



AUDIT COMMITTEE MEETING

MINUTES

15 March 2018

These minutes were confirmed by Council as a true and correct record of proceedings by the Audit Committee meeting held on/...../.....

Presiding Member:.....**Date:**.....

**Shire of Brookton
Audit Committee meeting held 15 March 2018
Commenced at 2.00 pm**

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1.03.18 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Presiding member opened the meeting at 2.03pm.

Elected Members (Voting)

Cr KL Crute	(Shire President)
Cr TM Eva	
Cr KH Mills	
Cr RT Fancote	Entered the meeting at 2.07pm.
Cr LR Eyre	
Cr CE Hartl	

Staff (Non Voting)

Ian D’Arcy	Chief Executive Officer
Vicki Morris	Deputy Chief Executive Officer
Courtney Fulwood	Executive Officer
Deanne Sweeney	Senior Finance Officer
Kelly D’Arcy	Senior Governance Officer

Apologies

Cr NC Walker	(Deputy Shire President)
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Other

3 x Auditor General Officer’s

2.03.18 RESPONSE TO PREVIOUS PUBLIC QUESTION TIME

Nil

3.03.18 PUBLIC QUESTION TIME

Nil

4.03.18 CONFIRMATION OF PREVIOUS MINUTES

ACM 02.18-1

COMMITTEE RESOLUTION

MOVED CR MILLS SECONDED CR EVA

That the minutes of the Audit Committee meeting held in the Shire of Brookton Council Chambers, on Thursday 15th February 2018 be confirmed as a true and correct record of the proceedings.

CARRIED BY SIMPLE MAJORITY VOTE 5-0

5.03.18 DECLARATIONS BY MEMBERS AND OFFICERS

Members and Officers to declare Financial, Proximity or Impartiality Interests & submit forms to the Chief Executive Officer at the commencement of the meeting and also prior to the item.

Disclosure of Financial & Proximity Interests

- a. Members must disclose the nature of their interest in matters to be considered at the meeting. (Sections 5.60B and 5.65 of the *Local Government Act 1995*).
- b. Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the *Local Government Act 1995*).

Disclosure of Interest Affecting Impartiality

- a. Members and staff must disclose their interest in matters to be considered at the meeting in respect of which the member or employee has given or will give advice.

Financial, Proximity and Impartiality Interests

Item no.	Members/Officers	Type of Interest	Nature of Interest
Nil			

6.03.18 MOORE STEPHENS – REQUEST FOR ADDITIONAL AUDIT FEES 2016/2017

File No:	ADM
Date of Meeting:	15/03/2018
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Vicki Morris – Deputy CEO
Authorising Officer:	Ian D’Arcy - CEO
Declaration of Interest:	None
Voting Requirements:	Simple majority
Previous Report:	N/A

Summary of Item:

Council have received a request from Moore Stephens (the Shire’s Auditors for the 2016/2017 Financial year) in December 2017 requesting an additional payment of \$5,510.00 (excluding GST) for additional auditing requirements that were not considered part of the 2016/2017 Audit.

Moore Stephens requested an additional \$5,510.00 (excluding GST) for the extra activities that they claim were over and above the normal scope of the audit. This equates to a total of an additional 29 hours.

This matter was raised via email to the Shire and in a telephone call in early December 2017. As a result of the initial telephone conversation with the Auditor, Moore Stephens formally outlined what they believed to be the breakdown of extra activities performed for the year ending 30 June 2017.

The report is to update the Audit Committee and the Council on the matter, and to recommend the Shire inform Moore Stephens that in the Shire’s opinion, the amount requested is excessive and the Shire is prepared to acknowledge a lesser amount to the value of reasonable additional hours of audit work conducted.

Description of Proposal:

N/A

Background:

Council appointed its Auditors (UHY Haines Norton) for a three year period in 2015. At this time, Mr. Greg Godwin was the Shire Engagement Auditor. In the 2015 year, UHY Haines Norton became Moore Stephens. The Shire’s auditing contract period was for the years ending 30 June 2015, 30 June 2016 and 30 June 2017.

This matter relates to a billing that exceeds the standard auditing requirements under contract, with some level of indifference between Shire Officers and the Auditors on the additional works performed as part of the final audit for last financial year.

Consultation:

N/A

Statutory Environment:

The *Local Government Act 1995* (the Act)

The *Local Government (Audit) Regulations 1996* (The Regulations)

The *Local Government (Financial Management) Regulations 1996*

Relevant Plans and Policy:

N/A

Financial Implications:

The financial implications are the additional payment of \$5,510.00 (ext. GST) for the final audit conducted by Moore Stephens for the year ending 30 June 2017 or an alternative payment as determined by Council.

Risk Assessment:

N/A

Community & Strategic Objectives:

The conduct of financial audits are a compliance and legislative requirement of Local Government. The Act requires that each local government, from time to time, appoint an auditor on the recommendation of the Audit Committee.

Comment:

The Act and regulations prescribe the scope of the external audit of the annual financial statements of a local government. The objective of the Audit is to provide an independent opinion of the Accounts and annual financial reports of the local government for each financial year covered by the term of the audit appointment.

The Regulations detail what is required by an Auditor (extract below from the Regulations)

9. Performance of audit

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

In essence 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 is prepared in accordance with the financial records and represents fairly the operations of the local government and the financial position of the local government as at 30 June in accordance with the relevant legislation and accounting

standards.

- c. The auditor is also to give his opinion on the financial position and on any material matters that indicate a significant adverse trend in the financial position and any matters indicating non-compliance with respect to the Act or regulations.

In general terms the Auditor has a responsibility as part of the scope of his/her audit to look at the following items:

- a. Revenue – rates, grants, profit on the sale of non-current assets and so on,
- b. Expenditure – salary and wages, depreciation, materials and contract expenditure, insurances, bad debts and so on,
- c. Current Assets – such as bank and short term deposits and inventory
- d. Non-current assets such as property, plant and furniture
- e. Liabilities (current and non-current) such as creditors
- f. Reserve funds
- g. Contingent liabilities
- h. Capital commitments
- i. Accounting policies
- j. Cash Flow statement and
- k. Any ratios as required by the *Local Government (Financial Management) Regulations 1996*.

The Shire questioned the additional hours and noted directly to the Auditor that in the Shire's opinion, the additional hours are not justified. In a further analysis of the items requested to be audited, it was agreed the Shire should be responsible for some of the extra services/hours charged, accepting they are considered above and beyond the scope of an audit.

This included Moore Stephens assisting with:

- an account issue in preparation for the Annual Financial Statements;
- addressing other matters relevant to the Shire financials to be examined while the Auditors were present at the Shire
- additional hours for analysis of Milly Molly Mandy's financials and other additional advice of a financial nature.

However, the analysis from the Finance Team also suggests that many of the additional hours as detailed by Moore Stephens should have been included as part of the initial audit scope and as part of the normal audit process. In the opinion of the Shire's Finance team, the amount payable to Moore Stephens equates to an additional 11 hours and not 29 hours. This would equate to payment to Moore Stephens of an amount of \$2,090 (excluding GST).

To the contrary Moore Stephens advised that they have already discounted the claimed bill of \$9,000 to be \$5,510 thereby saving the Shire just under \$4,000.00.

Moore Stephens have been advised that this matter would be put to the Audit Committee, as it relates to the audit of the 2016/2017 30 June financial figures for a determination by the Council.

OFFICER'S RECOMMENDATION

That the Audit Committee note this report (and the information contained therein) and resolved to pay Moore Stephens the amount of \$..... as its final payment for the Annual Audit services for 2016/17 financial year, with Moore Stephens being advised of this decision in writing.

ACM 02.18-2

COMMITTEE RESOLUTION

MOVED CR EYRE SECONDED CR EVA

That Council suspend standing orders pursuant to 17.1 of the Standing Orders and Meeting Protocol Policy 1.17 to facilitate discussion on this item.

CARRIED BY ABSOLUTE MAJORITY VOTE 5-0

Cr Fancote entered the meeting at 2.07pm.

ACM 02.18-3

COMMITTEE RESOLUTION

MOVED CR EYRE SECONDED CR MILLS

That Council resume standing orders in accordance with 17.1 of the Standing Orders and Meeting Protocol Policy 1.17.

CARRIED BY SIMPLE MAJORITY VOTE 6-0

ACM 02.18-4

COMMITTEE RESOLUTION

MOVED CR EYRE SECONDED CR EVA

That the Audit Committee note this report (and the information contained therein) and resolved to pay Moore Stephens the amount of \$2,090.00 as its final payment for the Annual Audit services for 2016/17 financial year, with Moore Stephens being advised of this decision in writing.

CARRIED BY SIMPLE MAJORITY VOTE 6-0

Mr Don Cunninghame - Assistant Auditor General; Mr Jordan Langford-Smith - Senior Director; and Mr Xuan Ong - Audit Manager from the Office of the Auditor General entered the meeting at 2.13pm.

Mr Cunninghame addressed the Audit Committee members in providing an overview of the coming auditing process for the Shire. This presentation was supported by Mr Langford Smith who detailed the methodology and specific areas of focus across the interim audit to be conducted in April 2018, and final audit scheduled for July 2018. Both audit processes will be conducted over a two week block respectively.

Mr Cunninghame also stated the Office of the Auditor General:

- Is an independent authority that reports directly to parliament, and not a dedicated Minister;
- Recognises Local Government is different to State Government due to varying scale, limited resources and capacity, and diversity of issues and services the industry provides; and

- Looks forward to working with the Shire of Brookton Councillors and Officers.

The Presiding Member thanked the Mr Cunninghame, Mr Jordan Langford-Smith and Mr Xuan Ong for their time in presenting to the Audit Committee. All three gentlemen, Mrs Sweeney and Mrs D’Arcy left the meeting at 2.51pm.

7.03.18 ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

8.03.18 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING

Nil

9.03.18 NEXT MEETING & CLOSURE

There being no further business the Presiding Member closed the meeting at 2.55pm.