



EAST PILBARA SHIRE COUNCIL

MINUTES

AUDIT COMMITTEE MEETING

**THURSDAY 27 FEBRUARY 2014
COUNCIL CHAMBERS NEWMAN**

**Allen Cooper
CHIEF EXECUTIVE OFFICER**



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The Shire of East Pilbara warns that anyone who has any application lodged with the Shire of East Pilbara must obtain and should only rely on

WRITTEN CONFIRMATION

of the outcome of the application and any conditions attaching to the decision made by the Shire of East Pilbara in respect of the application.

Signed: _____
Allen Cooper
Chief Executive Officer

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1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

2 RECORD OF ATTENDANCES/APOLOGIES/LEAVE OF ABSENCE

2.1 ATTENDANCES

Cr Anita Grace

Cr Shane Carter

Cr Doug Stead

Cr Gerry Parsons

Ms Sian Appleton

Deputy Chief Executive Officer

2.2 APOLOGIES

Nil

2.3 LEAVE OF ABSENCE

3 RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

4 PUBLIC QUESTION TIME

5 PETITIONS/DEPUTATIONS/PRESENTATIONS

6 APPLICATIONS FOR LEAVE OF ABSENCE

7 CONFIRMATION OF MINUTES OF PREVIOUS COUNCIL MEETING

7.1 CONFIRMATION OF MINUTES

OFFICER 'S RECOMMENDATION:

THAT the minutes of the Audit Committee meeting held at Newman on 5th December 2013, be confirmed as a true and correct record of proceedings.

Moved: Cr Gerry Parsons

Seconded: Anita Grace

8 MEMBERS REPORT

8.1 ITEMS FOR RECOMMENDATION

Nil

9 OFFICER'S REPORTS

9.1 MONTHLY FINANCIAL STATEMENTS – JANUARY 2014

Attachments:	Council monthly reports.pdf
Responsible Officer:	Ms Sian Appleton Deputy Chief Executive Officer
Author:	Ms Sian Appleton Deputy Chief Executive Officer
Proposed Meeting Date:	27-Feb-2014
Location/Address:	N/A
Name of Applicant:	N/A
Author Disclosure of Interest:	Nil

REPORT PURPOSE

To provide the Audit Committee with a monthly financial statement on the operations of Council.

BACKGROUND

The attached ten page report details the financial activities of the Council for the period 1st July 2013 to 31st January 2014 of the 2013/2014 financial year.

There are 4 sections of the monthly report:

1. An operating statement comparing income and expenditure to the adopted budget for each function of Council.
2. A more detailed schedule which breaks the operating statement down into the various operational sections and departments of Council.
3. A schedule detailing all expenditure for the year to date for individual capital items.
4. A statement of cash flows.

COMMENTS/OPTIONS/DISCUSSIONS

The Deputy Chief Executive Officer will provide an overview and explanation as required of how to interpret the financial statements at the meeting.

STATUTORY IMPLICATIONS/REQUIREMENTS

Part 6 - Financial Management (Division 3 - Reporting on activities and finance) 6.4. Financial report (pg 211)

Regulation 34(1) of the Local Government (Financial Management) Regulations states that:

“A local Government is to prepare each month a statement of financial activity reporting on the sources and applications of funds, as set out in the annual budget under regulation 22(1)(d), for that month in the following detail –

- a) annual budget estimates”*
- b) budget estimates to the end of the month to which the statement relates;*
- c) actual amounts of expenditure, revenue and income to the end of the month to which the statement relates;*
- d) material variances between the comparable amounts referred to in paragraphs (a) and (c); and*
- e) the net current assets at the end of the month to which the statement relates.*

POLICY IMPLICATIONS

Complies with Council's Accounting Policies as per the current Policy Manual.

PLAN FOR FUTURE OF THE DISTRICT

Nil

FINANCIAL IMPLICATIONS

This report discloses financial activities for the period under review.

VOTING REQUIREMENTS

Simple

OFFICER'S RECOMMENDATION

Moved: Cr Gerry Parsons

Seconded: Cr Doug Stead

THAT the Audit Committee recommend to Council that the monthly financial statements for the period 1 July 2013 to 31 January 2014 of the 2013/2014 financial year as presented be received.

9.2 TO REVIEW THE AUDITOR'S AUDIT COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2013

File No:	FIN 1-1
Attachment(s): (1)	Audit Committee Report
Responsible Officer:	Ms Sian Appleton Deputy Chief Executive Officer
Author:	Ms Sian Appleton Deputy Chief Executive Officer
Proposed Meeting Date:	27-Feb-2014
Location/Address:	N/A
Name of Applicant:	N/A
Author Disclosure of Interest:	Nil

REPORT PURPOSE

To review the Audit Committee Report for the year ended 30 June 2013, and to recommend to Council that the information be received.

BACKGROUND

With regard to the Shire's annual financial audit for the year ended 30 June 2013 an unqualified audit report (ie a 'clean' audit) was received and it stated:

Audit Opinion

"In our opinion, the financial report of the Shire of East Pilbara:

- i. Presents fairly, in all material respects; the financial position of the Shire of East Pilbara as at 30 June 2013 and of its performance for the year ended; and*
- ii. Complies with Australian Accounting Standards (including the Australian Accounting Interpretation); and*
- iii. Is prepared in accordance with the requirements of the Local Government Act 1995 Part 6 (as amended), and Regulations under that act; and*
- iv. The following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions –*
 - a. The asset consumption ratio; and*
 - b. The asset renewal funding ratio"*

This is the audit report that is published within the annual report.

As well as the audit opinion the auditor also presents an Audit and Risk management Committee Report that identifies key audit risk, including a summary of the audit procedures and adjusted/unadjusted differences. None of the adjustments identified were considered material either individually or in aggregate.

The Local Government Act requires Council to consider the matters raised in the management report, to assess whether the responses to the report are satisfactory and to forward a copy of those responses to the Local Government Department.

The details of the requirements are to be found under the "Statutory Implications/Requirements" later in this item.

COMMENTS/OPTIONS/DISCUSSIONS

Matters raised by the auditor's Audit Committee Report.

STATUTORY IMPLICATIONS/REQUIREMENTS

The relevant sections of the Local Government Act 1995 are:

7.9. Audit to be conducted

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to –
 - (a) the mayor or president;
 - (b) the CEO of the local government; and
 - (c) the Minister

7.12A. Duties of local government with respect to audits

- (3) A local government is to examine the report of the auditor prepared under section 7.9 (1), and any report prepared under section 7.9 (3) forwarded to it, and is to –
 - (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to
 - (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
 - (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under 7.9 is received by the local government, whichever is the latest time.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

VOTING REQUIREMENTS

Absolute

OFFICER'S RECOMMENDATION

Moved: Cr Gerry Parsons

Seconded: Cr Anita Grace

THAT the Audit Committee recommends to Council that the Audit Committee Report for the year ended 30 June 2013 be received.

9.3 COMPLIANCE AUDIT RETURN 2013

File No: LEG-1-11
Attachments: [rptCARFullReturn.pdf](#)
Responsible Officer: Ms Sian Appleton
Deputy Chief Executive Officer
Author: Ms Sian Appleton
Deputy Chief Executive Officer
Proposed Meeting Date: 27-Feb-2014
Location/Address: N/A
Name of Applicant: N/A
Author Disclosure of Interest: Nil

REPORT PURPOSE

To seek Council's comment on, and receipt of the Local Government Compliance Audit Return ("CAR") for the period 1 January 2013 to 31 December 2013.

BACKGROUND

Council must complete an annual audit of compliance with statutory requirements.

The Compliance Audit Return is a checklist of compliance with statutory obligations relating to the provision of services by, and the management of, a local government.

The *Local Government Act 1995*, requires that each local government is to carry out a compliance audit for the period 1 January to 31 December each year, against the requirements included in the CAR for that year.

After the completion of the CAR, the following should occur:

- (a) the Audit Committee is to review the CAR;
- (b) the CAR is to then be presented to a subsequent meeting of Council;
- (c) the CAR is to be adopted by the Council before 31 March;
- (d) the adoption is to be recorded in the minutes of the meeting at which it is adopted; and
- (e) a certified copy of the return, along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit, is to be submitted to the Department of Local Government by 31 March.

COMMENTS/OPTIONS/DISCUSSIONS

Over previous years this Council has produced the report by using either an independent consultant or by doing the report in house. On this occasion the Compliance Audit has been completed by an independent consultant.

The structure of the CAR was revised for the 2011 year with the areas of compliance being restricted to those matters considered to be of high risk. This resulted in the

CAR being reduced in size from the previous 27 pages to eight pages for the 2011 and 2012 return. The format of that year has now been replicated again for the 2013 year.

The compliance report now has 9 sections, and these sections contain a total of 78 compliance points. The table below sets out the detail referred to:

Area questions relate to	No of Q's	Yes Answers	No Answers	Not Applicable
Commercial Enterprises	5	0	0	5
Delegation of Power / Duty	13	7	0	6
Disclosure of Interest	16	14	1	1
Disposal of Property	2	0	0	2
Elections	1	1	0	0
Finance	15	9	2	4
Local Government Employees	5	2	0	3
Official Conduct	6	5	0	1
Tenders for Providing Goods and Services	15	8	1	6
TOTAL	78	46	4	28

High compliance has been achieved, with the "Yes" answers representing 46 out of 50, or a 92% achievement rate.

STATUTORY IMPLICATIONS/REQUIREMENTS

Part 7 - Audit (Division 4 - General) 7.13. Regulations as to audits (pg 269)
"Regulations as to audits.

Regulations may make provision –

- (i) requiring local governments to carry out...an audit compliance as prescribed."

Regulation 13 of the *Local Government (Audit) Regulations* prescribes the items to be subject to audit.

Regulation 14 of the *Local Government (Audit) Regulations* states that a compliance audit shall be prepared and lays out the form and manner of its preparation.

Regulation 15 of the *Local Government (Audit) Regulations* deals with the return of the compliance audit to the Department of Local Government after its presentation to the Audit Committee and Council.

POLICY IMPLICATIONS

Nil.

PLAN FOR FUTURE OF THE DISTRICT

Goal 3 - Community Leadership

To Provide Sound Leadership and Strong Representation

3.4 Maintaining a High Standard of Governance

- 3.4.1** *Ensure compliance with relevant Statutes and statutory authorities*
A greater than 90% compliance achievement in the annual compliance audit
How funded – Municipal Funds
Responsible Directorate – Whole of Organisation

FINANCIAL IMPLICATIONS

No financial resource impact beyond budget allowances.

VOTING REQUIREMENTS

Simple.

OFFICER'S RECOMMENDATION

Moved: Cr Anita Grace

Seconded: Cr Doug Stead

THAT the Audit Committee:

- 1. Note the issue of non compliance; and**
- 2. Recommend Council adopt the Compliance Audit Return for the calendar year of 2013.**

9.4 APPOINTMENT, FUNCTION AND RESPONSIBILITIES OF AUDIT COMMITTEES

File No:	FIN-1-1
Attachments:	Audit in Local Government Operational Guidelines
Responsible Officer:	Ms Sian Appleton Deputy Chief Executive Officer
Author:	Ms Sian Appleton Deputy Chief Executive Officer
Proposed Meeting Date:	27-Feb-2014
Location/Address:	N/A
Name of Applicant:	N/A
Author Disclosure of Interest:	Nil

REPORT PURPOSE

To inform the Audit Committee of the updated Local Government Operational Guidelines and the new requirements under the Local Government (Audit) Regulations 1996.

BACKGROUND

To comply with amendments to the Local Government Act (1995) in 2004, Council established an Audit Committee –

7.1A. *Audit committee*

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

** Absolute majority required.*
- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

The Local Government (Audit) Regulations 1996 and the Audit in Local Government (Local Government Operational Guidelines) supplement this information.

COMMENTS/OPTIONS/DISCUSSIONS

The Department of Local Government revised their Audit Committee guidelines as at September 2013. These guidelines are attached.

Also new requirements under the Local Government (Audit) Regulations 1996 were gazetted on the 8 February 2014 and are as follows –

16. *(c) is to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —*
 - (i) report to the council the results of that review; and*
 - (ii) give a copy of the CEO's report to the council.*
17. *CEO to review certain systems and procedures*
 - (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –*
 - (a) risk management ; and*
 - (b) internal control; and*
 - (c) legislative compliance.*
 - (2) The review may relate to any or all of the matters referred to in sub regulation (1) (a), (b) and (c), but each of those matters is to be subject of a review at least once every 2 calendar years.*
 - (3) The CEO is to report to the audit committee the results of that review.*

STATUTORY IMPLICATIONS/REQUIREMENTS

The relevant sections of the Local Government (Audit) Regulations 1996 are:
Section 16(c) and 17.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple

OFFICER'S RECOMMENDATION

Moved: Cr Anita Grace

Seconded: Cr Shane Carter

THAT the Audit Committee acknowledge receipt of the amended "Audit in Local Government Operational Guidelines" and note the new requirements under the Local Government (Audit) Regulations 1996.

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- 10 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**
- 11 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY A
DECISION OF COUNCIL**
- 12 CONFIDENTIAL MATTERS BEHIND CLOSED DOORS**
- 13 GENERAL BUSINESS**
- 14 DATE OF NEXT MEETING**
10th July 2014
- 15 CLOSURE**