



AUDIT COMMITTEE MEETING

MINUTES

Committee Brief

- *Recommend the appointment of the auditor to the Council;*
- *Assist the auditor to ensure audits are conducted successfully and timely;*
- *Examine the audit report and ensure appropriate action is taken;*
- *Prepare reports on actions taken and forward to the Minister;*
- *Meet with the auditor at least once a year; and*
- *Review enhanced scope of audit.*

An ordinary meeting of the Audit Committee was held in the Committee Room, Lowood Road, Mount Barker WA 6324, 10.00am Tuesday 14 July 2009

Rob Stewart
CHIEF EXECUTIVE OFFICER

Committee Members

Cr K Forbes; Cr M Skinner; Cr J Mark

TABLE OF CONTENTS

ITEM	SUBJECT	PAGE NO
1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS	1
2	RECORD OF ATTENDANCE / APOLOGIES	1
3	CONFIRMATION OF MINUTES	1
4	REPORTS OF COMMITTEE MEMBERS AND OFFICERS	2
4.1	INTERIM AUDIT REPORT	2
4.2	QUOTATIONS – PROVISION OF EXTERNAL AUDIT SERVICES	4
5	GENERAL BUSINESS / MATTERS ARISING	8
6	NEXT MEETING	8
7	MEETING CLOSURE	8

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

10.12am The Chairperson declared the meeting open.

2 RECORD OF ATTENDANCE / APOLOGIESMembers Present

Cr M Skinner - Chairperson

Cr K Forbes, AM

Cr J Mark

Staff

Mr Rob Stewart - Chief Executive Officer

Mr John Fathers – Deputy Chief Executive Officer

Ms Cherie Delmage – Accountant

Visitors

Cr K Clements

3 CONFIRMATION OF MINUTES

Moved Cr K Forbes AM, seconded Cr J Mark

That the Minutes of the Ordinary Meeting of the Audit Committee, held on 16 December 2008 and 19 May 2009 as circulated, be taken as read and adopted as a correct record.

CARRIED

4 REPORTS OF COMMITTEE MEMBERS AND OFFICERS

4.1 INTERIM AUDIT REPORT

File No: FM/19/1
Attachment: Interim Audit Report
Responsible Officer: John Fathers
Deputy Chief Executive Officer
Author: Cherie Delmage
Accountant
Proposed Meeting Date: 14 July 2009

Purpose

The purpose of this report is to consider the interim audit report as conducted by our Auditors, Haines Norton in May 2009.

Background

On 12-13 May 2009, Mr W Chai and Mr P Zhao of UHY Haines Norton attended the Shire office to conduct an interim audit for 2008/2009 and to follow-up on matters raised during the 2007/2008 Audit Report.

Consultation

Consultation has occurred with the Shire's auditors and relevant staff in regard to this report.

Financial Implications

There are no direct financial implications for this report.

Policy Implications

There are no policy implications for this report.

Strategic Implications

There are no strategic implications for this report.

Officer Comment

A copy of the UHY Haines Norton report has been enclosed. Responses to the recommendations made within that report are as follows:

Payroll / Salaries & Wages

A system generated audit trail is now done at the end of each pay period which shows all changes that have been made to employees' bank account details since the previous pay run. This report is then attached to supporting documentation, verified by a senior staff member, signed and filed.

This review also confirms the integrity of system data in the creation of the bank payment file.

Rates

The omission of the land valuation on the instalment notice has now been corrected. This was due to an error in the setting up of system parameters which meant that the valuation was not included.

Forms 2 and 3 were not provided to the ratepayers during the process of land repossession (due to non-payment of rates) as staff incorrectly interpreted the provisions of the Local Government Act 1995 at the time. Staff are now aware of the correct procedures to follow in the future.

Purchases, Payments & Payables

A system generated audit trail is now done at the end of each creditor run which shows all changes that have been made to creditors' bank account details since the previous pay run. This report is then attached to supporting documentation, verified by a senior staff member, signed and filed.

This review also confirms the integrity of system data in the creation of the bank payment file.

Month End Procedures

A system has now been set up to ensure that subsidiary ledgers for GST receivable and payable are reconciled to corresponding general ledger control accounts. This will now be verified and signed off by a senior officer.

Voting Requirements

Simple Majority

OFFICER RECOMMENDATION

Moved Cr J Mark, seconded Cr K Forbes AM

That the report of the Deputy Chief Executive Officer in relation to the UHY Haines Norton 'Report Of Findings – Expanded Audit Scope – 2008 / 2009' be received.

CARRIED

4.2 QUOTATIONS – PROVISION OF EXTERNAL AUDIT SERVICES

File No:	FM/19/1
Attachment:	Quotation – UHY Haines Norton Quotation – Lincolns Accountants Quotation – AMD Chartered Accountants
Responsible Officer:	John Fathers Deputy Chief Executive Officer
Author:	Cherie Delmage Accountant
Proposed Meeting Date:	14 July 2009

Purpose

The purpose of this report is to consider three quotations for the provision of external audit services.

Background

The Shire's current contract with UHY Haines Norton is for the five year period ending on 30 June 2009. At its meeting held on 19 May 2009, the Audit Committee resolved *'That the Chief Executive Officer be advised that in the opinion of the Audit Committee, and prior to the expiry of the current Audit Contract, formal quotations be sought from qualified Auditors to undertake the Council's Audit function, including increased scope of audit, for a term of five years.'*

As part of their contract, UHY Haines Norton will be still responsible for the auditing of our financial records (Annual Report) for the end of the 2008 / 2009 financial year. It is anticipated that this will occur in September 2009.

Statutory Environment

Section 7.3 of the Local Government Act 1995 states:

'7.3 Appointment of auditors

- (1) A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint* a person, on the recommendation of the audit committee, to be its auditor.*
- (2) The local government may appoint one or more persons as its auditor.*
- (3) the local government's audit is to be a person who is –*
 - (a) a registered company auditor; or*
 - (b) an approved auditor.'*

Consultation

A number of referees of the two firms which the Council has not dealt with previously were contacted. Four local governments who either are or have been clients of Lincolns Accountants were approached and all advice received was extremely favourable. It was noted that they were very thorough but approachable. Four local governments who are clients of AMD Chartered Accountants were approached and again favourable reports were received.

Financial Implications

UHY Haines Norton

The quote received from UHY Haines Norton itemised audit charges for the next five years as follows:

Year Ended	Fee Quote	Travel Costs	GST	Total
30 June 2010	\$14,000	\$800	\$1,480	\$16,280
30 June 2011	\$14,500	\$850	\$1,535	\$16,885
30 June 2012	\$15,000	\$900	\$1,590	\$17,490
30 June 2013	\$16,000	\$950	\$1,695	\$18,645
30 June 2014	\$17,000	\$1,000	\$1,800	\$19,800

Further possible charges (GST exclusive) are:

Partner	\$500 per hour
Consultant	\$350 per hour
Manager	\$250 per hour
Senior	\$180 per hour
Intermediate	\$150 per hour
Graduate	\$100 per hour

Certificates / Acquittals eg: Roads To Recovery

\$400 to \$800 GST exclusive

Lincolns Accountants

The quote received from Lincolns Accountants is a base fee of \$16,000 (\$17,600 including GST), with the base fee being increased by Perth CPI each year.

Further possible charges (GST exclusive) are:

Partner	\$232 per hour
Audit Manager	\$105 per hour
Audit Assistant	\$100 per hour

AMD Chartered Accountants

The quote received from AMD Chartered Accountants for the next five years is as follows:

Year Ended	Interim Audit	Final Audit	Committee Meeting	GST	Total
30 June 2010	\$4,000	\$9,500	\$1,920	\$1,542	\$16,962
30 June 2011	\$4,200	\$9,800	\$2,000	\$1,600	\$17,600
30 June 2012	\$4,300	\$10,200	\$2,100	\$1,020	\$18,370
30 June 2013	\$4,500	\$10,800	\$2,200	\$1,750	\$19,250
30 June 2014	\$4,600	\$11,200	\$2,300	\$1,810	\$19,910

Further possible charges (GST exclusive) are:

Audit Partner	\$320 per hour
Audit Senior Manager	\$280 per hour
Auditor	\$150 per hour
Auditor	\$140 per hour
Assistant Auditor	\$130 per hour
Assistant Auditor	\$120 per hour

Assistant Auditor \$110 per hour
Secretary \$19.20 per hour

All disbursements including travel and accommodation are to be charged at actual cost and are not included in the above prices.

Strategic Implications

There are no strategic implications for this report.

Officer Comment

UHY Haines Norton is situated in Perth is very experienced in local government, with 66 local government clients. David Tomasi is the registered auditor for that firm. Haines Norton has provided an excellent service for over ten years to the Shire of Plantagenet. Haines Norton is a leader in WA auditing, conducting annual workshops in financial management and providing budgeting and financial reporting templates to the industry. Audits are based on 35 man hours for the interim audit and 55 man hours for the final audit.

Lincolns Accountants and Business Advisors is situated in Albany and has many years experience with local governments in the Great Southern Region. Russell Harrison is the registered auditor for that firm. Contact with a number of Lincolns' clients (both current and former) indicates that that firm is extremely thorough and professional. Another comment made by several clients was that the firm is very 'approachable' and easy to talk to about auditing matters. Audits are based on 30 man hours for the interim audit and 75 man hours for the final audit.

AMD Chartered Accountants is situated in Bunbury and is the largest WA chartered accounting firm outside the Perth metropolitan area, currently having nine local government clients. Tim Partridge is the registered auditor for that firm. AMD is also very well thought of by its clients and provide a thorough service. AMD made the point that its partner would take a relatively high 'hands on' role in the audit process. Audits are based on 18 man hours for the interim audit and 40 man hours for the final audit.

The audit methodology proposed by all three proponents is acceptable and there is no doubt that all of the firms could undertake the Shire's audit function satisfactorily. All of the standard audit fee charges are similar, however the hourly rates charged by UHY Haines Norton are almost double that of the other two firms.

Whilst UHY Haines Norton has provided an excellent service to the Shire for many years, it may be prudent to change auditors as differing companies are likely to identify other issues and different areas where improvements can be made. It is considered to be healthy for the Shire to get the benefit of a new perspective. Given the proximity and larger number of man hours proposed by Lincolns, it is considered that Lincolns will provide the most cost effective service to the Council.

It should be noted that if the Council does decide to change services to another audit company, this in no way affects the opportunity of staff being able to attend the annual courses that are held by UHY Haines Norton.

Both Lincolns Accountants and AMD Chartered Accountants encourage their clients to present their financial statements in the familiar and consistent format as provided by UHY Haines Norton and that the Shire of Plantagenet currently utilises.

Voting Requirements

Absolute Majority

OFFICER RECOMMENDATION

Moved Cr K Forbes AM, seconded Cr J Mark

That it be a recommendation to the Council:

That Mr Russell Harrison (Registered Company Auditor Number 14152) of Lincolns Accountants and Business Advisors be appointed as the Council's auditor for the five year period 1 July 2009 to 30 June 2014 in accordance with the attached document "Quotation for the Provision of Audit Services' dated 23 June 2009.

CARRIED

5 GENERAL BUSINESS / MATTERS ARISING

Nil

6 NEXT MEETING

To be advised.

7 MEETING CLOSURE

10.32 am The Chairperson declared the meeting closed.

CONFIRMED: CHAIRPERSON _____ **DATE:** ____ / ____ / ____