



## **MINUTES**

# **AUDIT COMMITTEE MEETING**

Thursday 5 December 2013  
Commencing At 9.30am  
At Council Chambers in Menzies.

## SHIRE OF MENZIES

### NOTICE OF AUDIT COMMITTEE MEETING

Dear Council Member,

The next Audit Committee Meeting of the Shire of Menzies will be held on Thursday 5 December 2013 in the Council Chambers, Shenton Street, Menzies commencing at 9.30am.

\_\_\_\_\_  
N P Crawford  
Chief Executive Officer

\_\_\_\_\_  
Date

### DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Menzies for any act or omission or statement or intimation occurring during this meeting.

It is strongly advised that persons do not act on what is heard at this meeting and should only rely on written confirmation of Council's decision, which will be provided within fourteen (14) days of this meeting.

### FINANCIAL INTEREST (EFFECTIVE 1 JULY 1996)

A financial interest occurs where a Councillor, or person with whom the Councillor is closely associated, has direct or indirect financial interest in the matter. That is, the person stands to make a financial gain or loss from the decision, either now or at some time in the future.

An indirect financial interest includes a reference to a financial relationship between that person and another person who requires a Local Government decision in relation to the matter.

#### **Councillors should declare an interest:**

- a) In a written notice given to the CEO before the meeting: or**
- b) At the meeting immediately before the matter is discussed**

A member who has declared an interest must not:

Preside at the part of the meeting relating to the matter: or  
Participate in, or be present during any discussion or decision making procedure relating to the matter.

Unless the member is allowed to do so under Section 5.68 or 5.69, Local Government Act 1995

Ref: Local Government Act 1995 Division 6 – Disclosure of Financial Interest.  
Specifically Sections 5.60, 5.61, 5.65 and 5.67

## TABLE OF CONTENTS

<b>1.</b>	<b>DECLARATION OF OPENING</b>	<b>4</b>
<b>2.</b>	<b>ANNOUNCEMENT OF VISITORS</b>	<b>4</b>
<b>3.</b>	<b>ELECTION OF CHAIRPERSON AND DEPUTY CHAIRPERSON</b>	<b>4</b>
<b>4.</b>	<b>RECORD OF ATTENDANCE</b>	<b>6</b>
<b>5.</b>	<b>DECLARATIONS OF INTEREST / APPLICATIONS FOR LEAVE OF ABSENCE</b>	<b>6</b>
<b>6.</b>	<b>PUBLIC QUESTION TIME</b>	<b>6</b>
<b>7.</b>	<b>CONFIRMATION OF PREVIOUS MINUTES</b>	<b>6</b>
	<b>7.1 Minutes of Audit Committee meeting held on Saturday 17 August 2013</b>	<b>6</b>
<b>8.</b>	<b>REPORTS OF COMMITTEES AND OFFICERS</b>	<b>8</b>
	<b>8.1 Consideration of Audit Report for 2012 - 2013</b>	<b>8</b>
<b>9.</b>	<b>NEXT MEETING / MEETING CLOSURE</b>	<b>14</b>

## AUDIT COMMITTEE MEETING

### MINUTES

#### 1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chief Executive Officer declared the meeting open at 9.36am, welcomed the Councillors and proceeded with the agenda as planned.

#### 2 ANNOUNCEMENT OF VISITORS

Nil

#### 3 ELECTION OF CHAIRPERSON AND DEPUTY CHAIRPERSON 2013 - 2015

<b>SUBMISSION TO:</b>	Audit Committee Meeting, 5 December 2013
<b>LOCATION:</b>	Shire of Menzies
<b>APPLICANT:</b>	Shire of Menzies
<b>FILE REF:</b>	ADM 108
<b>DISCLOSURE OF INTEREST:</b>	None
<b>DATE:</b>	2 December 2013
<b>AUTHOR:</b>	Peter Crawford, Chief Executive Officer
<b>SIGNATURE OF AUTHOR:</b>	
<b>PREVIOUS MEETING REFERENCE:</b>	None

#### ATTACHMENTS:

None

#### SUMMARY:

Election of Chairperson followed by the election of the Deputy Chairperson

#### BACKGROUND:

Council is required to elect the Chairperson and Deputy Chairperson as the first two matters to be dealt with at the first meeting following an ordinary election day.

#### COMMENT:

The process of election is the same as the process for election of that of a councillor.

The CEO is to preside at the meeting until the office of Chairperson is filled.

Following the completion of formalities for the election of Chairperson, the same process is repeated for the election of the Deputy Chairperson. The Chairperson conducts the election, but if he or she is not present, the process is conducted by the CEO.

## ELECTION OF CHAIRPERSON

The CEO will call for nominations for the role of Chairperson and will advise if he has received any written nominations for the position.

All nominations for the role of Chairperson must be in writing. If a councillor is nominated by another councillor, the CEO is not to accept the nomination unless the nominee has advised the CEO, orally or in writing, that he or she is willing to be nominated for the office

If at the close of nominations, only one nomination has been received, the CEO will declare that councillor to be elected to the office of Chairperson.

If more than one nomination is received, the councillors will vote on the matter by secret ballot which will be conducted by the CEO.

As soon as the ballot has been conducted, the CEO will give notice of the result of the ballot and declare the successful councillor elected to the office of Chairperson.

When the councillor has been elected to the office of Chairperson, the Chairperson will then complete the declaration as required by the Local Government (Constitutional) Regulations 1998 before the CEO.

The Chairperson will then assume the Chair.

## ELECTION OF DEPUTY CHAIRPERSON

On assuming the Chair, the Chairperson will then call for nominations for the position of Deputy Chairperson.

All nominations for the role of Deputy Chairperson must be in writing. If a councillor is nominated by another councillor the Chairperson is not to accept the nomination unless the nominee has advised the Chairperson, orally or in writing, that he or she is willing to be nominated for the office

If at the close of nominations, only one nomination has been received, the Chairperson will declare that councillor to be elected to the position as Deputy Chairperson.

If more than one nomination is received, the councillors will vote on the matter by secret ballot which will be conducted by the CEO.

As soon as the ballot has been conducted, the CEO will give notice of the result of the ballot and the Chairperson will declare the successful councillor elected to the office of Deputy Chairperson.

When the councillor has been elected to the office of Deputy Chairperson, the Deputy Chairperson will then complete the declaration as required by the Local Government (Constitutional) Regulations 1998 before the CEO.

## **PROCEDURES:**

### **CHAIRPERSON:**

The CEO called for nominations for the position of Chairperson of the Shire of Menzies Audit Committee.

Cr Greg Dwyer was nominated in writing by Cr Jamie Mazza. Cr Dwyer confirmed in writing that he would accept the nomination.

The CEO declared Cr Dwyer elected as Chairperson of the Shire of Menzies Audit Committee for the term ending in October 2015. Cr Dwyer then completed and signed the declaration as required by the Local Government (Constitutional) Regulations 1998. The Chairperson was congratulated by all present and then assumed the Chair.

### **DEPUTY CHAIRPERSON:**

The Chairperson called for nominations for the position of Deputy Chairperson of the Shire of Menzies Audit Committee.

Cr Jamie Mazza was nominated in writing by Cr Greg Dwyer. Cr Mazza confirmed in writing that he would accept the nomination.

The CEO declared Cr Mazza elected as Deputy Chairperson of the Shire of Menzies Audit Committee for the term ending in October 2015. Cr Mazza then completed and signed the declaration as required by the Local Government (Constitutional) Regulations 1998. The Deputy Chairperson was congratulated by all present.

The Chairperson then proceeded with the Meeting as per the Agenda.

## **4 RECORD OF ATTENDANCE**

### **Councillors:**

<b>Present:</b>	Cr G Dwyer	Chairperson
	Cr J Mazza	Deputy Chairperson

<b>Apologies:</b>	Cr J Lee	Councillor
	Cr I R Tucker	Councillor

<b>Staff:</b>		
<b>Present:</b>	Mr Peter Crawford	Chief Executive Officer
	Ms Brooke Povah	Deputy Chief Executive Officer

## **5 DECLARATIONS OF INTEREST/APPLICATIONS FOR LEAVE OF ABSENCE**

Nil

## **6 PUBLIC QUESTION TIME**

Nil

## **7 CONFIRMATION OF PREVIOUS MINUTES**

7.1 Confirmation of the Previous Minutes of Audit Committee Meeting held on 17 August 2013 as presented, be confirmed.

**MOVED Cr G Dwyer**

**SECONDED Cr J Mazza**

**That the Minutes of the Audit Committee Meeting held on 17 August 2013 as presented, be confirmed**

**CARRIED: 2/0**

**MINUTES OF AUDIT COMMITTEE MEETING HELD SATURDAY 17 AUGUST 2013**

**1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

The Shire President (Cr Gregory Dwyer) declared the meeting open at 9.06am, welcomed the Councillors and proceeded with the agenda as planned.

**2 RECORD OF ATTENDANCE**

<b>Councillors:</b>	Cr G Dwyer	Shire President
	Cr J Dwyer	Councillor
	Cr C Purchase	Councillor
<b>Staff:</b>	Mr P Crawford	Chief Executive Officer
	Ms R Jones	Deputy Chief Executive Officer

**3 LEAVE OF ABSENCE PREVIOUSLY APPROVED**

None

**4 DECLARATIONS OF INTEREST**

None

**5 APPLICATIONS FOR LEAVE OF ABSENCE.**

Not Applicable

**6 PUBLIC QUESTION TIME**

None

**7 CONFIRMATION OF PREVIOUS MINUTES**

7.1 Confirmation of the previous Minutes of Audit Committee Meeting held on 28 March 2013, as presented.

**Moved: Cr J Dwyer**

**Seconded: Cr C Purchase**

**That the minutes of the Audit Committee Meeting held on 28 March 2013, as presented, be accepted.**

**CARRIED: 3/0**

**8. REPORTS OF COMMITTEES AND OFFICERS**

**8.1 CONSIDERATION OF FINANCIAL MANAGEMENT REVIEW 2013**

<b>SUBMISSION TO:</b>	Audit Committee Meeting – 15 August 2013
<b>LOCATION:</b>	Shire of Menzies
<b>APPLICANT:</b>	Rose Jones, Deputy Chief Executive Officer
<b>FILE REF:</b>	ADM403
<b>DISCLOSURE OF INTEREST:</b>	The author has no interest to disclose
<b>DATE:</b>	8 August 2013
<b>AUTHOR:</b>	Rose Jones, Deputy Chief Executive Officer
<b>SIGNATURE OF AUTHOR:</b>	



<b>SENIOR OFFICER:</b>	Peter Crawford, Chief Executive Officer
------------------------	---

<b>SIGNATURE OF SENIOR OFFICER:</b>
-------------------------------------

**ATTACHMENTS:**

Attachment 8.1a Financial Management Review – Report by RSM Bird Cameron

**SUMMARY**

Council's Audit Committee is required to consider matters relative to the financial management and control of the Shire.

**BACKGROUND:**

In order to gain independent feedback as to the effectiveness and efficiency of procedures and controls relating to financial management, the CEO is required to undertake a review in accordance with the Local Government (Financial Management) Regulation 5(2)

**5. CEO's duties as to financial management**

- (1) Efficient systems and procedures are to be established by the CEO of a local government—
  - (a) for the proper collection of all money owing to the local government; and
  - (b) for the safe custody and security of all money collected or held by the local government; and
  - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
  - (d) to ensure proper accounting for municipal or trust—
    - (i) revenue received or receivable; and
    - (ii) expenses paid or payable; and
    - (iii) assets and liabilities;and
  - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and
  - (f) for the maintenance of payroll, stock control and costing records; and
  - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.
- (2) The CEO is to—
  - (a) ensure that the resources of the local government are effectively and efficiently managed; and
  - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
  - (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.

*[Regulation 5 amended in Gazette 31 Mar 2005 p.1047 and 1053.]*

**COMMENT:**

Earlier this year the Audit Committee appointed RSM Bird Cameron to undertake a Financial Management Review.

During May 2013 the review was conducted on site in Menzies over a four day period by Travis Bate with assistance from Brad Solly and Trent Purcell.

The findings and recommendations resulting from their investigations are appended

Overall, the report indicates that while there is still some room for improvement in procedures and practices to further ensure the efficiency and effectiveness of procedures and controls, the current practices reflect significant improvements over the previous years.

Many of the noted inadequacies are already being improved through the introduction of new and more closely scrutinised procedures. One of the major deficiencies noted in the Report relates not to any failure to verify activities but to a failure to indicate that checking processes have been undertaken.

Several of the recommendations have already been implemented and many more will be implemented in coming months.

**CONSULTATION:**

CEO

**STATUTORY ENVIRONMENT:**

Local Government (Financial Management Regulations 1966) Regulations 13 & 34

**POLICY IMPLICATIONS:**

Nil

**FINANCIAL IMPLICATIONS:**

Nil

**VOTING REQUIREMENTS:**

Simple Majority required

**AUDIT/FINANCE COMMITTEE RECOMMENDATIONS TO ORDINARY COUNCIL MEETING OF 15 AUGUST 2013**

Moved: Cr C Purchase

Seconded: Cr J Dwyer

That the Report of Factual Findings of the Financial Management Review be accepted by the Audit Committee and that the Audit Committee recommends to Council that the Report be accepted and is to be utilised by the CEO to manage his obligations in relation to his financial management duties.

9.23am

CARRIED: 3/0

Moved: Cr J Dwyer

Seconded: Cr C Purchase

That the Late Item be accepted.

CARRIED: 3/0

**8. REPORTS OF COMMITTEES AND OFFICERS**

**8.2 APPOINTMENT OF AUDITOR FOR 2013-14 AND 2014-15**

<b>SUBMISSION TO</b>	Audit Committee Meeting 15 August 2013
<b>LOCATION:</b>	Shire of Menzies
<b>APPLICANT:</b>	Rose Jones, Deputy Chief Executive Officer
<b>FILE REF:</b>	ADM370
<b>DISCLOSURE OF INTEREST:</b>	The author has no interest to disclose
<b>DATE:</b>	14 August 2013
<b>AUTHOR:</b>	Rose Jones, Deputy Chief Executive Officer
<b>SIGNATURE OF AUTHOR:</b>	
<b>SENIOR OFFICER:</b>	Peter Crawford, Chief Executive Officer
<b>SIGNATURE OF SENIOR OFFICER:</b>	

**ATTACHMENTS:**

Attachment 8.2a – Shire of Menzies Audit Quote

**SUMMARY**

Council is required to appoint auditors on the recommendation of its Audit Committee.

**BACKGROUND:**

At Council's Audit Committee meeting on 28 March 2013 it was resolved to appoint Simon Cubitt of RSB Bird Cameron as Council's auditor for 2012-13. An interim audit was conducted in May 2013 and it is now timely to consider the continuity of audit services.

**COMMENT:**

A quotation to provide audit services for a further two years was requested and is provided as appended. The previous selection was based on the requisite criteria (below) supported by recommendation from the Shire of Wiluna. Council is not required to seek additional quotations for audit services.

### 1.1.11 Selection Criteria

Quotes will be evaluated on the information provided, as well as information from other sources as decided by the Shire. Quoters should ensure their submission includes all information required to allow proper assessment of their Quote.

The Shire reserves the right to not accept the lowest or any Quote.

The selection will be based on the following criteria, which are not listed in order of importance:

- **Methodology**  
 Good understanding of the facilitation services to be provided in this Contract.
- **Experience on Similar Work**  
 Details of similar works provided by the Quoter within the past two years.
- **Capacity to Undertake this Contract**  
 Qualifications, experience, availability and capability of personnel committed to this Contract. Familiarity with the related activities required to deliver the required services. Proven ability to produce similar works on time and budget.
- **Management Systems**  
 Stated organisational values  
 Methodology used to manage relationships with customers.  
 Methodology used to measure organisational and personnel performance from a non-financial aspect.  
 Company continuous improvement methodology.
- **Value for Money Considerations**

### Assessment and Notification

Assessment of Quotes will be carried out by the Shire's Audit Committee or persons authorised by the Shire to do so.

Assessment will be carried out in accordance with the selection criteria detailed above and will be based on information from the following sources:

Information supplied by the Quoter. Documented information held by the Principal relating to the Quoter's past performance. Information collected by following up financial and performance references. If required, Quoter interviews and visits to company premises.

To enable a proper assessment to be made, it is essential that Quoters submit all relevant information in an accurate and concise format. Poorly presented or inadequate information may result in the Quote being unsuccessful. Quoters must ensure that Quotes are able to be assessed on a stand-alone basis, and should not rely on information previously supplied to the Shire.

Quotes will be assessed using a point scoring system with scores being awarded for each selection criteria and sub-criteria. Each criterion is weighted to reflect its relative importance. Weighted scores are then summed to yield the total score.

The maximum weighted score for each criterion is as follows:

• Methodology	10
• Experience on Similar Work	15
• Capacity	15
• Management System	10
• Fee proposal (price)	50
	100

After review of the Quotes, the Shire may seek clarification through interviews with Quoters or other means.

All Quoters will be notified in writing as to whether they have been successful or otherwise.

The quotation now received is compared below indicating a marginal decrease between the quote accepted by Council for 2012-13 and the quoted price for the 2013-14 financial year and an increase of approximately 5% from 2013-14 to 2014-15. The quoted fee includes GST and excludes incidentals such as accommodation and travel.

	Audit 2012-13	Proposal for Audit 2013-14	Proposal for Audit 2014-15
Simon Cubitt – RSM Bird Cameron	\$21,646	\$21,607	\$22,677

### CONSULTATION:

Peter Crawford, CEO  
 Travis Bate, RSM Bird Cameron

### STATUTORY ENVIRONMENT:

Local Government (Financial Management Regulations 1966) Regulation 6.

Local Government Act 1995 – Part 7 Auditors

**POLICY IMPLICATIONS:**

Nil

**FINANCIAL IMPLICATIONS:**

Provision has been made in Council's budget for 2013-14 for Audit Services.

**VOTING REQUIREMENTS:**

Simple Majority required

<b>AUDIT/FINANCE COMMITTEE RECOMMENDATIONS TO ORDINARY COUNCIL MEETING OF 15 AUGUST 2013</b>
--

Moved: Cr J Dwyer

Seconded Cr C Purchase

That the Audit Committee make recommendations to Council that Simon Cubitt of RSM Bird Cameron be appointed as Auditor for the Shire of Menzies for 2013-14 and 2014-15 financial years at fixed prices of \$21,607 and \$22,677 respectively (incl GST).

9.30am

CARRIED: 3/0

<b>9. NEXT MEETING</b>
------------------------

The next Audit Committee meeting will be as when requested by the Chairperson.

<b>10 MEETING CLOSURE</b>
---------------------------

There being no further business to discuss, the President declared the meeting closed at 9.37am.

## 8 REPORTS OF COMMITTEES AND OFFICERS

### 8.1 CONSIDERATION OF AUDIT REPORT FOR 2012/2013

<b>SUBMISSION TO:</b>	<b>Audit Committee Meeting – 5 December 2013</b>
<b>LOCATION:</b>	<b>Shire of Menzies</b>
<b>APPLICANT:</b>	<b>Brooke Povah, Deputy Chief Executive Officer</b>
<b>FILE REF:</b>	<b>ADM006</b>
<b>DISCLOSURE OF INTEREST:</b>	<b>The author has no interest to disclose</b>
<b>DATE:</b>	<b>2 December 2013</b>
<b>AUTHOR:</b>	<b>Brooke Povah, Deputy Chief Executive Officer</b>
<b>SIGNATURE OF AUTHOR:</b>	
<b>SENIOR OFFICER:</b>	<b>Peter Crawford, Chief Executive Officer</b>
<b>SIGNATURE OF SENIOR OFFICER:</b>	

#### **ATTACHMENTS:**

Attachment 8.1A: Audit Report and Management Letter from C S Cubitt  
Attachment 8.1B: Auditors' Governance Letter

#### **SUMMARY:**

Council's Audit Committee is required to consider the Audit Report and any findings reported by the auditor and to make recommendations addressing the matters raised.

#### **BACKGROUND:**

C S Cubitt performed the audit for the year ended 30 June 2013 and forwarded his unqualified audit report on 27 November 2013.

#### **COMMENT:**

The audit for 2012-13 was performed during a site visit to Menzies on 18 September 2013 and submissions of information to C S Cubitt, Travis Bates and Marek Cieslakiewicz, all of RSM Bird Cameron, via email. The auditors contacted off-site accountants – UHY Haines Norton – to obtain supporting schedules and seek evidence of reconciliations and calculations reflected in the Financial Statements.

While the unqualified audit report is an indication that the financial records of the Shire are sound and that the Financial Statements represent a true reflection of Council's financial position, the governance letter indicates that there is still room for improvement in procedures and practices to further ensure that Council's assets and systems are maintained in a prudent manner.

#### **CONSULTATION:**

Senior Management Staff

9.52am: CEO left the room

9.53am: CEO returned to the room

**STATUTORY ENVIRONMENT:**

Local Government (Financial Management Regulations 1966) Regulations 13 & 34

**POLICY IMPLICATIONS:**

Nil

**FINANCIAL IMPLICATIONS:**

Nil

**VOTING REQUIREMENTS:**

Simple Majority Decision required

<b>AUDIT COMMITTEE RECOMMENDATIONS:</b>
---

**Moved: Cr J Mazza**

**SECONDED: Cr G Dwyer**

**That the Audit Committee recommends to Council that the Audit Report and Governance Letter for the year ended 30 June 2013, as submitted by C S Cubitt, be received and that proposed process improvements be monitored.**

**CARRIED: 2/0**

<b>9 NEXT MEETING / MEETING CLOSURE</b>
---

The next Audit Committee meeting will be held when requested by the Chairperson.

There being no further business to discuss, the Chairperson to declare the meeting closed at 10.26am.