked and signed as true and correct by both the responsible officer who prepared the reconciliation and a reviewer who the responsible officer reports to.</p>	<p>Agreed Monthly processes will be changed in line with recommendation</p>
Land Held for Resale	<p>Council owns land which is held for resale. The land is partially disclosed as a current asset with the balance a non-current asset. During the year one lot was sold, being Lot 57 Thornbury Close, which had been disclosed as a current asset. When journals were posted to account for the sale the non-current asset was reduced rather than the current asset.</p>	<p>We recommend that the land held for resale current asset be decreased by \$ 24,000 and the non current asset increased by \$ 24,000. As the net adjustment is not material, no adjustment is required to the financial statements, however, the journal should be posted in the current year.</p>	<p>Agreed</p>
Valuation of Land held for Resale.	<p>Land held for resale has been valued at cost. Generally, accounting standards require that assets be valued at the lower of cost and net realisable value. The cost of the Thornbury Close property sold during the year was \$ 24,000, however, it was sold for \$ 10,000.</p>	<p>We recommend that land held for resale be revalued together with land & buildings as part of the fair value implementation during the year ended 30 June 2014.</p>	<p>Agreed</p>
Land and Buildings	<p>The asset register record of land and buildings at cost does not agree to the general ledger record. The variance of \$ 4,000 is offset by the same variance in accumulated depreciation.</p>	<p>We recommend that the necessary \$ 4,000 journal be posted to ensure general ledger cost and accumulated depreciation balances agree to the asset register.</p>	<p>Agreed</p>

Matter	Present Procedure Finding	Recommendation	Shire's Comments
Sundry Creditors	Sundry creditors includes an account requisition for payment on 17 November 2004 being the Water Corporation head works charges, in the amount of \$ 33,200. To date the amount has not been paid.	We recommend that this item be investigated and if it is no longer payable then it should be considered by Council and if necessary resolved to be written back to profit.	Agreed – Agenda item to be prepared for Council's consideration
Creditors Ledger	As at 30 June 2013, the creditors ledger had a debit balance of \$ 29,976. (ie negative). This was the result of the July creditor remittances being posted in the 12/13 year when the creditors invoices to which it related were processed in the 13/14 year.	We recommend that creditors remittances be posted in the correct accounting year, which will always correspond with the date the entry is processed.	Agreed

12 REPORTS**12.1 2012/13 ANNUAL FINANCIAL STATEMENT AND AUDITOR'S REPORT**

DATE: Wednesday, 5 February 2014
AUTHOR: Anthony Middleton, Manager of Corporate Services
FILE NO: FM.AUD.1
ATTACHMENT: 12.1.1 2012/13 Annual Financial Report (incl. Audit Report)

DECLARATION OF INTEREST

Nil

SUMMARY

To accept the Shire of Kojonup's 2012/13 Annual Financial Report, Audit Report and Audit Letter and Observations.

BACKGROUND

Each local government is to prepare an Annual Financial Report for each financial year. The report is a record of the Shire's activities and financial position for the financial year and is part of the accountability principles established for local government.

COMMENT

It is important that this Committee consider any follow up or remedial action that may be required from issues raised in the Audit Report and letter.

Verbal confirmation of the Audit finding can be sought from the Auditor during the telephone meeting. A summary of responses not covered in the management letter will be included in the minutes.

Shire Officers are not members of this committee and are present to answer any questions from Committee members and the Auditor. The officers can leave the meeting when appropriate to allow direct and transparent communication between the committee members and the Auditor.

CONSULTATION

The Annual Financial report has been the subject of close examination by the appointed auditors, Lincolns Accountants and Business Advisors.

STATUTORY ENVIRONMENT

Section 5.26 to 5.33; 5.53 & 5.54 - Local Government Act 1995
Regulation 51(2) of the Local Government (Financial Management) Regulations 1996

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

COMMITTEE DECISION / OFFICER RECOMMENDATION

A35/14 Moved Cr Mathwin, seconded Cr Trethowan that:

- 1. The Audit Letter and Observations for the year ended 30th June 2013 as attached to Item 11.2 of this agenda, be accepted;**
- 2. The Annual Financial Report, incorporating the Auditors Report, for the year ended 30th June 2013 be accepted, and recommended to the Council for adoption; and**
- 3. The Manager of Corporate Services prepare a progress report on the ‘observation’ items raised in the Audit letter for the next meeting of the Audit Committee.**

CARRIED 7/0

13 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

14 NEW BUSINESS

Of an urgent nature, introduced by a decision of the meeting

Nil

15 NEXT MEETING

Tuesday, 1st April 2014

16 CLOSURE

There being no further business to discuss, the Presiding Member, thanked the members for their attendance and declared the meeting closed at 12:55pm.

17 ATTACHMENTS (SEPARATE)

Item 12.1.1 2012/13 Annual Financial Report including Audit Report

Presiding Member

Date