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Shire of Kalamunda

# Audit Committee

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Minutes for 13 February 2012



## INDEX

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1.0	OFFICIAL OPENING.....	1
2.0	ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED .....	1
3.0	CONFIRMATION OF MINUTES OF PREVIOUS MEETING.....	2
4.0	ANNOUNCEMENTS BY THE PERSON PRESIDING WITHOUT DISCUSSION ....	2
5.0	DISCLOSURE OF INTERESTS .....	2
6.0	REPORT TO COUNCIL .....	2
	<b>1. 2011 Compliance Audit Return .....</b>	<b>3</b>
	<b>2. Appointment for the Provision of External Audit Services .....</b>	<b>7</b>
	<b>3. Forrestfield United Soccer Club Sundry Debt – CONFIDENTIAL</b> .....	<b>12</b>
7.0	QUESTIONS BY MEMBERS WITHOUT NOTICE.....	13
8.0	QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN.....	13
9.0	URGENT BUSINESS APPROVED BY THE PERSON PRESIDING OR BY DECISION .....	13
10.0	CLOSURE .....	13



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## MINUTES

### 1.0 OFFICIAL OPENING

1.1 The Chairman opened the meeting at 4.30pm and welcomed Councillors, Staff and Observers.

### 2.0 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE PREVIOUSLY APPROVED

#### 2.1 Attendance

##### Councillors

Dylan O'Connor	(Chairman), North West Ward
Margaret Thomas	North Ward
Allan Morton	(Deputy Shire President) South West Ward
Justin Whitten	South West Ward

##### Members of Staff

James Trail	Chief Executive Officer
Rhonda Hardy	Director of Corporate and Community Services
Darrell Forrest	Manager Governance
Rajesh Malde	Manager Financial Services
Peter Hayes (4.32pm)	Manager Business and Strategy
Felicity Peter (4.33pm)	Property Services Officer
Meri Comber	Governance Officer (Minute Secretary)

##### Observer

Noreen Townsend (4.34pm)	South East Ward
Bob Emery(4.40pm)	North West Ward

#### 2.2 Apologies

Donald McKechnie	(Shire President) North Ward
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#### 2.3 Leave of Absence Previously Approved

Nil.

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**3.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

3.1 That the Minutes of the Audit Committee Meeting held on 24 October 2011 are confirmed as a true and correct record of the proceedings.

Moved: **Cr Margaret Thomas**

Seconded: **Cr Justin Whitten**

Vote: **CARRIED UNANIMOUSLY (4/0)**

**4.0 ANNOUNCEMENTS BY THE PERSON PRESIDING WITHOUT DISCUSSION**

**5.0 DISCLOSURE OF INTERESTS**

**5.1 Disclosure of Financial and Proximity Interests**

- a. Members must disclose the nature of their interest in matters to be discussed 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*.)

5.1.1 Nil.

**5.2 Disclosure of Interest Affecting Impartiality**

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

5.2.1 Nil.

**6.0 REPORT TO COUNCIL**

Please Note: declaration of financial/conflict of interests to be recorded prior to dealing with each item.

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**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**
**1. 2011 Compliance Audit Return**

Previous Items	N/A
Responsible Officer	Chief Executive Officer
Service Area	Governance
File Reference	FI-AUD-004
Applicant	N/A
Owner	N/A
Attachment 1	2011 Compliance Audit Return

**PURPOSE**

1. To consider the 2011 Compliance Audit Return.

**BACKGROUND**

2. Every local government in Western Australia is required, under Section 7.13(1)(i) of the *Local Government Act 1995* ("the Act") to complete a Compliance Audit Return ("CAR") each year.
3. The CAR is produced by the Department of Local Government and, once presented to Council and adopted, is to be submitted to the Department by 31 March.
4. The CAR is designed to be a tool for local government, allowing it to identify those areas where legislative requirements have not been met and then implement processes to ensure that such instances of non-compliance do not continue.

**DETAILS**

5. The Terms of Reference of the Audit Committee require the Audit Committee to review and make recommendations to Council on the completed Compliance Audit Return.
6. The Terms of Reference state that *"the report presented to the Audit Committee should specifically highlight those cases of non-compliance which have reoccurred"*.
7. The 2011 CAR has been significantly reduced in size compared to previous years, covering nine specific topics with 78 questions, whereas in 2010 the CAR covered 16 specific topics with 273 questions and in 2009 there 16 topics and 347 questions.
8. The completed CAR for the year ending 31 December 2011 is presented as (Attachment 1). The only questions where non-compliance have been identified are:

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### **Disposal of Property – Page 4, Questions 1 and 2**

Sections 3.58 (3) and (4) of the *Local Government Act 1995* provides that where property is disposed of by private treaty, then the disposition must be advertised in accordance with the prescribed requirements.

This provision was not complied with in respect of the disposition of the first 15 lots sold in the Smokebush Estate due to a miscommunication of the requirements of the Act by Shire of Kalamunda staff to the agent appointed by Council.

The correct procedure has now been implemented and all subsequent sales are now complying with the requirements of the Act.

### **STATUTORY AND LEGAL IMPLICATIONS**

9. Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996* provide for the completion, adoption by Council and certification by the Shire President and Chief Executive Officer of the Compliance Audit Return. Additionally, the regulations require the certified return to be submitted to the Department of Local Government by 31 March.

### **POLICY IMPLICATIONS**

10. There are no policy implications related to the Compliance Audit Return.

### **PUBLIC CONSULTATION/COMMUNICATION**

11. Public consultation is not required with respect to the Compliance Audit Return.

### **FINANCIAL IMPLICATIONS**

12. There are no financial implications arising from the Compliance Audit Return.

### **STRATEGIC AND SUSTAINABILITY IMPLICATIONS**

13. Ensuring compliance with all relevant legislative requirements is a key performance indicator.

### **Sustainability Implications**

#### Social implications

14. Nil.



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*Peter Hayes (4.32pm), Felicity Peter (4.33pm) and Cr Noreen Townsend (4.34) joined the meeting.*

Economic Implications

15. Nil.

Environmental Implications

16. Nil.

**OFFICER COMMENT**

17. Whilst the 2011 CAR covered significantly less topics, it is in line with the Department of Local Government's new strategy to target its examination of issues considered high risk.
18. Although an issue of non-compliance was identified, the actual incident of non-compliance was not one which exposed the Shire to a significant risk.
19. Nevertheless, any incident of non-compliance is not to be taken lightly and appropriate action has been taken to eliminate any further non-compliance in this particular area of the Shire's operation.

**COMMITTEE RECOMMENDATION TO COUNCIL (AC 1/2012)**

That Council:

1. Adopts the Compliance Audit Return for the year ending 31 December 2011.

Moved: **Cr Allan Morton**

Seconded: **Cr Margaret Thomas**

Vote: **CARRIED UNANIMOUSLY (4/0)**



Department of Local Government - Compliance Audit Return



Government of Western Australia  
Department of Local Government

## Kalamunda - Compliance Audit Return 2011

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government together with a copy of section of relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2011.	N/A		Darrell Forrest
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2011.	N/A		Darrell Forrest
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2011.	N/A		Darrell Forrest
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2011.	N/A		Darrell Forrest
5	s3.59(5)	Did the Council, during 2011, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Darrell Forrest



<b>Delegation of Power / Duty</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A		Darrell Forrest	
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Darrell Forrest	
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Darrell Forrest	
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Darrell Forrest	
5	s5.18	Has Council reviewed delegations to its committees in the 2010/2011 financial year.	N/A		Darrell Forrest	
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Darrell Forrest	
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Darrell Forrest	
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Darrell Forrest	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Darrell Forrest	
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	N/A		Darrell Forrest	
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Darrell Forrest	
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2010/2011 financial year.	Yes		Darrell Forrest	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Darrell Forrest	

<b>Disclosure of Interest</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Darrell Forrest	
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	N/A		Darrell Forrest	



No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Darrell Forrest
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes		Darrell Forrest
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Darrell Forrest
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2011.	Yes		Darrell Forrest
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2011.	Yes		Darrell Forrest
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Darrell Forrest
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Darrell Forrest
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Darrell Forrest
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Darrell Forrest
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Darrell Forrest
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Darrell Forrest
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Darrell Forrest



No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Darrell Forrest
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Darrell Forrest

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	No	The Shire engaged an agent to dispose on its behalf a 29 lot land development. Due to a miscommunication of the requirements of the Local Government Act by SOK staff to the agent, sales agreements were entered into for 15 lots without a condition that the sale needed to be advertised. The correct procedures are now in place and have been complied with for subsequent sales.	Darrell Forrest
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	No	See comment above.	Darrell Forrest

### Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes		Darrell Forrest

### Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Darrell Forrest



No	Reference	Question	Response	Comments	Respondent
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	No		Darrell Forrest
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	N/A	Current audit contract expired at the completion of the 2010/11 Audit. New appointment is currently being sought.	Darrell Forrest
4	s7.3	Was the person(s) appointed by the local government to be its auditor, an approved auditor.	N/A		Darrell Forrest
5	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	N/A		Darrell Forrest
6	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2011 received by the local government within 30 days of completion of the audit.	Yes		Darrell Forrest
7	s7.9(1)	Was the Auditor's report for 2010/2011 received by the local government by 31 December 2011.	Yes		Darrell Forrest
8	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	No issues raised in Audit Report	Darrell Forrest
9	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Darrell Forrest
10	S7.12A(3), (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Darrell Forrest
11	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes	The just expired contract included all requirements and these will also be incorporated into the proposed new contract.	Darrell Forrest
12	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Darrell Forrest



No	Reference	Question	Response	Comments	Respondent
13	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Darrell Forrest
14	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Darrell Forrest
15	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Darrell Forrest

**Local Government Employees**

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A		Darrell Forrest
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	Yes	Director of Corporate Services advertised and filled during the year under review	Darrell Forrest
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Darrell Forrest
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Darrell Forrest
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes		Darrell Forrest





<b>Official Conduct</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A		Darrell Forrest
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes		Darrell Forrest
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes		Darrell Forrest
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes		Darrell Forrest
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes		Darrell Forrest
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) (c).	Yes		Darrell Forrest

<b>Tenders for Providing Goods and Services</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Darrell Forrest
2	F&G Reg 12	Has the local government entered into multiple contracts only where avoiding the requirement to call tenders for a single contract in accordance with F&G Reg 11(1) was not a significant reason for doing so.	No		Darrell Forrest
3	F&G Reg 14(1)	Did the local government invite tenders via Statewide public notice.	Yes		Darrell Forrest
4	F&G Reg 14, 15 & 16	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Darrell Forrest



No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Darrell Forrest
6	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Darrell Forrest
7	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Darrell Forrest
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Darrell Forrest
9	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Darrell Forrest
10	F&G Reg 21 & 22	Did the local governments' advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Darrell Forrest
11	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	Yes		Darrell Forrest
12	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes		Darrell Forrest
13	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes		Darrell Forrest
14	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Darrell Forrest
15	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$100,000 or less.	Yes		Darrell Forrest



**Government of Western Australia**  
**Department of Local Government**

I certify this Compliance Audit return has been adopted by Council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor / President, Kalamunda

\_\_\_\_\_  
Signed CEO, Kalamunda

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**Declaration of financial / conflict of interests to be recorded prior to dealing with each item.**
**2. Appointment for the Provision of External Audit Services**

Previous Items	Nil
Responsible Officer	Chief Executive Officer
Service Area	Business and Strategy
File Reference	
Applicant	Nil
Owner	Nil
Attachment 1	Summary of Audit Fees Quoted
Attachment 2	Summary of Estimated Hours Quoted
Attachment 3	Qualitative Comparative Assessment of Audit Practices – Perth
Attachment 4	Insurances

**PURPOSE**

1. To consider quotations received for the provision of external audit services.
2. Recommend the appointment of a new auditor for a period of three years commencing 1 July 2011.

**BACKGROUND**

3. The Shire invited new quotations for external audit services for a period of three years commencing 1 July 2011 from the following firms of external auditors:
  - Deloitte
  - Grant Thornton
  - Macri Partners
  - PricewaterhouseCoopers
  - UHY Haines Norton

**DETAILS**

4. Three quotations were received by the closing date of the 30 January 2012 from:
  - Grant Thornton
  - Macri Partners
  - UHY Haines Norton

Deloitte declined an invitation to quote.

**STATUTORY AND LEGAL IMPLICATIONS**

5. Section 7.2 of the *Local Government Act 1995* ("the Act") requires the accounts and annual financial report of a local government to be audited by an auditor appointed by the local government.

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6. The appointment by Council under Section 7.3(1) is to be by recommendation of the audit committee.
  7. The person appointed as external auditor will be required to comply with Section 7.9 of the Act and the *Local Government (Audit) Regulations 1996*.

#### **POLICY IMPLICATIONS**

8. Nil.

#### **PUBLIC CONSULTATION/COMMUNICATION**

9. Nil.

#### **FINANCIAL IMPLICATIONS**

10. The annual budget for year ending 30 June 2012 includes a budget provision for an annual audit of the financial statements of \$21,200 exclusive of GST. However the annual budget was based on continuation of a statutory audit and not an expanded scope. This figure will require updating as part of the budget review.
11. Grant funded projects are treated separately and the audit of grant acquittals is a cost met out of contributor's funds.

#### **STRATEGIC AND SUSTAINABILITY IMPLICATIONS**

##### **Strategic Planning Implications**

12. Nil.

##### **Sustainability Implications**

###### Social Implications

13. Nil.

###### Economic Implications

14. Nil.

###### Environmental Implications

15. Nil.

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**OFFICER COMMENT**

16. The invitations to provide quotations for external audit services were sent to organisations on the WALGA Preferred Supplier Panel. Each supplier to the Panel is prequalified by WALGA for the delivery of specialised local government audit services.
- The objective of the audit is:
- a. To provide an independent audit opinion on the annual financial statements of the local government each financial year covered by the term of the audit appointment.
  - b. Review the work undertaken by the internal auditor of the financial management systems and controls to ensure the systems and controls have worked effectively during the financial year.
  - c. Undertake annual reviews of Asset Management Plans and Long term Financial Plans to ensure the information is reliable and up to date.
  - d. Review the net current assets brought forward from the previous financial year reported in the annual budget to confirm that this balance is not materially misstated.
17. The audit scope has been expanded from the minimum requirement under the *Local Government Act 1995* of just forming an independent audit opinion of the annual financial statements (a statutory audit). This is being done to provide a higher degree of assurance for the Chief Executive Officer and Council that financial management systems and controls have worked effectively during the financial year and the calculated net current position carried forward into next year's annual budget is accurately established. Auditing the Long Term Financial Plan and Asset Management Plans provides a higher degree of surety that information used to compile the Long Term Financial Plan and the following year's annual budget is robust, accurate and based on sound supporting information.
18. All three audit practices conduct a significant number of local government audits both for metropolitan and regional local governments. All practices provide a significant cross section of other services to local governments.
19. The firm that provided the lowest quotation for provision of external audit services was Grant Thornton with a quote of \$19,500 (exclusive of GST) in the first year, \$19,200 (exclusive of GST) in the second year and \$19,460 (exclusive of GST) in the third year. This quote is \$1,700 below budget for the 2011/2012 Financial Year.

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20. Macri and Partners and UHY Haines Norton both quoted \$26,000 (exclusive of GST) for the first year increasing to \$27,000(exclusive of GST) in the second and \$28,000 (exclusive of GST) in the third year. This is \$6,500 (33%) more than Grant Thornton for the first year and \$4,800 more than budget. However the budget needs to be revised and updated to incorporate an expanded scope of audit.
  21. Quotes received from Grant Thornton and UHY Haines Norton exclude out of pocket expenses recovered at cost.
  22. All three firms have Insurance coverage for Public Liability, Professional Indemnity and Workers Compensation.
  23. Grant Thornton estimated that the annual audit would take approximately 260 hours compared to 165 hours by Macri Partners and 155 hours by UHY Haines Norton. There is a significant difference in the estimated hours quoted between Grant Thornton and the other two practices.
  24. Referees provided by Grant Thornton were contacted. The comments received were complimentary stating the practice conducted a good external audit. The scope in all cases covered just a statutory audit.
  25. Macri Partners have been the Shire's external auditors since 2006. The practice provides a broad range of audit and accounting services to local governments.
  26. UHY Haines Norton were used by the Department of Local Government to provide advice and support in all aspects of local government financial systems including an in depth review of compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* and best practice.
  27. Local governments who use UHY Haines Norton for external auditing have found the audit work undertaken to be good and appreciate the recommendations received in their audit management letters.
  28. With the depth of experience, expertise, commitment and long term involvement in the provision of audit and other related services to local government in Western Australia, Mr David Tomasi from UHY Haines Norton should be considered for appointment as external auditor for the next three years commencing 1 July 2011.

**COMMITTEE RECOMMENDATION TO COUNCIL (AC 2/2012)**

That Council:

1. Appoints Mr David Tomasi from UHY Haines Norton as external auditor to the Shire of Kalamunda for a period of three years commencing 1 July 2011.

Moved: **Cr Margaret Thomas**

Seconded: **Cr Justin Whitten**

Vote: **CARRIED UNANIMOUSLY / ABSOLUTE MAJORITY (4/0)**



**Summary of Audit Fees Quoted**

**Attachment 1**

	Year Ending 30 June 2012			Year Ending 30 June 2013			Year Ending 30 June 2014		
	Fee Quoted	GST Applicable	Total (GST Inclusive)	Fee Quoted	GST Applicable	Total (GST Inclusive)	Fee Quoted	GST Applicable	Total (GST Inclusive)
Grant Thornton	19,500	1,950	21,450	19,200	1,920	21,120	19,460	1,946	21,406
Macri Partners	26,000	2,600	28,600	27,000	2,700	29,700	28,000	2,800	30,800
UHY Haines Norton	26,000	2,600	28,600	27,000	2,700	29,700	28,000	2,800	30,800

**Note:**

The price quoted by Grant Thornton and UHY Haines Norton is exclusive of travel and out of pocket expenditure.

Summary of Estimated Hours Quoted

Attachment 2

	2011/2012 Total Hours	2012/2013 Total Hours	2013/2014 Total Hours
Grant Thornton	260	240	240
Partner	20		
Manager	45		
In - Charge	90		
Assistant	105		
Total Hours	<u>260</u>		
Macri Partners	165	165	165
Partner	22		
Manager	38		
Senior	53		
Assistant	52		
Total Hours	<u>165</u>		
UHY Haines Norton	155	155	155
Interim Visit			
Partner	8		
Manager/Supervisor/Senior/Intermediate/Graduate	50		
Planning	2		
	<u>60</u>		
Final Visit			
Partner	12		
Manager/Supervisor/Senior/Intermediate/Graduate	80		
Planning	3		
	<u>95</u>		
Total Hours	<u>155</u>		

**Qualitative Comparative Assessment of Audit Practices - Perth**

**Attachment 3**

Practice	Audit Partners	Staff	Number of Local Government Audits	Metropolitan Local Government Audits	
Grant Thornton	3	Not Provided	20	City of Perth City of Fremantle City of Stirling	City of Joondalup Town of Kwinana City of Cockburn
Macri Partners	1	9	20	City of Armadale City of Bayswater City of Belmont City of Canning City of Melville City of Nedlands City of Vincent	City of South Perth City of Swan Town of Bassendean Town of East Fremantle Town of Mosman Park Town of Victoria Park Town of Cambridge
UHY Haines Norton	2	14	58	Town of Claremont City of Rockingham City of Gosnells	Shire of Peppermint Grove City of Subiaco

	Insurances		Attachment 4
	Public Liability	Professional Indemnity	Workers Compensation
Grant Thornton	\$50 million	\$20 million	\$50 million
Macri Partners	\$10 million	\$15 million	As per Act
UHY Haines Norton	\$20 million	\$10 million	\$50 million

**3. Forreestfield United Soccer Club Sundry Debt – CONFIDENTIAL**

Reason for confidentiality

*Local Government Act s 5.23(2)(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.

**COMMITTEE RECOMMENDATION TO COUNCIL (AC 3/2012)**

1. If there is no positive response from the Forreestfield United Soccer Club by 29 February 2012 that Council Requests the Shire of Kalamunda's commercial debt collection agency, Dun and Bradstreet, be engaged to initiate formal debt collection processes against the Forreestfield United Soccer Club to recover the outstanding debt in full.

Moved: **Cr Margaret Thomas**

Seconded: **Cr Justin Whitten**

Vote: **CARRIED UNANIMOUSLY (4/0)**

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**7.0 QUESTIONS BY MEMBERS WITHOUT NOTICE**

7.1 Cr Allan Morton – Sign Advertising Forrestfield Gym

Q. Have the Forrestfield United Soccer Club been advised of their breach with reference to the sign outside the building?

A. Director Corporate and Community Services advised that the Shire will write to the Soccer Club with reference to this.

**8.0 QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN**

13.1 Nil.

**9.0 URGENT BUSINESS APPROVED BY THE PERSON PRESIDING OR BY DECISION**

9.1 Nil.

**10.0 CLOSURE**

There being no further business, the Chairman declared the meeting closed at 4.55pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Committee.

Signed: \_\_\_\_\_  
Chairman

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2012