



SHIRE OF ASHBURTON

AUDIT COMMITTEE MEETING

MINUTES

**Onslow Multi-Purpose Centre,
Cnr McGrath Rd and Hooley Ave, Onslow**

**19 March 2014
Commencing at 10:30am**

SHIRE OF ASHBURTON
AUDIT COMMITTEE MEETING

Dear Councillor

Notice is hereby given that an Audit Committee Meeting of the Shire of Ashburton will be held on Wednesday 19 April 2014 at the Onslow Multi-Purpose Centre, Cnr McGrath Rd and Hooley Ave, Onslow commencing at 10:30am.

The business to be transacted is shown in the Agenda.

Neil Hartley
CHIEF EXECUTIVE OFFICER

DISCLAIMER

The recommendations contained in the Agenda are subject to confirmation by Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.

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1. DECLARATION OF OPENING

The Chief Executive Officer declared the meeting open at 10.35 am.

2. ATTENDANCE

2.1 PRESENT

Cr K White	Shire President, Onslow Ward
Cr L Rumble	Deputy Shire President, Paraburdoo Ward
Cr A Eyre	Ashburton Ward
Cr I Dias	Paraburdoo Ward

Mr Neil Hartley	Chief Executive Officer
Mr F Ludovico	Executive Manager Corporate Services

2.2 APOLOGIES

Leah John	Finance Manager (by telephone)
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2.2 APPROVED LEAVE OF ABSENCE

There were no approved leave of absences for this meeting.

3. ELECTION OF CHAIRPERSON

The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3 of the Local Government Act 1995 (S5.12 Local Government Act 1995).

Two nominations were received for the Committee Chairman, these being Crs Rumble and White. Cr Rumble withdrew his nomination. The Chief Executive Officer declared Cr White elected as the Audit Committee Chairman.

4. ANNOUNCEMENT OF VISITORS

Mr Wen Shien Chai (Chai) – Auditor - UHY Haines Norton was contacted by telephone to address the Committee at 10:37am

5. DECLARATION BY MEMBERS

That Councillors have given due consideration to all matters contained in the Agenda presently before the meeting.

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

Committee Decision

MOVED: Cr A Eyre

SECOND: Cr L Rumble

That the Minutes of the Audit Committee held on 13 March 2013 be accepted as true and correct as presented.

CARRIED 4/0

7. TERMS OF REFERENCE

Under the Local Government Act 1995, Local Governments are required to appoint an Audit Committee (section 7.1A of the Local Government Act 1995).

An Audit Committee is to provide guidance and assistance to the Local Government – as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act and as to the development of a process to be used to select and appoint a person to be an auditor and may provide guidance and assistance to the Local Government as to – matters to be audited, the scope of audits, its functions under Part 6 of the Act and the carrying out of its functions relating to other audits and other matters related to financial management. (clause 16 Local Government (Audit) Regulations 1996).

Meeting cycle: At least once a year to recommend adoption of Annual Report.

8. AGENDA ITEMS

8.1 REVIEW OF 2012/13 INDEPENDANT AUDIT REPORT AND MANAGEMENT REPORT

FILE REFERENCE:	FI.AU.12.13
AUTHOR'S NAME AND POSITION:	Frank Ludovico Executive Manager Corporate Services
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	26 February 2014
DISCLOSURE OF FINANCIAL INTEREST:	The author has no financial interest in this matter.
PREVIOUS MEETING REFERENCE:	Not Applicable

Summary

The Auditors conducted the Annual Financial Audit for 2012/13 during October 2013. This Item discussed the outcomes of that Audit.

Background

Audit procedures have been completed and the Audit Report for the year ended 30 June 2013 has been prepared by Council Auditors UHY Haines Norton.

Attached are Council's Annual Report, Audit Report and Management Letter.

Please note a copy of the Annual Report and Audit Report has been provided as an attachment to the 19 March 2014 Ordinary Meeting of Council Agenda Item 13.10 and is not provided in this agenda.

ATTACHMENT 8.1

The issues brought to the attention of Council in the Audit Report are:

Audit Report	Staff Response
Power to Borrow Whilst the unbudgeted loan for the development of Onslow Aerodrome Temporary Camp was approved with absolute majority by the Council, one month's local public notice of this proposal to borrow was not given as required by Section 6.20(2)(a) of the Local Government Act.	This item is noted, and future unbudgeted loans will be advertised as per Section 6.20(2)(a) of the Local Government Act.
Budget Review	

<p>A copy of the budget review was not submitted to the Department within 30 days of its adoption as required by Local Government (Financial Management) Regulation 33A(4).</p>	<p>This report was submitted to the Department of Local Government on 25 June 2013.</p> <p>To ensure this error does not happen again, the Shire of Ashburton has implemented a Compliance Calendar.</p>
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The Management Letter raises the following issues:

Management Letter	Staff Response
<p>Actual carried forward surplus compared to 2013/2014 budgeted brought forward surplus</p>	<p>The Annual Budget Review has incorporated the revised opening balance.</p> <p>Discussions have occurred in respect to funding for the Onslow Aerodrome Redevelopment Project and this has resolved a number of issues. These have been incorporated into the Annual Budget Review.</p> <p>Some uncertainty still surrounds future funding for Onslow Aerodrome Redevelopment Project and discussions are continuing.</p>
<p>Comment on ratios</p>	<p>Current Ratio: owing to the extraordinary expenditure associated with Onslow Aerodrome Redevelopment Project in the final few months of the Financial Year, at 30 June 2013 our Current Ratio was well below the recommended value of 1.</p> <p>Expenditures of this nature and volume are not anticipated in the future.</p> <p>In addition, a more vigorous approach is being developed for project management and risk which will enable better manage these issues into the future.</p> <p>Asset Renewal Funding Ratio: owing to the extraordinary situations occurring in 2012/2013 completion of Asset Management Plan and Long Term Financial Plan have not been completed.</p> <p>The Long Term Financial Plan will be developed from the revised Budget figures resulting from the Annual Budget Review.</p> <p>The Asset Management Plan is also being developed.</p>
<p>Investment Policy</p>	<p>The Investment Policy will be reviewed by 30 June</p>

	2013.
Probity Audit	<p>Since the Annual Audit additional work has occurred on the Probity Audit recommendations.</p> <p>In a letter dated 19 February 2014 (record 1425217) the Department of Local Government advise <i>“With the exception of the matters which were subject to further investigation by D Carbone and Associates (Carbone Report) and those matters detailed in the attachment (That the contracts of employment for the CEO and all senior employees comply with the Local Government Act 1995 and the Tender Register complies with regulation 17 of the Local Government (Functions and General) Regulations 1996), the Department is satisfied that processes and procedures implemented by the Shire have met the intent of the recommendations of the Report.”</i></p> <p>Both these matters are being attended to. The Contract issue has been implemented and Onslow/Tom Price Camps issues are being addressed.</p>

It is pleasing to note that whilst 2012/13 year was a year of significant turmoil, Council's financial systems were able to provide *“a true and fair view of the Shire's financial position as at 30 June 2013 and of its performance for the year ended on that date; and complied with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).”*

This is a result of the ongoing hard-work of all staff members within the Corporate Services.

Mr Wen-Shien Chai gave an overview of the Audit. Points emerging from the discussion were:

- Council's equity had increased by \$32.68 m.
- This was represented by the increase in Council's asset base by \$42 m mainly due to the Onslow Aerodrome project.
- Council's financial position and performance were consistent with the Auditor's understanding of the Council's operation for 2012/2013. There were no unusual movements or fluctuations in material balances from 2011/2012.
- Two issues of non-compliance occurred. These have been responded to in the agenda report.
- Issues raised in the Management Letter, have been responded to in the agenda report.
- Six new ratios. These ratios are designed to assess sustainability. The implication of the calculated ratios for 2012/2013 is yet to be fully understood. It was noted the every region is unique and the reasonable level of ratios may be different to benchmarks set by the Department. It was important to monitor trends of the ratios with regards to the Council's individual circumstances at different point in time.

Council staff offered to leave the room so Councillors could discuss any issues with the Auditor. Staff were not asked to leave the room and no issues were raised by the Councillors.

Committee Decision

MOVED: Cr A Eyre

SECOND: Cr L Rumble

That the Audit Committee recommend to Council the acceptance the 2012/2013 Shire of Ashburton Independent Audit Report, Management Report and Annual Report.

CARRIED 4/0

8.2 NEW DEPARTMENT OF LOCAL GOVERNMENT and COMMUNITIES OPERATIONAL GUIDELINE FOR AUDIT COMMITTEES

FILE REFERENCE:	FI.AU.00.00
AUTHOR'S NAME AND POSITION:	Frank Ludovico A/Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	7 March 2013
DISCLOSURE OF FINANCIAL INTEREST:	The author has no financial interest in this matter
PREVIOUS MEETING REFERENCE:	Not Applicable

Summary

New regulations were gazetted for the Local Government (Audit) Regulations 1996 in February 2013. As a result of those amendments Local Government Operational Guideline – 9 – Audit in Local Governments has been revised.

The purpose of this item is to advise the Committee of the changing regulations and the updated Local Government Operational Guideline.

Background

New regulations were gazetted for the Local Government (Audit) Regulations 1996 in February 2013. As a result of those amendments Local Government Operational Guidelines – 9 – Audit in Local Governments has been revised.

The new Regulation 17 prescribes a number of matters that are to be reviewed by the audit committee. These functions now include reviewing the Chief Executive Officer's report on the appropriateness and effectiveness of the local government's systems in regard to risk management, internal control and legislative compliance; and reporting the results of the Committee's consideration of that review, to the Council.

This report and review process is to occur at least once every two calendar years, with the first review of each of the three areas to be completed by the CEO, reviewed by the Audit Committee and reported to the Council, by 31 December 2014.

The Local Government Circular (39-2012) and the new Local Government Operational Guideline (9) is attached for Committee information.

ATTACHMENT 8.2

Comment

The new regulations are designed to further enhance the good governance of Local Government in Western Australia.

Consultation

Chief Executive Officer
Executive Management Team

Statutory Environment

New Regulation 17 Local Government (Audit) Regulations 1996 prescribed new functions for the Audit Committee.

“17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]”

Financial Implications

The new reviews prescribed will require additional governance activity and will incur a cost. The Administration will need to review the situation and apply funding in future budgets to account for these new requirements.

Strategic Implications

Shire of Ashburton 10 Year Community Strategic Plan 2012-2022
Goal 05 – Inspiring Governance
Objective 04 – Exemplary Team and Work Environment

Policy Implications

Not Applicable

Voting Requirement

Simple Majority Required

Committee Decision

MOVED: Cr A Eyre

SECOND: Cr D Dias

That the Audit Committee notes the new requirements contained in Local Government (Audit) Regulations 1996.

CARRIED 4/0

9. NEXT MEETING

The next Audit Committee Meeting will be held at a time to be determined.

10.CLOSURE OF MEETING

The Chairperson closed the meeting at 11.10 am.