

I hereby certify that the Minutes of the Audit (Finance and Risk) Committee Meeting held are a true and accurate record of the proceedings contained therein.

Chairperson

Date



SHIRE OF WYNDHAM | EAST KIMBERLEY

MINUTES
AUDIT (FINANCE AND
RISK) COMMITTEE

4 November 2014

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**SHIRE OF WYNDHAM EAST KIMBERLEY
AGENDA OF THE AUDIT (FINANCE AND RISK)
COMMITTEE
KUNUNURRA COUNCIL CHAMBERS
HELD ON TUESDAY, 4 NOVEMBER 2014 AT 3:00 PM**

1. DECLARATIONS OF OPENING

The Chairperson declared the meeting open at 3.01pm.

2. RECORD OF ATTENDANCE / APOLOGIES

ATTENDANCE

Cr K Wright	Councillor (Chairperson)
Cr J Moulden	Shire President
Cr B Robinson	Councillor
Cr D Spackman	Councillor (arrived at 3.10pm)
Cr R Dessert	Councillor (not a member of the Committee, arrived at 4.04pm)
Cr S Cooke	Councillor (not a member of the Committee, arrived at 4.31pm)
Cr D Learbuch	Councillor (not a member of the Committee, arrived at 4.31pm)
K Hannagan	Acting Chief Executive Officer
N Octoman	Director Corporate Services (Minute Taker)
L Gee	Director Community Development
D Tomasi	UHY Haines Norton

APOLOGIES

Nil

LEAVE OF ABSENCE PREVIOUSLY APPROVED

Nil

3. DECLARATION OF INTEREST

- Financial Interest

Nil

- Impartiality Interest

Nil

- Proximity Interest

Nil

4. ACCEPTANCE OF MINUTES OF PREVIOUS MEETING

4.1 AUDIT (FINANCE AND RISK) COMMITTEE MEETING MINUTES 12 AUGUST 2014

RECOMMENDATION

That the Minutes of the Audit (Finance and Risk) Committee meeting of 12 August 2014 be accepted as a true and accurate record of proceedings.

COMMITTEE RESOLUTION

Minute: AC318

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Minutes of the Audit (Finance and Risk) Committee meeting of 12 August 2014 be accepted as a true and accurate record of proceedings.

Carried Unanimously 3/0

5. DEPUTATIONS / PRESENTATIONS / SUBMISSIONS / NOTICES OF MOTIONS

David Tomasi, UHY Haines Norton

Kevin Hannagan enters the Chambers at 3.03pm

Cr D Spackman enters the Chambers at 3.10pm

6. REPORTS

6.1 STANDING ITEM - SUNDRY DEBTORS

DATE:	4 November 2014
PROPONENT:	Shire of Wyndham East Kimberley
LOCATION:	Shire of Wyndham East Kimberley
AUTHOR:	Paul Tily, Debtors Officer
REPORTING OFFICER:	Natalie Octoman, Director Corporate Services
FILE NO:	FM.07.2
DECLARATION OF INTERESTS:	Nil

PURPOSE

To review status of sundry debtors, including airport debtors, and sundry debts in legal process.

BACKGROUND

The listing of 90+ Day Sundry Debtors was provided at the Ordinary Council Meeting on a monthly basis until March 2009 when Council resolved that the 90+ days debtor list be removed from the Council Agenda as a standing item and be presented to the then Audit Committee for consideration and to make recommended actions to Council as this falls within the scope of the committee's purpose.

In line with the more strategic focus of the new Committee the report in April 2012 only included debtor balances at 90+days and over \$500.

To further progress this strategic focus this item has been changed to provide summary information regarding all sundry debts including airport landing fees administered by Avdata on the Shire's behalf. Sundry debtors in legal process have also been incorporated into this item to provide a complete picture of sundry debtors.

Further changes were recommended to the Committee at the February 2014 meeting to modify the report by removing the categories previously reported and to report sundry debtors as a whole, with airport debtors still being identified separately and that only debtors in excess of \$20,000 be provided with more detail. These changes were supported by the Committee and have been implemented in this report.

STATUTORY IMPLICATIONS

This item in a Council Meeting needs to be discussed behind closed doors under Section 5.23. (2) (e) (iii) of the *Local Government Act 1995* because the item may disclose information about the business, professional, commercial or financial affairs of a person and because the item also contained legal advice to the Council.

POLICY IMPLICATIONS

No policy implications apply in relation to this item.

FINANCIAL IMPLICATIONS

Legal fees may be incurred to recover debts or revenue written off if debt recovery is considered not economically viable.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.3: Maintain Council's long term financial viability

The costs associated with legal fees to recover debt need to be weighed up against the debt to ensure an economically viable action is being taken.

COMMUNITY CONSULTATION

Community consultation is not required in relation to this item.

COMMENT

Sundry Debtors (General) Summary – 27 October 2014

Categories	90 Days		60 Days	30 Days	Current	Total
	No	\$	\$	\$	\$	\$
Sundry Debtors	52	164,934	78,655	147,944	682,938	1,074,471

Note: The information in the above table is from the Shire's Debtors System, the revenue is recognised when the debt is raised.

Sundry Debtors (Airport Landing Fees) Summary – 27 October 2014

Categories	90 Days		60 Days	30 Days	Current	Total
	No	\$	\$	\$	\$	\$
Kununurra Airport	32	15,927	18,277	130,268	122,026	286,498
Wyndham Airport	5	1,312	1,266	2,358	2,865	7,801
Total		17,239	19,543	132,626	124,891	294,299

Note: The information in the above table is provided by Avdata.

ATTACHMENTS

Attachment 1 - Sundry Debtors detailed report as at 27 October 2014 (Confidential attachment provided under separate cover)

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee reports to Council that the actions being undertaken by the administration in regard to sundry debtors including sundry debts in legal process are sufficient and appropriate.

COMMITTEE RESOLUTION

Minute: AC319

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Audit (Finance and Risk) Committee reports to Council that the actions being undertaken by the administration in regard to sundry debtors including sundry debts in legal process are sufficient and appropriate.

Carried Unanimously 4/0

6.2 STANDING ITEM - RATES DEBTORS

DATE:	4 November 2014
PROPONENT:	Shire of Wyndham East Kimberley
LOCATION:	Shire of Wyndham East Kimberley
AUTHOR:	Veronica Gulland, Senior Rates Officer
REPORTING OFFICER:	Natalie Octoman, Director Corporate Services
FILE NO:	FM.11.1
DECLARATION OF INTERESTS:	NIL

PURPOSE

To review the status of rates debtors and those rates debts those are in the legal process.

BACKGROUND

At the Ordinary Council Meeting, 16 October 2007, Council moved the following resolution:

Minute No. 7936

That Council direct the CEO to provide a written report to Council under confidential cover each month in regard to all debts currently in legal process.

Carried Unanimously 5/0

At the Ordinary Council Meeting, 18 March 2008, Council moved the following:

Minute No: 8148

Moved: Cr J Parker Seconded: Cr F Mills

That Council:

- 1. note the confidential report provided to it in relation to debts owed to Council and under legal action.***
- 2. direct the Executive Manager Corporate Services to provide a written report to the Audit Committee under confidential cover at each Audit Committee meeting in regard to all debts currently in legal process.***
- 3. request the Audit Committee to make recommendations to Council as required and appropriate in relation to the report provided under confidential cover regarding debts currently in legal process.***
- 4. resolve that this requirement replaces the previous requirement on the CEO to report information to Council.***

Carried Unanimously 8/0

This requirement is now fulfilled by a combination of this report and item 5.1 Standing Item – Sundry Debtors.

The Outstanding Rates Debtors over three years report has also been incorporated into the confidential attachment to this item to give a complete picture of rates debtors.

STATUTORY IMPLICATIONS

This item in a Council Meeting needs to be discussed behind closed doors under Section 5.23. (2) (e) (iii) of the *Local Government Act 1995* because the item may disclose information about the business, professional, commercial or financial affairs of a person and because the item also contained legal advice to the Council.

POLICY IMPLICATIONS

No policy implications apply in relation to this item

FINANCIAL IMPLICATIONS

Legal fees may be incurred to recover debts or revenue written off if debt recovery is considered not economically viable.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.3: Maintain Council's long term financial viability

COMMUNITY CONSULTATION

Community consultation is not required in relation to this item

COMMENT

Rates and Services Debtors Summary

Rates & Services Levied 2014/2015 (including arrears)	Rates & Services Debt at 21 October 2014	Overdue at 21 October 2014
\$ 11,492,363.57	\$3,956,889.96	\$2,142,591.74

Rates for the financial year of 2014/15 were raised and issued on 12 September 2014. Interim rating occurs periodically throughout the year.

Comparison of rates received 2013/14 and 2014/15

Days from Billing		2013/14			2014/15		
		Total Outstanding	Received	% of Billing	Total Outstanding	Received	% of Billing
		\$	\$		\$	\$	
0	Notices Issued	9,283,794			11,031,944.11		
7		8,836,119	447,675	4.82%	10,535,586.16	496,358	4.50%
14		8,106,853	729,266	7.86%	8,370,659.39	2,164,927	19.62%
21	Discount due date*	5,906,296	2,200,557	23.70%	7,539,027.79	831,632	7.54%
28		5,579,966	326,330	3.52%	6,786,900.53	752,127	6.82%
35	Rates Due date	3,235,775	2,344,191	25.25%	4,017,509.21	2,769,391	25.10%
42		3,024,109	211,666	2.28%	3,629,050.11	388,459	3.52%
Total			6,259,685	67.43%		7,402,894	67.10%

*In 2013/14 a 2.5% discount was granted. In 2014/15 no discount was granted.

A comparison of rates received for 2013/14 and 2014/15 shows that the total rates received by 7 days after due date does not vary significantly with or without a discount.

ATTACHMENTS

Attachment 1 - Rates Debtors - Detailed Report (Confidential Attachment provided under separate cover)

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee reports to Council that the actions being undertaken by the administration in regard to rates debtors, including rates debts in legal process are sufficient and appropriate.

COMMITTEE RESOLUTION

Minute: AC320

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Audit (Finance and Risk) Committee reports to Council that the actions being undertaken by the administration in regard to sundry debtors including sundry debts in legal process are sufficient and appropriate.

Carried Unanimously 4/0

Cr R Dessert enters the Chambers at 4.04pm

6.3 STANDING ITEM - OVERDRAFT FACILITY UPDATE

DATE:	4 November 2014
PROPONENT:	Shire of Wyndham East Kimberley
LOCATION:	Shire of Wyndham East Kimberley
AUTHOR:	Felicity Heading, Coordinator Financial Operations
REPORTING OFFICER:	Natalie Octoman, Director Corporate Services
FILE NO:	N/A
DECLARATION OF INTERESTS:	Nil

PURPOSE

To provide an update to the Audit (Finance and Risk) Committee on the status of the overdraft facility approved by Council at the Special Council Meeting on 13 August 2014.

BACKGROUND

At the Special Council Meeting held on 13 August 2014 the Council passed the following resolution:

DECISION

Minute No. 10503

Moved: Cr K Wright

Seconded: Cr R Dessert

That as a result of unbudgeted liability associated with the delay in reimbursement of monies expended as a result of the flood event in February 2014 that Council:

- 1. advertise for one month, via local public notice the intention to take out a \$2.5 million bank overdraft to cover the expenditure associated with the flood event in February;*
- 2. notes that the bank overdraft will be an ongoing facility and incorporated into the annual budget for adoption;*
- 3. requires the status of the overdraft facility to be a standing item on the Audit (Finance and Risk) Committee Agenda.*

Carried 8/1

For: Cr K Wright, Cr R Dessert, Cr J Moulden, Cr D Learbuch, Cr B Robinson,

Cr S Cooke, Cr G Taylor, Cr G King

Against: Cr D Spackman

STATUTORY IMPLICATIONS

Nil

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The \$2.5 million bank overdraft was approved by Council to assist in the day-to-day cashflow management following the WANDRRA flood event and for potential future use.

Quotes were obtained from Bankwest, Commonwealth Bank, Westpac and National Australia bank. Bankwest provided the most competitive quote overall with the following fees and charges to apply:

- Establishment fee: Waived (normally \$3,500)
- Maintenance fee: \$10 per month (\$120 per annum)
- Line of Credit Fee: \$500 charged on the last day of each quarter (\$2,000 per annum)
- Interest rate: 6.5% which will be charged only on any funds that are utilised.

Until utilised the total cost to maintain the facility will be \$2,120 per annum.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.1: Ensure legislative compliance and follow best practice principles in planning and service delivery

Strategy 1.4.3: Maintain Council's long term financial viability

COMMUNITY CONSULTATION

A public notice was issued on 21 August for one month in accordance with the requirements of the *Local Government Act 1995*.

COMMENT

The overdraft facility approved by the Council on 13 August 2014 has been applied for and approved by the Shire's existing bank, Bankwest.

Due to the non-standard nature of the security being provided for the facility there has been a delay in the preparation of the overdraft documents by Bankwest with the documents being received by the Shire for signing on 23 October. Upon reviewing the security documents further information has been sought from Bankwest regarding some of the terms and conditions. It is expected that this process will be completed shortly and the final documents signed as soon as practicable.

Cashflow to cover WANDRRA flood event expenses to date has been managed with existing funds until rates revenue has been received. Due to the deficit budget adopted for 2014/15 it is anticipated that the overdraft may be utilised towards the end of the financial year, but should not be required prior to this time.

ATTACHMENTS

There are no attachments associated with the report.

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee reports to Council that:

1. The \$2.5 million overdraft facility has been approved by Bankwest.
2. There have been delays in the preparation of the documentation due to the non-standard nature of the security provided to Bankwest.
3. It is anticipated that the overdraft facility may be utilised towards the end of the 2014/15 financial year, given the adoption of a budget deficit for 2014/15.

COMMITTEE RESOLUTION

Minute: AC321

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Audit (Finance and Risk) Committee reports to Council that:

- 1. The \$2.5 million overdraft facility has been approved by Bankwest.**
- 2. There have been delays in the preparation of the documentation due to the non-standard nature of the security provided to Bankwest.**
- 3. It is anticipated that the overdraft facility may be utilised towards the end of the 2014/15 financial year, given the adoption of a budget deficit for 2014/15.**

Carried Unanimously 4/0

6.4 STANDING ITEM - LEASES

DATE:	4 November 2014
PROPONENT:	Shire of Wyndham East Kimberley
LOCATION:	N/A
AUTHOR:	Natalie Octoman, Director Corporate Services
REPORTING OFFICER:	Natalie Octoman, Director Corporate Services
FILE NO:	CP.07, CP.16

PURPOSE

To consider the attached Confidential Lease Report as at October 2014.

BACKGROUND

The Shire of Wyndham East Kimberley administers over thirty five leases ranging from airport leases, community and commercial leases.

In December 2007 the Audit (Risk and Finance) Committee resolved:

Minute No. A066

Moved: Cr Keith Wright Seconded Cr Frederic Mills

1. that the Audit Committee note that the responsibility for the management of leases and periodical contracts is that of the Executive Manager Corporate Services.
2. that the Audit Committee note that the Executive Manager Corporate Services monitors the leases and coordinates the lease data base and reporting to Executive Managers, the Audit Committee and Council.
3. that the Audit Committee request staff to present an updated Lease Spreadsheet certified by Executive Manager Corporate Services to each Audit Committee meeting as a standing item.

Carried Unanimously 4/0

STATUTORY IMPLICATIONS

Local Government Act 1995
Part 5, Division 2

5.23. Meetings generally open to public

- (1) *Subject to subsection (2), the following are to be open to members of the public —*
 - (a) *all council meetings; and*
 - (b) *all meetings of any committee to which a local government power or duty has been delegated.*
- (2) *If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the*

public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following -

- (a) a matter affecting an employee or employees; and*
 - (b) the personal affairs of any person; and*
 - (c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting; and*
 - (d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting; and*
 - (e) a matter that if disclosed, would reveal -*
 - (i) a trade secret; or*
 - (ii) information that has a commercial value to a person; or*
 - (iii) information about the business, professional, commercial or financial affairs of a person,*
where the trade secret or information is held by, or is about, a person other than the local government; and
 - (f) a matter that if disclosed, could be reasonably expected to —*
 - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; or*
 - (ii) endanger the security of the local government's property; or*
 - (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety;*
- and*
- (g) information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1971; and*
 - (h) such other matters as may be prescribed.*

- (3) A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.*

POLICY IMPLICATIONS

While there are no policy implications currently, it is envisaged that a Leasing Policy is developed for the Shire in the future.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012 - 2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability.

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.1: Ensure legislative compliance and follow best practice principles in planning and service delivery.

Strategy 1.4.2: Improve the efficiency and productivity of Shire services.

Strategy 1.4.3: Maintain Council's long term financial viability.

COMMUNITY CONSULTATION

There is no requirement for the community to be consulted in relation to this item.

COMMENT

Leases have been the topic of some discussion over recent months given the level of involvement of staff from across the Shire in their negotiation and day to day management.

While the discussions are continuing, the update to the Audit (Finance and Risk) Committee will remain the responsibility of the Corporate Services Directorate.

The Lease Schedule attached has incorporated new information in relation to the rateability of the properties, and each affected item will be updated in the next report depending upon the outcome of the Council decision in relation to rates concessions that will be applied.

It should be noted that the "Matters Under Investigation" that were requested to be incorporated into the Lease Schedule are generally planning and compliance matters, and will not be incorporated in the Lease Schedule in future months.

ATTACHMENTS

Attachment 1- Lease Schedule (Confidential attachment provided under separate cover)

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Committee:

1. Notes the Confidential Lease Schedule attached.
2. Notes the information sourced in relation to the matters that are under investigation and recognises that they are planning and compliance matters and will no longer form part of the Lease Schedule.

ALTERNATIVE RECOMMENDATION

That the Committee recommends to the Council that:

1. Notes the Confidential Lease Schedule attached;
2. Notes the information sourced in relation to the matters that are under investigation and recognises that they are planning and compliance matters and will no longer form part of the Lease Schedule;
3. That Shire Officers' follow up compliance with conditions of approvals for the planning approvals at Lot 5 Messmate Way and Lot 554 Papuana Street, Kununurra respectively;
4. That Shire Officers' develop a draft Alfresco Dining Council Policy in accordance with the Activities in Thoroughfares and Public Places and Trading Local Law 2005, to be used as the basis of approving all application for alfresco dining;
5. Alfresco Dining permits should only be granted for a maximum 12 month term to ensure that current public liability insurance is maintained and to ensure ongoing compliance with conditions of the permit;
6. Any fees associated with alfresco dining, such as an initial application fee or annual licence/permit fees, should be included in Council's Fees and Charges; and
7. That further investigation is undertaken regarding the implementation of Council Minute No: 8695 Kimberley Café – LPG Tank behind the Café.

COMMITTEE RESOLUTION

Minute: AC322

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Committee recommends to the Council that:

- 1. Notes the Confidential Lease Schedule attached;**
- 2. Notes the information sourced in relation to the matters that are under investigation and recognises that they are planning and compliance matters and will no longer form part of the Lease Schedule;**
- 3. That Shire Officers' follow up compliance with conditions of approvals for the planning approvals at Lot 5 Messmate Way and Lot 554 Papuana Street, Kununurra respectively;**
- 4. That Shire Officers' develop a draft Alfresco Dining Council Policy in accordance with the Activities in Thoroughfares and Public Places and Trading Local Law 2005, to be used as the basis of approving all application for alfresco dining;**
- 5. Alfresco Dining permits should only be granted for a maximum 12 month term to ensure that current public liability insurance is maintained and to ensure ongoing compliance with conditions of the permit;**
- 6. Any fees associated with alfresco dining, such as an initial application fee or annual licence/permit fees, should be included in Council's Fees and Charges; and**
- 7. That further investigation is undertaken regarding the implementation of Council Minute No: 8695 Kimberley Café – LPG Tank behind the Café.**

Carried Unanimously 4/0

6.5 PROPOSED MEETING DATES FOR THE AUDIT (FINANCE AND RISK) COMMITTEE FOR 2015

DATE:	4 November 2014
PROPONENT:	Shire of Wyndham East Kimberley
LOCATION:	Shire of Wyndham East Kimberley
AUTHOR:	Natalie Octoman, Director Corporate Services
REPORTING OFFICER:	Natalie Octoman, Director Corporate Services
FILE NO:	N/A

PURPOSE

To consider the proposed meeting dates for the Audit (Finance and Risk) Committee for 2015 in accordance with section 12 of the *Local Government (Administration) Regulations 1996* and recommend that Council endorse the proposed dates.

BACKGROUND

The Audit (Finance and Risk) Committee was first provided delegations from the Council in the early 2014 therefore imposing the requirement for the Committee meetings to be open to the public in accordance with section 5.23 of the *Local Government Act 1995*.

The delegation from the Council has recently been ratified at its Ordinary Meeting on 26 August 2014 whereby the Council provided delegated authority to the Committee to meet annually with the Shire of Wyndham East Kimberley's auditor(s) as required by Section 7.12A(2) of the *Local Government Act 1995*.

This therefore provides that the meetings are to remain open to the public for 2015 and shall be outlined in a local public notice in accordance with the legislation.

STATUTORY IMPLICATIONS

Local Government Act 1995 ***Part 5, Division 2***

5.23. Meetings generally open to public

- 1) (1) *Subject to subsection (2), the following are to be open to members of the public —*
 - (a) *all council meetings; and*
 - (b) *all meetings of any committee to which a local government power or duty has been delegated.*

Local Government (Administration) Regulations 1996 ***Part 2***

12. Meetings, public notice of (Act s. 5.25(1)(g))

- 2) (1) *At least once each year a local government is to give local public notice of the dates on which and the time and place at which —*
 - (a) *the ordinary council meetings; and*

- (b) *the committee meetings that are required under the Act to be open to members of the public or that are proposed to be open to members of the public,*
- 3) *are to be held in the next 12 months.*
- 4) (2) *A local government is to give local public notice of any change to the date, time or place of a meeting referred to in subregulation (1).*
- 5) (3) *Subject to subregulation (4), if a special meeting of a council is to be open to members of the public then the local government is to give local public notice of the date, time, place and purpose of the special meeting.*
- 6) (4) *If a special meeting of a council is to be open to members of the public but, in the CEO's opinion, it is not practicable to give local public notice of the matters referred to in subregulation (3), then the local government is to give public notice of the date, time, place and purpose of the special meeting in the manner and to the extent that, in the CEO's opinion, is practicable.*

POLICY IMPLICATIONS

There are no direct policy implications associated with this item.

FINANCIAL IMPLICATIONS

Minor expenditure will be incurred to ensure the appropriate advertising occurs for the proposed meeting dates.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012 - 2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability.

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.1: Ensure legislative compliance and follow best practice principles in planning and service delivery.

COMMUNITY CONSULTATION

There is no requirement for the community to be consulted prior to considering the proposed meeting dates.

If the Committee and subsequently Council adopt the proposed meeting dates, the community will be provided with local public notice of these dates in accordance with the legislative requirements.

COMMENT

The proposed schedule has taken into account the dates of the Briefing Sessions to ensure that the Committee meetings dates can be aligned with a briefing session date.

It is therefore proposed that the Committee meetings take place at 3pm on the day of the Briefing Sessions to be held in February, May, August and November. Note that this will mean amending a previous meeting date in March 2015 that was approved, but this was prior to the recent Council consideration of meeting dates.

Month	Audit (Finance and Risk) Committee Tuesday 3.00pm	Council Briefing Session Tuesday 5.00pm
February	10 February	10 February
May	12 May	12 May
August	11 August	11 August
November	10 November	10 November

ATTACHMENTS

There are no attachments associated with this report.

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Committee:

1. Recommends to Council that the Audit (Finance and Risk) Committee meetings are held in accordance with the following dates, times and place:

Date	Time	Place
Tuesday, 10 February 2015	3:00pm	Council Chambers, Kununurra
Tuesday, 12 May 2015	3:00pm	Council Chambers, Kununurra
Tuesday, 11 August 2015	3:00pm	Council Chambers, Kununurra
Tuesday, 10 November 2015	3:00pm	Council Chambers, Kununurra

2. Notes that the Tuesday, 3 March 2015 meeting will no longer be held; and
3. Recommends to Council that local public notice of the meetings outlined in part 1 above is provided in accordance with section 12 of the *Local Government (Administration) Regulations 1996*.

COMMITTEE RESOLUTION

Minute: AC323

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Committee:

- 1. Recommends to Council that the Audit (Finance and Risk) Committee meetings are held in accordance with the following dates, times and place:**

Date	Time	Place
Tuesday, 10 February 2015	3:00pm	Council Chambers, Kununurra
Tuesday, 12 May 2015	3:00pm	Council Chambers, Kununurra
Tuesday, 11 August 2015	3:00pm	Council Chambers, Kununurra
Tuesday, 10 November 2015	3:00pm	Council Chambers, Kununurra

- 2. Notes that the Tuesday, 3 March 2015 meeting will no longer be held; and**
- 3. Recommends to Council that local public notice of the meetings outlined in part 1 above is provided in accordance with section 12 of the *Local Government (Administration) Regulations 1996*.**

Carried Unanimously 4/0

6.6 REQUEST FOR WRITE OFF OF OUTSTANDING RATES PENALTIES AND LEGAL CHARGES - RATES ASSESSMENT A7303

DATE:	4 November 2014
PROPONENT:	Shire of Wyndham East Kimberley
LOCATION:	Shire of Wyndham East Kimberley
AUTHOR:	Veronica Gulland, Senior Rates officer
REPORTING OFFICER:	Natalie Octoman Director Corporate Services
FILE NO:	FM.11.17
ASSESSMENT NO:	A7303
DECLARATION OF INTERESTS:	Nil

PURPOSE

For the Audit (Finance and Risk) Committee to consider a request to write off penalties, rates and legal charges on Assessment A7303

BACKGROUND

Rates assessment A7303 is a mining tenement which was surrendered on 10 July 2014. Debt collection procedures were undertaken in accordance with the Shire's Rates and Charges Debt Collection Policy CP FIN-3212. A General Procedure Claim was issued on 4 December 2013 and was served on 10 December 2013 at the companies registered office.

No payments or contact were made by the company and judgement was entered by the court on 13 January 2014, and a Property Seizure and Sale Order was issued. This order was not able to be served at the registered office as the company had moved and the order was returned by the bailiff.

A Property Seizure and Sale Order was re-issued on 23 May 2014 to the director of the company at their personal address. The director advised the bailiff that the company had ceased trading, had no assets and that the director was insolvent. A subsequent company search revealed that the company was deregistered on the 18 May 2014. The Shire's Debt Collection Agency has advised the Shire that they have exhausted all options to recover this debt.

STATUTORY IMPLICATIONS

Relevant legislation:
Local Government Act 1995
section 6.12.

Power to defer, grant discounts, waive or write off debts

“(1) Subject to subsection (2) and any other written law, a local government may —

- a) when adopting the annual budget, grant* a discount or other incentive for the early payment of any amount of money; or*
- b) waive or grant concessions in relation to any amount of money; or*
- c) write off any amount of money, which is owed to the local government*

** Absolute majority required.*

- (2) Subsection (1)(a) and (b) do not apply to an amount of money owing in respect of rates and service charges.*
- (3) The grant of a concession under subsection (1)(b) may be subject to any conditions determined by the local government.*
- (4) Regulations may prescribe circumstances in which a local government is not to exercise a power under subsection (1) or regulate the exercise of that power.”*

POLICY IMPLICATIONS

Council Policy CP-3212 Rates and Charges Debt Collection Policy

2.2 Accounts 57 Days or more in Arrears after the Initial Rates Notice

Any costs incurred by the Shire of Wyndham East Kimberley to recover rates and charges in arrears will be on-charged to the ratepayer.

- a) Any assessments with outstanding rates and charges after 14 days from the date of issue of the Final Notice will be issued with a Notice of Intention to Summons (Demand) by the Shire’s debt collection agency allowing 7 days for payment or for the ratepayer to contact the Shire.*
- b) If no response is received after the 7 days period a General Procedure Claim will be issued.*
- c) General Procedure Claims will not be issued on claims under \$200.00.*
- d) It should be noted that when a General Procedure Claim is issued, this will impact upon the ratepayer’s credit rating – refer to the Council’s Notice of Discontinuance (Rates and Debtors) Policy.*
- e) Ratepayers are required to either pay the full amount including debt collection costs or enter into an alternative payment arrangement that has been authorised by the Director Corporate Services. A payment arrangement must be requested in writing on the payment arrangement form.*
- f) If no response to the General Procedure Claim (GPC) is received within fourteen (14) days after being issued, a Property Seizure and Sale Order on goods will be issued.*

OR

- g) If no response to the General Procedure Claim (GPC) is received within fourteen (14) days after being issued, and the assessment is a leased or rented property, a notice will be served to the tenant / lessee under section 6.60 of the Local Government Act 1995 requiring the lessee or tenant to pay to the Shire the rent due that they would otherwise pay under the lease/tenancy agreement as it*

becomes due, until the amount in arrears has been paid. The approval of the Council is required to be obtained before this course of action is undertaken.

FINANCIAL IMPLICATIONS

Should the Audit (Finance and Risk) Committee recommend to the Council to approve the request to write off the rates, penalties and legal fees for rates assessment A7303 a total amount of \$4,752.75 will be written off. The breakdown of this as follows:

Rates	\$1,297.87
Interest	\$1,022.07
Legal Charges	\$1,631.93
Debt Collection/Recovery Fees	\$ 596.95
UV Waste Management Charge	\$ 203.93
TOTAL	<u>\$4,752.75</u>

There is a budget implication of \$4,752.75 as this write off was not budgeted for in the 2014/15 budget.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.3: Maintain Council's long term financial viability

COMMUNITY CONSULTATION

Community consultation is not required in relation to this item.

COMMENT

The company that held the mining tenement for this assessment is no longer registered. As it is now a Non-current mining tenement all debt collection avenues available have been exhausted and there is no prospect of recovery of the debt.

ATTACHMENTS

There are no attachments associated with the report.

VOTING REQUIREMENT

Absolute Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee recommends to the Council to approve the request to write off the rates, penalties and legal fees of \$4,752.75 on rates assessment A7303.

COMMITTEE RESOLUTION

Minute: AC324

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Audit (Finance and Risk) Committee recommends to the Council to approve the request to write off the rates, penalties and legal fees of \$4,752.75 on rates assessment A7303.

Carried Unanimously 4/0

6.7 PROPOSED PROCESS FOR THE ENGAGEMENT OF AUDIT SERVICES TO THE SHIRE OF WYNDHAM EAST KIMBERLEY FROM 1 JULY 2015 TO 30 JUNE 2020

DATE:	4 November 2014
PROPONENT:	Shire of Wyndham East Kimberley
LOCATION:	Shire of Wyndham East Kimberley
AUTHOR:	Natalie Octoman, Director Corporate Services
REPORTING OFFICER:	Natalie Octoman, Director Corporate Services
FILE NO:	N/A

PURPOSE

For the Audit (Finance and Risk) Committee to consider and approve the proposed process for the appointment of an auditor commencing 1 July 2015 for a period of 5 years.

BACKGROUND

In accordance with section 7.2 of the *Local Government Act 1995*, 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.

UHY Haines Norton has been the Council's auditor since 2007/08 where they were awarded a 3 year contract concluding in 2009/10. Quotes were sought for a new auditor appointment and UHY Haines Norton were appointed for a further 5 years, with the current contract concluding on 30 June 2015.

STATUTORY IMPLICATIONS

In accordance with the *Local Government Act 1995*:-

7.2. Audit

- 7) *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

- 8) (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.*

- 9) (2) *The local government may appoint one or more persons as its auditor.*

- 10) (3) *The local government's auditor is to be a person who is —*
(a) *a registered company auditor; or*
(b) *an approved auditor.*

7.6. Term of office of auditor

- 11) (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.*

7.8. Terms of appointment of auditors

- 12) (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.*
- 13) (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.*

POLICY IMPLICATIONS

The CP/FIN-3204 Purchasing Policy provisions are relevant.

FINANCIAL IMPLICATIONS

An estimate for all audit functions has been incorporated into the 2014/15 Annual Budget however the future years will be dependent upon the quotes received.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved service

Strategy 1.4.1 Ensure legislative compliance and follow best practice principles in planning and service delivery

Strategy 1.4.3 Maintain Council's long term financial viability

Strategy 1.4.4 Deliver cost effective and efficient corporate services

COMMUNITY CONSULTATION

Community consultation is not required.

COMMENT

In accordance with Council's current Procurement Policy, Officers could utilise the WALGA Preferred Supplier Panel in order to simply extend the current contract with UHY Haines Norton given the preferred supplier status held by the company.

Given the budget constraints faced by the Shire, it is the Officer's opinion that a more competitive deal may be entered into if the Shire were to test the market, particularly given the new legislative requirements captured by Regulation 17 of the *Local Government (Audit) Regulations 1996* that will be incorporated into the Request for Quotation scope.

The current WALGA Preferred Supplier Contract for Audit Services captures the following scope to include “both financial audit (revenue, expenditure, grants, assets and liabilities) and a broad range of non-financial audit in areas such as:

- Corporate governance
- Customer service
- ICT and forensics
- Process and probity control
- Policy implementation
- Record keeping”

It is therefore proposed that a minimum of three (3) quotes are sought from the WALGA Preferred Supplier Contract for Audit Services (Contract No. 0411-11). The services would incorporate several components:

1. The interim and annual audit of the annual accounts and financial statements;
2. The requirements outlined in Regulation 5 of the *Local Government (Financial Management) Regulations 1996*, commonly referred to as the Financial Management (FM) Review;
3. The requirements outlined in with Regulation 17 of the *Local Government (Audit) Regulations 1996*), commonly referred to as the CEO Biennial Review;
4. Other ad-hoc service provision such as the auditing of acquittals where required, specialist taxation advice, and other professional advice where required.

The quotes would be assessed by a Shire Officer who would then present the findings and provide recommendations at the proposed February Committee meeting. This would then allow for sufficient time to engage the auditor prior to 1 July 2015.

Local Government Operational Guideline Number 09 – Audit in Local Government is attached to assist the Committee members understand their roles and responsibilities in relation to the appointment of auditors, along with the proposed Request for Quote for the Provision of Audit Services to the Shire of Wyndham East Kimberley.

ATTACHMENTS

1. Government Operational Guidelines Number 09 – Audit in Local Government; and
2. Proposed Request for Quotation for the Provision of Audit Services to the Shire of Wyndham East Kimberley.

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Committee recommends to the Council that the Council:

1. Endorses the document "Request for Quotation for the Provision of Audit Services for the Shire of Wyndham East Kimberley" as the basis of attracting and selecting an auditor;
2. Requests the "Request for Quotation for the Provision of Audit Services for the Shire of Wyndham East Kimberley" be sent to a minimum of three (3) audit firms who are members of the WALGA Preferred Supplier Contract for Audit Services (Contract No. 0411-11); and
3. Requests an analysis of the quotations received to be performed by the CEO's delegate, being the Director Corporate Services and the analysis be provided to the February Committee Meeting with the quotations received from each firm to recommend appointment of an auditor to the Council.

COMMITTEE RESOLUTION

Minute: AC325

Moved: Cr B Robinson

Seconded: Cr J Moulden

That the Committee recommends to the Council that the Council:

1. **Endorses the document "Request for Quotation for the Provision of Audit Services for the Shire of Wyndham East Kimberley" as the basis of attracting and selecting an auditor;**
2. **Requests the "Request for Quotation for the Provision of Audit Services for the Shire of Wyndham East Kimberley" be sent to a minimum of three (3) audit firms who are members of the WALGA Preferred Supplier Contract for Audit Services (Contract No. 0411-11); and**
3. **Requests an analysis of the quotations received to be performed by the CEO's delegate, being the Director Corporate Services and the analysis be provided to the February Committee Meeting with the quotations received from each firm to recommend appointment of an auditor to the Council.**

Carried Unanimously 4/0

COMMITTEE RESOLUTION

Minute: AC326

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Committee moves behind closed doors to consider confidential items.

Carried Unanimously 4/0



Government of **Western Australia**
Department of **Local Government and Communities**

Local Government Operational Guidelines

Number 09 – Revised September 2013

Audit in Local Government

The appointment, function
and responsibilities of
Audit Committees

1. Introduction

The *Local Government Act 1995* (the Act) requires that all local governments establish an audit committee. An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the internal and external audit functions.

The purpose of this guideline is to assist local governments to establish and operate an effective audit committee. Clear and comprehensive terms of reference, setting out the committee's roles and responsibilities, are essential and a model terms of reference for an audit committee is provided with this guideline. Matters such as the governing legislation, membership, primary roles and responsibilities of the committee and ancillary functions are also addressed. Guidance is provided to the committee as it approaches its task of appointing an external auditor through provision of a minimum standard audit specification and as it forms an opinion of the local government's internal audit requirements.

2. Audit Requirements, Committees and Functions

The relevant parts of the Act and regulations that relate to audit requirements, audit committees and their functions are listed below.

Financial Management

In relation to financial management under Part 6 of the Act, a local government is to –

- a) prepare and adopt an annual budget in the form and manner prescribed (section 6.2). A copy of the budget is to be sent to the Department within 30 days of adoption.
- b) prepare an annual financial report and such other financial reports as prescribed. The accounts of the local government and annual financial report are to be submitted to the auditor for audit by 30 September (section 6.4).
- c) have a municipal fund and a separate and distinct trust fund (section 6.6).
- d) establish and maintain reserve funds for the holding of monies set aside for future use (section 6.11).

Audit Requirements for Local Governments

Part 7 of the Act and the *Local Government (Audit) Regulations 1996* (the Regulations) address the situation of audit. In relation to the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and

- ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;
- c) a local government is to examine the report of the auditor and is to –
 - i. determine if any matters raised require action to be taken by the local government; and
 - ii. ensure that appropriate action is taken in respect of those matters;
- d) a local government is to –
 - i. prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and
 - ii. forward a copy of that report to the Minister by the end of the next financial year, or six months after the last report prepared by the auditor is received by the local government, whichever is the latest in time.
- e) the only powers and duties that can be delegated to a committee are any of the powers and duties of the local government under Part 7 of the Act; that is, those relating to audit. The committee cannot on-delegate the powers and duties delegated to it;
- f) an audit committee with a member who is a person that is not an elected member can be delegated powers and duties referred to in (e); and
- g) a decision of the committee is to be made by simple majority.

Audit Committee Functions

The Regulations state that an audit committee –

Establishment of the Audit Committee

The Act and Regulations provide that:

In relation to the establishment of an audit committee –

- a) each local government is to establish an audit committee consisting of three or more persons to exercise the powers and discharge the duties conferred on it;
- b) members of the committee are to be appointed by an absolute majority decision of Council. At least three of the members, and the majority of the members, are to be elected members;
- c) the Chief Executive Officer (CEO) is not to be a member of the committee and may not nominate a person to be a member or have a person to represent him or her as a member of the committee;
- d) an employee is not to be a member of the 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;
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor;
- (b) may provide guidance and assistance to the local government as to –
 - (i) matters to be audited;
 - (ii) the scope of audits;
 - (iii) its functions under Part 6 of the Act;
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management;
- (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;
 - (ii) give a copy of the CEO's report to the council;

- (d) review the annual Compliance Audit Return and report to the council the results of that review, and
- (e) consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

3. Operation of Audit Committees

Role and Responsibilities

The role of the audit committee is to support Council in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, internal and external audit functions and ethical accountability.

The audit committee should critically examine the audit and management reports provided by the external auditor. The committee would then determine if matters raised in the reports require action to be taken by the local government and ensure that appropriate action is implemented.

A further role for the audit committee would be to receive and authorise the report relating to the audit prepared by the CEO that is to be sent to the Minister.

This report would outline any actions the local government has taken or intends to take in relation to the matters identified by the auditor.

While a formal internal audit function could be considered to be an operational function and therefore the responsibility of the CEO, it is desirable for an internal auditor to have a direct line of communication to the Audit Committee.

The Audit Committee needs to form an opinion of the local government's internal audit requirements and recommend a course of action that ensures that any internal audit processes adopted are appropriate, accountable and transparent. The role of the external auditor in this regard can be established at the time of appointment.

Please note that an audit committee (or any other committee) cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local government is assigned the function through the legislation, the audit committee may have a role unless the function has been delegated to the CEO by the Council.

The deliberations and recommendations of the committee must be independent and autonomous. Therefore, the Act prohibits the CEO being a member of the committee. However, it is essential that the CEO be given every opportunity to provide his/her expert advice to the committee as he/she does with full Council and other committees.

A model terms of reference is attached as Appendix 1 to assist local governments to define an appropriate role for its audit committee. When considering the model, local governments need to remember it is a guide and they can delete or modify any matters they believe not applicable.

It is important to note that the legislation gives the audit committee a specific role in appointing the auditor. It is to recommend to the Council who should be appointed as the auditor. Attached as Appendix 2 is a model 'Minimum Standard Audit Specification' that local governments can use when developing a process to be used to select and appoint a person to be the auditor.

Local governments can amend the document to suit their individual requirements. Any scope adopted must meet, as a minimum, the legislative requirements, as outlined in the Act and the Regulations.

The legislation specifies that a local government is required to meet with its auditor at least once in every year. The term "local government" in this context means the Council. If Council so resolved via a formal delegation, a meeting between the audit committee and the auditor would satisfy this requirement.

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. It would be inappropriate for Council representatives to meet with the auditor in their offices unless they were members of the Audit Committee or a significant majority of the members are present.

The committee may need to liaise regularly with the external auditor to discuss the audit plan, results of the audit and implementation of any recommendations for action emerging from the audit. How communication and liaison between auditor and committee is to occur should be addressed in the agreement of appointment.

Advice from the auditor may address issues such as –

- (i) an assessment of accounting procedures;
- (ii) an assessment of internal controls;
- (iii) an assessment of risk;
- (iv) compliance with the Act and associated regulations;
- (v) compliance with Council policies;
- (vi) performance assessments on the efficiency and effectiveness of operations;
- (vii) processes of the internal audit;
- (viii) outcomes of the external audit prior to issue of management and audit reports; and
- (ix) changes to accounting standards and legislation and the impact on the local government.

Membership

The Act requires that an audit committee is to consist of a minimum of 3 members and in that situation all must be council members. Where a committee consists of more than 3 members then a majority of those members must be council members. Local governments may decide to appoint a committee involving only elected members or they may appoint one or more persons who are external to the Council. If a Council considers it appropriate, the whole Council can be appointed to the audit committee.

If the local government wishes to appoint one or more persons other than elected members to the committee, which is recommended, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.

Operation of the Committee

Irrespective of the membership of the committee, all legislative requirements relating to committee meetings such as advertising meeting dates, notice of meeting and keeping minutes of meetings need to be complied with.

The legislation prevents a meeting fee being paid to an external person but it is permissible for a payment to be made as a reimbursement of expenses, commensurate with the expertise and knowledge such people bring to the committee. The Council will need to determine whether payment will be offered and the level of that reimbursement payment.

Members of the committee should be encouraged to attend appropriate courses to keep them up to date with legislation, accounting and other relevant issues.

Other Responsibilities

Local governments are required by legislation to complete a statutory compliance return (Compliance Audit Return or CAR) annually and have the return adopted by Council. The return is a checklist of a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered "high risk."

The Audit Committee is to review the annual CAR and report to the Council the results of that review, prior to adoption of the return by Council. After adoption, the return is to be signed by the Mayor or President and the CEO prior to it being forwarded to the Department.

The Audit Committee is to consider the CEO's biennial reviews (see Regulation 17.) of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance and report to the council the results of those reviews.

Attached as Appendix 3 is information to assist in determining what falls within the terms 'risk management,' 'internal control' and 'legislative compliance.'

The audit committee could also consider proposals from the CEO as to whether the compliance audit, and the biennial reviews of risk management, internal control and legislative compliance, are undertaken internally or an external party is contracted to undertake the task. In the case of an external party the audit committee would have responsibility to receive the review report from the CEO and make recommendations on it to full Council.

4. The External Audit

Appointment of the Auditor

The Act and Regulations provide that –

- a) 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;
- b) the local government may appoint one or more persons as its auditor;
- c) the local government's auditor is to be a person who is –
 - a. a registered company auditor; or
 - b. an auditor approved by the Minister;
- d) a person may not be appointed as a local government auditor if that person is –
 - a. a councillor or employee of the local government;
 - b. in debt to the local government for more than \$5,000;
 - c. a councillor or employee of a regional local government in which the local government is a participant;
 - d. a member of an incorporated association formed by the local government; or
 - e. a class of persons as prescribed in the Regulations;
- e) an auditor is not to be appointed for more than five years; and
- f) the appointment of a person as an auditor is to be made by agreement in writing and is to include –
 - i. the objectives of the audit;
 - ii. the scope of the audit;
 - iii. a plan for the audit;
 - iv. details of the remuneration and expenses to be paid to the auditor; and
 - v. the method to be used by the local government to communicate with, and supply information to, the auditor.

The committee should undertake a proper selection and appointment process as part of appointing, or reappointing an auditor. If reappointment is being considered, the process should include the review of key issues as in i. to v. above.

It is important to realise that the Act specifies that it is a named person(s) that is appointed as auditor, not the company, or 'the partners' of the company which employs the person. Therefore, when the audit report is received it must be signed by the person(s) appointed as the auditor; it cannot be the generic signature identifying the firm.

Conduct of the Audit

The Act and Regulations provide that –

- a) the auditor is required by 31 December next following the financial year to which the audit relates, to examine the accounts and annual financial report submitted for audit;
- b) the auditor is to form an opinion as to whether –
 - i. the accounts are properly kept; and
 - ii. the annual financial report –
 - is prepared in accordance with the financial records; and
 - represents fairly the results of the operations of the local government and its financial position at 30 June;
- c) the auditor is to prepare a report on the audit and within 30 days of completing the audit forward a copy to –
 - i. the mayor or president;
 - ii. the CEO of the local government; and
 - iii. the Minister;

- d) the report is to give the auditor's opinion on –
- i. the financial position of the local government; and
 - ii. the results of the operation of the local government;
- e) the report is to include –
- i. any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
 - ii. any matters indicating non-compliance with financial management requirements of the Act, Regulations and any other written law;
 - iii. details of whether information and explanations were obtained;
 - iv. a report on the conduct of the audit; and
 - v. the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions;
- f) where it is considered appropriate to do so the auditor is to prepare a management report to accompany the auditor's report;
- g) where the auditor considers that –
- i. there is any error or deficiency in an account or financial report;
 - ii. any money paid from, or due to the local government has been, or may have been misapplied; or
 - iii. there is a matter arising from the audit that needs to be addressed by the local government; details are to be included in the report to the Minister; and

- h) the auditor 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.

Scope of the Audit

The Act and Regulations prescribe the scope of the external audit of the annual financial statements of a local government.

The scope details are going to vary between local governments but as an aid a model minimum standard audit specification is attached as Appendix 2 to this guideline. Individual local governments can amend that document to suit their particular needs.

Reporting by the Auditor

Regulations require the auditor, where appropriate, to prepare a management report to accompany the auditor's report. Although there is no legislative requirement for the auditor to prepare a management report unless he or she deems it appropriate, local government may wish to require the auditor to prepare a report on all issues identified during the audit.

The auditor, after completing the audit, is to forward a copy of his or her audit and management report to –

- the Mayor or President;
- the CEO of the local government; and
- the Minister via the Department.

It is the CEO's responsibility to ensure that the external audit report is provided to the audit committee. In considering the audit and management reports presented to the audit committee, the CEO should:

- a) examine any critical matters raised in the reports that affect the financial position of the local government; and
- b) provide comment on any critical matters raised and action proposed to be taken to address those matters.

Once Council has addressed matters raised, or accepted the CEO's planned remedial action on matters raised in the audit and management reports, the CEO should provide feedback to the Department on those matters.

Appendix 1

Model Terms of Reference – Audit Committees

Important: The following Model Terms of Reference contains clauses that may not be applicable to each local government. Local governments will need to consider each clause and only adopt those that are applicable to the roles and responsibilities and delegated powers and functions that will apply to their audit committee.

The clauses that may be considered optional have been asterisked (*).

Objectives of Audit Committees

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate –

- the enhancement of the credibility and objectivity of *internal and external financial reporting;

- *effective management of financial and other risks and the protection of Council assets;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- *the coordination of the internal audit function with the external audit; and
- the provision of an effective means of communication between the external auditor, *internal auditor, the CEO and the Council.

Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

Membership

The committee will consist of *four members with three elected and *one external person. All members shall have full voting rights.

*External persons appointed to the

committee will have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.

*Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.

*Reimbursement of approved expenses will be paid to each external person who is a member of the committee.

The CEO and employees are not members of the committee.

The CEO or his/her nominee is to be available to attend meetings to provide advice and guidance to the committee.

The local government shall provide secretarial and administrative support to the committee.

Meetings

The committee shall meet at least *quarterly.

Additional meetings shall be convened at the discretion of the presiding person.

Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

*The committee shall report annually to the Council summarising its activities during the previous financial year.

Duties and Responsibilities

The duties and responsibilities of the committee will be –

- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor;
- c) Develop and recommend to Council –
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include –
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the 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;
- f) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the local government does everything in its power to –
 - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
 - ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the auditor after receiving a report from the CEO on the matters to –
 - determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) *Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO (see reference to internal audit page 14);
- l) *Review the level of resources allocated to internal audit and the scope of its authority;
- m) *Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;
- n) *Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) *Review the local government's draft annual financial report, focusing on –
 - accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;

- compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
- p) *Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- q) *Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;
- s) Review the annual Compliance Audit Return and report to the council the results of that review, and
- t) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

Internal Audit

Many local governments have recognised the need to improve their internal auditing processes, and have moved to either employ an internal auditor or contract out the internal audit function.

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an

organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of an internal audit would be determined by the Audit committee, with input from the CEO, based on the size of the local government's internal operations and the level of compliance to be achieved. The role differs from that of the external auditor who is appointed by council on the recommendation of the Audit Committee, to report independently to it, through the mayor/president and the CEO, on the annual financial statements. The external auditor's primary role is to decide whether the annual financial statements of a local government are free of material misstatement.

There are certain functions of the internal audit that complement the external auditor's role. As the external auditor plans for an effective audit they need to assess and determine whether to include the scope, procedures and outcomes of the internal audit. The CEO must refer all internal audit reports to the Audit Committee for consideration.

An internal auditor's activities should typically include the following:

- (a) review of the internal control structure, monitoring the operations of the information system and internal controls and providing recommendations for improvements;
- (b) a risk assessment with the intention of minimising exposure to all forms of risk on the local government;
- (c) examination of financial and operating information that includes detailed testing of transactions, balances and procedures;

- (d) a review of the efficiency and effectiveness of operations and services including non-financial controls of a local government;
- (e) a review of compliance with management policies and directives and any other internal requirements;
- (f) review of the annual Compliance Audit Return;
- (g) assist in the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance; and
- (h) specific tasks requested by management.

For local government, the internal auditor should report functionally to the audit committee and administratively to the CEO. It should be remembered that pursuant to section 5.41 of the Act, the CEO is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function. The CEO may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference.

A clear and properly defined reporting relationship ensures that the internal auditor is empowered to perform their role working with management. The direct reporting line to the audit committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.

While it is recognised that smaller councils may not be able to justify a

full-time internal auditor, a small size of operation does not justify forgoing internal audit altogether. If audit committee or management is of the view that the employment of an independent internal auditor either full-time or part-time is not warranted, it may request the council to have the internal audit function undertaken as necessary by an external contractor, or expand the role of its external auditor.

The external auditor or his or her professional company should only undertake internal audit functions that complement the external audit and do not cloud the objectivity and independence of the external audit. An external auditor must not audit information prepared by them or their accounting practice, as this is considered incompatible with the standard of independence.

Local governments that do not establish an internal audit process but require a review of the financial management systems and procedures, may decide to use the services of the external auditor for that purpose. Such reviews are to be undertaken every four years in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

The review of financial management systems and procedures provides the external auditor with greater assurance of systems and procedures used to prepare the annual financial statements, and whether they provide information free of material misstatement.

Appendix 2

Model Minimum Standard Audit Specification

Important: The following Model Minimum Standard Audit Specification may be used as the basis for the calling of tenders or seeking of quotes for the appointment of an auditor. Local governments need to consider the Model to ensure that only those clauses applicable to its requirements are used. This applies, in particular, to the "Critical matters to be audited".

Introduction

This document is provided for the assistance of auditors who wish to apply for the role of auditor with the City/Town/Shire.

Auditors are required to address all of the matters outlined in the specification.

Auditors who submit an application may be asked to provide further information and/or make a presentation to the audit committee.

Objectives of the Audit

To provide an independent audit opinion of the accounts and annual financial reports of the local government for each financial year covered by the term of the audit appointment.

Term of Audit Appointment

For the financial years commencing 1 July through to 30 June..... (not more than 5 years)

Scope of the Audit

The 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, the *Local Government Act 1995* (as amended) (the Act), the *Local Government (Financial Management) Regulations 1996* (as amended) and other mandatory professional reporting requirements.

Give an opinion in his or her audit report on –

- (a) the financial position of the local government; and
- (b) the results of the operation of the local government.

Include in his or her audit report –

- (a) any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
- (b) any matters indicating non-compliance with financial management or control requirements of the Act, Regulations and any other written law;
- (c) details of whether information and explanations were obtained by the auditor;

- (d) a report on the conduct of the audit; and
- (e) the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions.

Audit Methodology and Approach

Other requirements of the Auditor –

- (a) The auditor is required to comply with the requirements of section 7.9 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*;
- (b) An audit is to be carried out in accordance with accounting standards adopted from time to time by the Australian Government Auditing and Assurance Standards Board (AuASB);
- (c) The auditor is to provide the local government with a general outline of his/her methodology;
- (d) The auditor is to provide the local government with a plan for the audit including –
 - timing of interim audit visits;
 - final audit visit (within 30 days of being advised that the accounts and annual financial report are available for audit);
 - timing of the legislative requirement to meet with the local government and whether that meeting will be in person or by some other means;
 - the method to be used to communicate with, and provide advice and information to, the local government; and
- (e) The auditor is required to produce an audit report as required by section 7.9 of the *Local Government Act 1995* and, if considered appropriate by the auditor, a management report.

Critical Matters to be Audited

The auditor is to include in his or her application the extent to which the critical matters outlined below will be audited so as to form an opinion on the manner in which they have been maintained.

- (i) Revenue
 - Rates revenue
 - Government grants
 - User pays revenue
 - Profit on sale of non-current assets
 - Other income
- (ii) Expenditure
 - Salary and wage costs
 - Depreciation
 - Materials and contract expenditure
 - Loss on sale of non-current assets
 - Insurances
 - Bad debts
 - Other expenditure
- (iii) Current Assets
 - Bank and short term investments
 - Receivables and prepayments
 - Inventory
- (iv) Non-Current Assets
 - Property, plant, furniture and equipment
 - Infrastructure and depreciation
 - Other receivables
- (v) Liabilities (Current and non-current)
 - Creditors and accruals
 - Loan borrowings including new loans raised
 - Provision for annual and long service leave entitlements
- (vi) Reserve Funds
- (vii) Contingent Liabilities
- (viii) Capital Commitments
- (ix) Accounting Policies and Notes to the Financial Statements
- (x) Cash Flow Statement
- (xi) The financial ratios required by the *Local Government (Financial Management) Regulations 1996*

Hours, Fees and Expenditure

The auditor is to provide –

- estimate of the time to be spent on the audit;
- fees for completing the audit in accordance with this specification;
- nominated auditor(s) and registered company audit number(s); and
- experience of the nominated auditors in completing local government audits.

The auditor is to provide a fee for any additional audit requested by Council.

Terms

Conditions to be noted by auditors –

- the auditor shall not sub contract to a third party;
- the auditor shall not, and has no right to, assign the audit contract to third parties;
- the auditor shall not be engaged by the local government to undertake any financial consultancy with the local government that requires the preparation of financial information that will be the subject of the annual audit; and
- the auditor shall confirm that he or she has, and will maintain during the duration of the audit term, professional indemnity insurance covering the legal liability arising out of any neglect, default, error, or omission.

Termination of Appointment

The appointment as auditor is terminated if –

- (a) the auditor ceases to be a registered company auditor;
- (b) the auditor ceases to be an approved auditor under Section 7.5 of the *Local Government Act 1995*;
- (c) the auditor is a disqualified person under Section 7.4(2) of the *Local Government Act 1995*;
- (d) the auditor resigns by notice in writing to Council; or
- (e) Council serves notice in writing to the auditor terminating the appointment.

Appendix 3

Issues that should be considered for inclusion in the CEO's Review of Risk Management, Internal Control and Legislative Compliance

Please note: Section 7 of the Department's Western Australian Local Government Accounting Manual provides a comprehensive internal control framework related to internal control and risk management.

Risk Management

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls. Good audit committee practices in monitoring internal control and risk management programs typically include:

- Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;
- Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas;
 - potential non-compliance with legislation, regulations and standards and local government's policies;
 - important accounting judgements or estimates that prove to be wrong;
 - litigation and claims;
 - misconduct, fraud and theft;
 - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated,

monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Internal Control

Internal control is a key component of a sound governance framework, in addition to leadership, long-term planning, compliance, resource allocation, accountability and transparency. Strategies to maintain sound internal controls are based on risk analysis of the internal operations of a local government.

An effective and transparent internal control environment is built on the following key areas:

- integrity and ethics;
- policies and delegated authority;
- levels of responsibilities and authorities;
- audit practices;
- information system access and security;
- management operating style; and
- human resource management and practices.

Internal control systems involve policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with legislation and achieve effective and efficient operations and may vary depending on the size and nature of the local government.

Aspects of an effective control framework will include:

- delegation of authority;
- documented policies and procedures;
- trained and qualified employees;
- system controls;
- effective policy and process review;
- regular internal audits;
- documentation of risk identification and assessment; and

- regular liaison with auditor and legal advisors.

The following are examples of controls that are typically reviewed:

- separation of roles and functions, processing and authorisation;
- control of approval of documents, letters and financial records;
- comparison of internal data with other or external sources of information;
- limit of direct physical access to assets and records;
- control of computer applications and information system standards;
- limit access to make changes in data files and systems;
- regular maintenance and review of financial control accounts and trial balances;
- comparison and analysis of financial results with budgeted amounts;
- the arithmetical accuracy and content of records;
- report, review and approval of financial payments and reconciliations; and
- comparison of the result of physical cash and inventory counts with accounting records.

Legislative Compliance

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

- Monitoring compliance with legislation and regulations;
- Reviewing the annual Compliance Audit Return and reporting to Council the results of that review;
- Staying informed about how management is monitoring the

effectiveness of its compliance and making recommendations for change as necessary;

- Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;
- Obtaining assurance that adverse trends are identified and review management's plans to deal with these;
- Reviewing management disclosures in financial reports of the effect of significant compliance issues;
- Reviewing whether the internal and/or external auditors have regard to compliance and ethics risks in the development of their audit plan and in the conduct of audit projects, and report compliance and ethics issues to the audit committee;
- Considering the internal auditor's role in assessing compliance and ethics risks in their plan;
- Monitoring the local government's compliance frameworks dealing with relevant external legislation and regulatory requirements; and
- Complying with legislative and regulatory requirements imposed on audit committee members, including not misusing their position to gain an advantage for themselves or another or to cause detriment to the local government and disclosing conflicts of interest.

These guidelines are also available on the Department's website at www.dlgc.wa.gov.au



About the Guideline series

This document and others in the series are intended as a guide to good practice and should not be taken as a compliance knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

For more information about this and other guidelines, contact the Local Government Regulation and Support Branch at:

Department of Local Government and Communities

Gordon Stephenson House, 140 William Street, Perth WA 6000

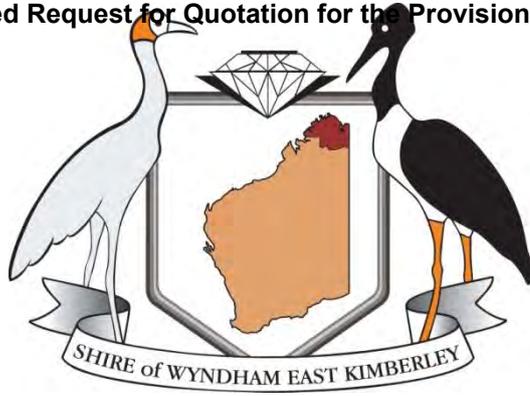
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Translating and Interpreting Service (TIS) – Tel: 13 14 50



Request for Quotation

Request for Quotation:	Provision of Audit Services for the Shire of Wyndham East Kimberley
Deadline:	2.00PM Friday 12 December 2014
Address for Delivery:	Responses must be lodged through the eQuote system
RFQ Number:	Q05 14/15

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1 Conditions of Responding

1.1 Contract Requirements in Brief

The Principal is seeking Responses from Members of WALGA's Panel of Suppliers for Audit Services, Contract Number 0411-11 for the provision of audit services for five years from 1 July 2015 to 30 June 2020.

A full statement of the Goods/Services required under the proposed Contract appears in the Brief (Part 2).

1.2 Definitions

Below is a summary of some of the important defined terms used in this request:

Consultant:	Means the person or persons, corporation or corporations whose Response is accepted by the principal, and includes the executors or administrators, successors and assignments of such person or persons, corporation or corporations.
Deadline:	The deadline shown on the front cover of this request for lodgement of your submission.
General Conditions of Contract:	Means the General Conditions of Contract for Consultants outlined in AS 4122-2010.
Offer:	Your offer to be selected to supply the requirements.
Principal:	Shire of Wyndham East Kimberley.
Response:	Completed Offer, Response to Selection Criteria and Attachments.
Brief:	The audit services as requested by the Principal.
Request or RFQ or Request for Quotation:	This document.

Part3 READ AND KEEP THIS PART

1.3 Contact Persons

Respondents should not rely on any information provided by any person other than the person listed below:

Name:	Natalie Octoman
Telephone:	(08) 9168 4100
Email:	natalie.octoman@swek.wa.gov.au

1.4 Selection Criteria

The contract may be awarded to a sole respondent who best demonstrates the ability to provide quality products and or services at a competitive price. The quoted prices will be assessed together with the qualitative and compliance criteria to determine the most advantageous outcome to the principal.

The Principal has adopted the best value for money approach to this request. This means that, although price is considered, the Response containing the lowest price will not necessarily be accepted, nor will the offer ranked the highest on the Qualitative Criteria.

A scoring system will be usual as part of the assessment of the Qualitative Criteria. Unless otherwise stated, a Response which provides all the information requested will be assessed as satisfactory.

The extent to which the Respondent demonstrates greater satisfaction of each of these criteria will result in a greater score. The aggregate score of each response will be used as one of the factors in the final assessment of the Qualitative Criteria and in the overall assessment of value for money.

1.5 Compliance Criteria

These criteria are detailed within *Part 4 Respondents Offer* of this document and will not be point scored. Each response will be assessed on a Yes/No basis as to whether the criterion is satisfactorily met. An assessment of "No" against any criterion may eliminate the submission from consideration.

1.6 Qualitative Criteria

In determining the most advantageous response, the Evaluation Panel will score each response against the Qualitative Criteria as detailed within *Part 4 Respondents Offer* of this document. Each criterion will be weighted to indicate the relative degree of importance that the Principal places on the technical aspects of the goods or services being purchased.

Note: It is essential that Respondents address each Qualitative Criterion.

Part3 READ AND KEEP THIS PART

Information that you provide addressing each Qualitative Criterion will be point scored by the Evaluation Panel.

Failure to provide the specified information may result in elimination from the evaluation process or a low score.

1.7 Value Considerations

The Weighted Price method is used where price is considered to be crucial to the outcome of the contract. The price is then assessed with quality.

1.7.1 Price Basis

All prices for Goods/Services offered under this Request are to be fixed for the term of the Contract. Quoted prices must include Goods and Services Tax (GST).

Any charge not stated in the Response, as being additional will not be allowed as a charge for any transaction under any resultant Contract.

1.8 Lodgement of Response and Delivery Method

The Response must be lodged by the Deadline. The Response is to be forwarded through the eQuotes system only.

1.9 Rejection of Responses

A Response will be rejected without consideration of its merits in the event that:

- a) it is not submitted before the Deadline; or
- b) it is not submitted at the place specified in the Request for Quotation; or
- c) it may be rejected if it fails to comply with any other requirements of the Request for Quote; or
- d) the Respondent does not submit an Offer form which has been completed and signed together with all the required Attachments.

1.10 Acceptance of Responses

Unless otherwise stated in this Request, Responses must be for all of the Requirements and may be accepted by the Principal either wholly or in part. The Principal is not bound to accept the lowest Response and may reject any or all Responses submitted.

1.11 Alterations

The Respondent must not alter or add to the Request documents unless required by these General Conditions of Responding.

The Principal will issue an addendum to all registered Respondents where matters of significance make it necessary to amend the issued Request for Quote documents before the Deadline.

1.12 Ownership of Responses

All documents, materials, articles and information submitted by the Respondent as part of or in support of a Response shall become upon submission the absolute property of the Principal and will not be returned to the Respondent at the conclusion of the Response Process PROVIDED that the Respondent shall be entitled to retain copyright and other intellectual property rights therein, unless otherwise provided by the Contract.

1.13 Canvassing of Officers

If a Respondent, whether personally or by agent, canvasses any of the Principal's Commissioners or Councillors (as the case may be) or Officers with a view to influencing the acceptance of any Response, then regardless of such canvassing having any influence on the acceptance of such Submission, the Principal may at its discretion omit the Respondent from consideration.

1.14 Identity of the Respondent

The identity of the Respondent and Consultant is fundamental to the Principal. The Respondent shall be the person, persons, corporation or corporations named as the Respondent in Part 3 of this Request. Upon acceptance of the Response, the Respondent will become the Consultant.

2 Brief

- a. To provide an independent audit opinion on the accounts and annual financial reports of the Principal for each financial year of the term of the audit appointment.
- b. To undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly and report the results of those reviews to the Principal.
- c. To review and report on the appropriateness and effectiveness of the Principal's systems and procedures in relation to-
 - a. Risk management; and
 - b. Internal control; and
 - c. Legislative compliance.

2.1 Scope of Work

The Auditor is to –

2.1.1 Carry out such work as necessary to form an opinion as to whether (in accordance with Regulations 9 of the *Local Government (Audit) Regulations 1996*):

- 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 Principal and the financial position of the Principal at 30 June in accordance with the Australian Accounting Standards, the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and other mandatory professional reporting requirements.

2.1.2 Give an opinion in the audit report (in accordance with Regulation 10(2) of the *Local Government (Audit) Regulations 1996*) on:

- a. the financial position of the Principal; and
- b. the results of the operations of the Principal.

2.1.3 Include in the report (in accordance with Regulation 10(3) of the *Local Government (Audit) Regulations 1996*):

- a. Any material matters that indicate significant adverse trends in the financial position or the financial management practices of the Principal; 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; and
- e. The opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions –
 - (i) The asset consumption ratio; and
 - (ii) The asset renewal funding ratio.

2.1.4 Audit Methodology and Approach

- a. The auditor is required to comply with the requirements of section 7.9 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*.
- b. An audit is to be carried out in accordance with “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.
- c. The auditor is to provide the Principal with a general outline of his/her methodology.
- d. The auditor is to provide the Principal with a plan for the audit including:
 - Timing of entrance interview
 - Timing of interim audit visits;
 - Final audit visit (within 30 days of being advised that the accounts and annual financial report are available for audit);
 - Timing of the legislative requirement to meet with the Principal and whether that meeting will be in person or by some other means; and
 - The method to be used to communicate with, and provide advice and information to, the Principal.
- e. The auditor is required to produce an audit report as required by section 7.9 of the *Local Government Act 1995* and, if considered appropriate by the auditor, and in agreement with the Principal, a management report.

2.1.5 Critical Matters to be Audited

The auditor is to include in his or her application the extent to which the critical matters outlined below will be audited so as to form an opinion on the matter in which they have been maintained.

- a. Revenue
 - Rates Revenue
 - Government grants
 - User pays revenue
 - Profit on sale of non-current assets
 - Other income
- b. Expenditure
 - Salary and wage costs
 - Depreciation
 - Materials and contract expenditure

Part3 READ AND KEEP THIS PART

- Loss on sale of non-current assets
- Insurances
- Bad debts
- Other expenditure
- c. Current Assets
 - Bank and short term investments
 - Receivables and prepayments
 - Inventory
- d. Non-current Assets
 - Property, plant, furniture and equipment
 - Infrastructure and depreciation
 - Other receivables
- e. Liabilities (Current and non-current)
 - Creditors and accruals
 - Loan borrowings including new loans raised
 - Provision for annual and long service leave entitlements
- f. Reserve Funds
- g. Contingent Liabilities
- h. Capital Commitments
- i. Accounting Policies and Notes to the Financial Statements
- j. Cash Flow Statement
- k. The financial ratios required by the *Local Government (Financial Management) Regulations 1996*
- l. Minutes of meetings
- m. Budget
- n. Acquisition and disposal of property
- o. Registers (ie tenders, financial interests, contract and legal documents)
- p. Delegations
- q. General Compliance Issues
- r. Financial and other statutory reports eg Roads to Recovery

3 General Conditions of Contract

3.1.1 Part A: General Conditions

The “General Conditions of Contracts for Consultants AS 4122-2010” shall apply to this Contract. The annexures shall be agreed and completed by the Principal and the Consultant upon award of any resultant Contract.

3.1.2 Part B: Additional Clauses

The following clauses have been added to those of AS 4122—2010:

3.1.2.1 Audit Reports and Management Reports

The auditor shall forward to the President and the Chief Executive Officer the Audit Report and Management Report within 14 days of the exit interview.

3.1.2.2 Termination of Appointment

The appointment as auditor is terminated if, in accordance with the *Local Government Act 1995*:

- (a) the auditor ceases to be a registered company auditor;
- (b) the auditor ceases to be an approved auditor under Section 7.5 of the *Local Government Act 1995*;
- (c) the auditor is a disqualified person under Section 7.4(2) of the *Local Government Act 1995*;
- (d) the auditor resigns by notice in writing to Council;
- (e) Council serves notice in writing to the auditor terminating the appointment.

Part 4 COMPLETE AND RETURN THIS PART

4 Respondent's Offer

4.1 Offer Form

The Chief Executive Officer
Shire of Wyndham East Kimberley
PO Box 614, Kununurra, WA 6743

I/We (Registered Entity Name): _____
(BLOCK LETTERS)

of: _____
(REGISTERED STREET ADDRESS)

ABN _____ ACN (if any) _____

Telephone No: _____ Facsimile No: _____

E-mail: _____

In response to Request for Quotation (RFQ): Q05 13/14 Provision of Audit Services for the Shire of Wyndham East Kimberley:

I/We agree that I am/We are bound by, and will comply with this Request and its associated schedules, attachments, all in accordance with the Conditions contained in this Request signed and completed.

I/We agree that there will be no cost payable by the Principal towards the preparation or submission of this Response irrespective of its outcome.

The consideration is as provided under the schedule of rates of prices in the prescribed format and submitted with this RFQ.

Dated this _____ day of _____ 20____

Signature of authorised signatory of Respondent: _____

Name of authorised signatory (BLOCK LETTERS): _____

Position: _____

Telephone Number: _____

Authorised signatory Postal address: _____

Email Address: _____

Part 4 COMPLETE AND RETURN THIS PART

4.2 Selection Criteria

4.2.1 Compliance Criteria

Please select with a “Yes” or “No” whether you have complied with the following compliance criteria:

Description of Compliance Criteria

a) Respondents are to provide acknowledgment that your organisation has submitted in accordance with the Conditions of this RFQ including completion of the Offer Form and provision of your pricing submitted in the format required by the Principal.	Yes / No
---	----------

4.2.2 Qualitative Criteria

Before responding to the following Qualitative Criteria, Respondents must note the following:

- a) All information relevant to your answers to each criterion are to be contained within your response;
- b) Respondents are to assume that the Evaluation Panel has no previous knowledge of your organisation, its activities or experience;
- c) Respondents are to provide full details for any claims, statements or examples used to address the Qualitative Criteria; and
- d) Respondents are to address each issue outlined within a Qualitative Criterion.

A. Key Personnel Skills and Experience Respondents should provide as a minimum information of proposed personnel to be allocated to this project, such as:	Weighting 30%	
<p>a) <i>Their role in the performance of the Contract.</i></p> <p>b) <i>Curriculum vitae.</i></p> <p>c) <i>Membership to any professional or business associations.</i></p> <p>d) <i>Qualifications, with particular emphasis on experience of personnel in projects of a similar requirement, including the nominated auditor(s) and registered company audit number(s).</i></p> <p>e) <i>Their experience in undertaking similar assignments for local governments and their application of local government legislation.</i></p> <p>f) <i>Any additional information.</i></p>	“Key Personnel”	Tick if attached <input type="checkbox"/>

Part 4 COMPLETE AND RETURN THIS PART

Supply any other relevant details in an attachment and label it **“Key Personnel Skills and Experience”**.

B. Respondent’s Resources Respondents should demonstrate their ability to supply and sustain the necessary staffing required.	Weighting 30%	
a) As a minimum, Respondents should provide a current commitment schedule in an attachment and label it “Respondent’s Resources” .	“Respondent’s Resources”	Tick if attached <input type="checkbox"/>

C. Price	Weighting 40%	
b) As a minimum, Respondents should complete a “Price Schedule” as outlined in Part 4.3 and label it “Price Schedule” .	“Price Schedule”	Tick if attached <input type="checkbox"/>

4.3 Price Information

Respondents must complete the following “Price Schedule”. Before completing the Price Schedule, Respondents should ensure they have read this entire Request for Quotation.

4.3.1 Price Basis

The proposed fee for the audit services shall be submitted in four parts, each one clearly showing the GST exclusive, GST and the GST inclusive amounts.

All fees and rates submitted must include all overhead expenses incurred in the performance of the services, such as travelling expenses, postage, phone / fax expenses, computer time, overtime and the like, with the exception of travel and disbursements which must be identified separately.

4.3.2 Price Schedule

4.3.2.1 Schedule of Rates – Auditing Services – Fixed Lump Sum Per Annum

1. There is to be a fixed lump sum per annum for the annual auditing services which for the purpose of this request, is to include the interim and year-end audits and would require a minimum of two on-site visits per year.
2. The schedule of rates must also outline the proposed charges per hour for each person involved, and the number of hours estimated upon which the lump sum fee is based.

4.3.2.2 Schedule of Rates – Regulation 5(2)(c) Review – Fixed Lump Sum as Required

1. There is to be a fixed lump sum as required for the review of the appropriateness and effectiveness of the financial management systems and procedures of the local government in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*
2. It should be noted that the Shire undertook this review for the year ending 30 June 2014 and would not require a subsequent review until the year ended 30 June 2018.
3. The schedule of rates must also outline the proposed charges per hour for each person involved, and the number of hours estimated upon which the lump sum fee is based.

4.3.2.3 Schedule of Rates – Regulation 17 Review – Fixed Lump Sum as Required

1. There is to be a fixed lump sum as required for the review of 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
 in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.
2. It should be noted that the Shire is undertaking this review for the calendar year ending 31 December 2014 and would not require a subsequent review until the calendar year ended 31 December 2016.
3. The schedule of rates must also outline the proposed charges per hour for each person involved, and the number of hours estimated upon which the lump sum fee is based.

4.3.2.4 Schedule of Rates – Hourly Rates as required

1. Hourly rates applicable to additional professional work required by the Principal. Such additional professional work may include the provision of technical advice, tax advice (GST and FBT), acquittals and the like.

6.8 CONFIDENTIAL - WYNDHAM COMMUNITY CLUB INC. UPDATE ON OUTSTANDING RATES AND CHARGES

DATE:	4 November 2014
PROPONENT:	Shire of Wyndham East Kimberley
LOCATION:	Shire of Wyndham East Kimberley
AUTHOR:	Natalie Octoman, Director Corporate Services
REPORTING OFFICER:	Natalie Octoman, Director Corporate Services
FILE NO:	N/A

The business of the meeting is of a confidential nature as it relates to the business affairs of a person. The item will be discussed Behind Closed Doors under Section 5.23 (2) (c) and (e) (ii) as this is a matter that affects:

- c) A contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.
- e) A matter that if disclosed, would reveal –
 - (ii) information that has a commercial value to a person.

PURPOSE

To note the action to date in relation to the Wyndham Community Club Inc. (herein referred to as the Club) and the collection of outstanding rates and charges.

ATTACHMENTS

The report and all associated attachments were provided under separate cover.

VOTING REQUIREMENT

Simple Majority

MOTION

Cr D Spackman moves to add an additional dot point 3 to the Officers Recommendation for the Committee to put the item to the December Council Briefing Session.

COMMITTEE RESOLUTION

Minute: AC327

Moved: Cr D Spackman

Seconded: Cr B Robinson

That the Committee recommends to the Council that:

- 1. A further report is provided to the 10 February 2015 Audit (Finance and Risk) Committee on the status of the outstanding debts of the Wyndham Community Club Inc.;**
- 2. If there is no formal proposal received by the Shire prior to the February Committee Meeting, that the Committee will recommend to the Council that it authorises officers to enact clause 5.1 of the lease and repossess the premises.**
- 3. The item is put to the December Councillor Briefing Session**

Carried Unanimously 4/0

COMMITTEE RESOLUTION

Minute: AC328

Moved: Cr J Moulden

Seconded: Cr B Robinson

That the Committee moves out from behind closed doors.

Carried Unanimously 4/0

Cr S Cooke and Cr D Learbuch enter the Chambers at 4.31pm

7. DATE OF NEXT MEETING

10 February 2015.

8. CLOSURE

The Chairperson declared the meeting closed at 4.31pm.