

SHIRE OF KOJONUP

Kojonup



MINUTES

Audit Committee

5 April 2016

SHIRE OF KOJONUP**AGENDA FOR THE AUDIT COMMITTEE MEETING
TO BE HELD ON 5 APRIL 2016****TABLE OF CONTENTS**

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A G E N D A

1 DECLARATION OF OPENING AND ANNOUNCEMENT OF GUESTS

The Presiding Member declared the meeting opened at 9:04am and alerted the meeting of the procedures for emergencies including evacuation, designated exits and muster points.

2 ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

Members

Cr Jill Mathwin (Presiding Member)

Cr Judith Warland

Cr Ian Pedler

Cr Ned Radford

Staff (Observers)

Mr Anthony Middleton

Manager of Corporate Services

Mrs Heather Marland

Senior Finance Officer

APOLOGIES

Nil

3 PUBLIC QUESTION TIME

Nil

4 SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

5 APPLICATIONS FOR LEAVE OF ABSENCE

Nil

6 CONFIRMATION OF MINUTES

AUDIT COMMITTEE MEETING held 3 February 2016

AUDIT COMMITTEE DECISION

7/16 Moved Cr Pedler, seconded Cr Radford that the Minutes of the Audit Committee Meeting held on 3 February 2016 be confirmed as a true record subject to the following:

Amendment to Point 4

- a) **The Annual Report was not delivered to the Department of Local Government prior to the 30 September 2015 deadline as required. This was due to a delay in getting the updated information regarding Fair Value for assets.**
- b) **Russel Harrison stressed the importance of ratios. They have become important to help compare all Local Governments.**

CARRIED 4/0

7 DECLARATIONS OF INTEREST

Nil

8 AUDITOR – QUOTATIONS FOR THREE (3) YEAR CONTRACT

AUTHOR: Anthony Middleton – Manager of Corporate Services
 DATE: Thursday, 24 March 2016
 FILE NO: CM.TND.1
 ATTACHMENT: 8.1 Quotation – Lincolns
 8.2 Quotation – Moore Stephens

DECLARATION OF INTEREST

Nil

SUMMARY

The purpose of this report is to consider quotations for the provision of audit services for the financial year 2015/2016 to 2017/2018.

BACKGROUND

The current contract with Russell Harrison (Lincolns Accountants and Business Advisors, Albany) expires at the conclusion of the 2014/2015 financial year audit.

At its meeting held on 16 February 2016, the Council resolved:

‘that quotations be obtained from two (2) suitable auditing firms for the conduct of the Shire of Kojonup’s Audit for a period of three (3) Financial Years in accordance with the *Local Government Act 1995* and other relevant legislation.’

COMMENT

Quotations were sought from Lincolns Accountants and Business Advisors and Moore Stephens (formerly UHY Haines Norton).

The following fees proposals have been submitted (excluding GST), which include travel where applicable and assume CPI increases across the five year period at 2%:

	Year 1	Year 2	Year 3
Moore Stephens	\$17,600.00	\$18,150.00	\$18,700.00
Lincolns	\$17,500.00	+ Perth CPI	+ Perth CPI

The Moore Stephens quotation will also incur accommodation and incidental expenses.

The following hourly charges apply for additional audit work, acquittals, special advice and projects:

	Moore Stephens	Lincolns
Partner	\$450.00 - \$600.00	\$350.00
Associate		
Director	\$350.00 - \$400.00	N/A
Manager	\$250.00 - \$300.00	N/A
Senior	\$180.00 - \$200.00	\$170.00
Intermediate	\$140.00 - \$180.00	\$130.00
Graduate	\$120.00	N/A

The bulk of audit and acquittal work is done at Intermediate Level. Lincolns have also quoted specific additional work as follows:

- Roads to Recovery \$750
- Springhaven Lodge Compliance Return \$2,000
- Other Grants \$500 to \$1,000 depending on required work.

Moore Stephens

Moore Stephens is situated in Perth and is very experienced in local government, currently with 43 local government clients. David Tomasi is the registered auditor for that firm, along with Chai Wen-Shien and Greg Godwin. Moore Stephens has previously provided audit services to the Shire of Kojonup, along with completing our financial management review and long term financial plan. Moore Stephens is a leader in WA auditing, conducting annual workshops in financial management and providing budgeting and financial reporting templates to the industry.

Moore Stephens has a detailed compliance component and provides a ratio analysis statistics service to all audit clients as a means of comparing their statutory ratios to those of their peers. This has been enhanced in 2015 and includes detailed comparison/analysis of all reported local government statutory ratios for the 2013 and 2014 years.

Moore Stephens has WALGA preferred supplier status and is able to offer an audit team with considerable depth of experience, expertise and knowledge of the local government industry in Western Australia.

Moore Stephens' understanding, knowledge and commitment to the industry is supported by the findings of the Public Accounts Committee (PAC) report entitled 'Improving Local Government Accountability' as tabled in Parliament (November 2015). Audits are based on 42 man hours for the interim audit and 62 man hours for the final audit.

Lincolns Accountants

Lincolns Accountants and Business Advisors is situated in Albany and has many years' experience with local governments in the Great Southern Region, currently with 8 local government clients. Russell Harrison is the registered auditor for that firm. Lincolns is the current auditor for the Shire of Kojonup and has provided an excellent service. Lincolns can provide a service to the Shire that is unique in a regionally based firm. Audits are based on 30 man hours for the interim audit and 45 man hours for the final audit.

Summary

The audit methodology proposed by the two proponents is acceptable and there is no doubt that either firm could undertake the Shire's audit function satisfactorily. The standard audit fees charged are almost identical, with Moore Stephens incurring accommodation costs in addition to the fees. The hourly rates charged by Moore Stephens are more than Lincolns and such rates would apply to additional audit work, acquittals, special advice and projects. Having said that, the Moore Stephens quote for the audit is based on 104 hours compared to Lincolns 75, therefore assuming that a more thorough task will be completed.

It is prudent to change auditors from time to time as differing companies are likely to identify other issues and different areas where improvements can be made. In addition, given the fees

schedules and larger number of man hours proposed by Moore Stephens, it is considered that Moore Stephens will provide the most cost effective service to the Council.

CONSULTATION

Nil.

STATUTORY REQUIREMENTS

The Local Government Act 1995 and Audit Regulations provide that –

1. 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;
2. the local government may appoint one or more persons as its auditor;
3. 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;
4. 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;
5. an auditor is not to be appointed for more than five years; and
6. the appointment of a person as an auditor is to be made by agreement in writing and is to include –
 - a. the objectives of the audit;
 - b. the scope of the audit;
 - c. a plan for the audit;
 - d. details of the remuneration and expenses to be paid to the auditor; and
 - e. 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 Point a. to e. 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.

POLICY IMPLICATIONS

There are no policy implications for this report.

FINANCIAL IMPLICATIONS

Both of the quotations received are less than is currently incurred for the provision of audit services (\$21,087 in 2014/2015). Audit services are budgeted for each year.

STRATEGIC/CORPORATE IMPLICATIONSCommunity Strategic Plan 2013 – 2023

Outcomes:

- G1 – Being Well Governed

Corporate Business Plan 2013 – 2017

Objectives:

- G1.2 – Maintain a structured forward planning process in accordance with legislation and community aspirations
- G1.4 – Maintain robust systems and controls

RISK MANAGEMENT IMPLICATIONS

The audit process is a primary risk minimization tool to assist with legislative compliance, accountability and standardisation amongst the industry. The choice of the right auditor and a suitable working relationship with the auditor is paramount.

ASSET MANAGEMENT PLAN IMPLICATIONS

There are no asset management implications for this report.

VOTING REQUIREMENTS

Absolute Majority

OFFICER RECOMMENDATION/AUDIT COMMITTEE DECISION

8/16 Moved Cr Pedler, seconded Cr Radford that Mr Russell Harrison (Registered Company Auditor Number 14152) of Lincolns be appointed as the Council's auditor for a three (3) year period commencing with the 2015/2016 financial year, in accordance with the 'Quotation for the Provision of Audit Services' document dated 10 March 2016.

CARRIED BY ABSOLUTE MAJORITY

4/0

9 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

10 NEW BUSINESS

(of an urgent nature, introduced by a decision of the meeting).

Nil

11 NEXT MEETING

The next Audit Committee meeting will be held on Tuesday, 3 May 2016 at 9:00am.

12 CLOSURE

There being no further business to discuss, the Presiding Member, Cr Mathwin, thanked the members for their attendance and declared the meeting closed at 9:27am.

13 ATTACHMENTS (SEPARATE)

8.1 Quotation – Lincolns

8.2 Quotation – Moore Stephens

Presiding Member

Date