



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;*
- *Review enhanced scope of audit; and*
- *Development and review of the Shire's Long Term Financial Plan and Forward Capital Works Plan.*

A meeting of the Audit Committee was held in the Council Chamber, Lowood Road, Mount Barker WA 6324, 11.30am on Tuesday 27 September 2011

Rob Stewart
CHIEF EXECUTIVE OFFICER

Committee Members

Cr K Clements, Cr M Skinner, Cr B Bell, Cr J Moir

TABLE OF CONTENTS

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

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

11.45am Cr Skinner declared the meeting open.

2 RECORD OF ATTENDANCE / APOLOGIES

Members Present

Cr M Skinner – Presiding Member

Cr K Clements

Cr B Bell

Cr J Moir

Staff

Mr R Stewart - Chief Executive Officer

Mr J Fathers - Deputy Chief Executive Officer

Mr B Webb - Accountant/Office Manager

3 CONFIRMATION OF MINUTES

Minutes, as circulated, of the meeting of the Audit Committee held on 12 April 2011.

OFFICER RECOMMENDATION / COMMITTEE DECISION

Moved Cr B Bell, seconded Cr J Moir:

That the minutes of the meeting of the Audit Committee held on 12 April 2011, 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:	N19769
Attachment:	Interim Audit Report for Year Ending 30 June 2011
Responsible Officer:	John Fathers Deputy Chief Executive Officer
Author:	Brendan Webb Accountant/Office Manager
Proposed Meeting Date:	27 September 2011

PURPOSE

The purpose of this report is to consider the interim audit report as conducted by the Shire's auditors, Lincolns in May 2011.

BACKGROUND

On 17-19 May 2011, Mr Chris Harrison and Mr Chris Martain of Lincolns Accountants attended the Shire office to conduct an interim audit for 2010/2011.

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 Lincolns Accountants' report has been attached. Mr Harrison expressed satisfaction for procedures and processes currently practiced by Shire staff with no issues being raised.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION / COMMITTEE DECISION

Moved Cr K Clements, seconded Cr B Bell:

That the attached report from Lincolns Accountants titled 'Interim Audit for the Year Ending 30 June 2011' be received.

CARRIED

5 GENERAL BUSINESS / MATTERS ARISING

It is customary to follow up on issues raised at the previous end of year audit. The following issues were raised by the auditors in regard to the 2009/2010 financial year. Updates on the situation regarding each comment is shown in the right hand column.

**AUDIT OBSERVATIONS AND COMMENTS SCHEDULE
FOR THE YEAR ENDED 30 JUNE 2010**

Matter	Present Procedure	Recommendation	Shire's Comments	Updated Comments
Rate Debtors Listing	The Rates Debtors Listing provided for audit was a supplementary report printed following July entries being recorded. This resulted in additional audit work to reconcile the Rates Debtors Listing to the General Ledger at 30 June 2010.	We recommend that a final Rates Debtors listing be produced following the processing of all year end entries.	This list is produced as part of the Shire's end of year procedures.	An accurate retrospective trial balance can now be produced which we believe will enable the Rates Debtors Listing to be reconciled to the General Ledger at 30 June 2011. (It is complicated by the running of a deferred rates roll back on 1 July, which does not appear on the listing until 2 July 2011).
Rate Valuation Reconciliations	Audit testing of the Landgate Valuer General GRV and UV revaluation reports to final values for 2009/10 rates noted unidentified property adjustments that had not been recorded on the reconciliation schedule.	We recommend that the full reconciliation records of final rate valuations be maintained to clearly identify amendments and corrections to Landgate reported valuations.	A full list of property amendments is being maintained and signed off, however a revised spreadsheet is being developed to clearly identify property amendment details and correct the property count information.	The spreadsheet referred to has been developed and the auditors confirmed that it was acceptable during the interim audit.
Asset Register	Audit testing of the Asset Register and General Ledger control accounts noted unreconciled items.	We recommend that the General Ledger control accounts are reconciled to the Asset Register at year	An instruction has been issued to satisfy this request. Already, this full reconciliation is being done	A reconciliation has been carried out on a monthly basis.

	Management were advised and corrections processed to reconcile the subsidiary ledger with the financial report.	end prior to preparation of the financial report	on a monthly basis.	
Asset Register Depreciation Rates	Council depreciation rates were benchmarked to the WA Local Government Accounting Manual sample listing. Please refer to our email containing specific details. Whereas most were within the broad range the following exceptions were noted; (i) Radio communication equip (#10412) (ii) Telephone system (#10750) (iii) Fire Trucks(#10338, #10716, #10736, #10755, #10776, #10780). The fire trucks are not being depreciated. The depreciation charge on the above items would not materially effect the financial report so no adjusting journal was requested.	We recommend that the asset register depreciation rates are reviewed and updated to incorporate industry accepted rates	This review will be carried out in the near future and the depreciation rates will be corrected on applicable assets for the 2010/2011 financial year. In regard to fire trucks, while there is some inconsistency in the Shire's treatment of their depreciation, our former auditors advised that depreciation should not apply to these vehicles. The Shire agrees with the Lincolns that depreciation should apply and will correct this for the 2010/2011 financial year.	The review was undertaken and asset depreciation values were corrected where necessary.
Revaluation of Plant Item	Validation testing of asset sales noted that a plant item had been revalued from nil Written down Value to \$30,000. This was booked as an asset disposal profit consequently inflating the	We recommend that revaluation be reversed to conform with Accounting Standard AASB 116	This matter related to the internal sale of a skid steer loader from the Works and Services Department to the Saleyards. As a result of the auditor's advice, the	The reversal was carried out, although original asset were not accurately reinstated. This has now been corrected in the asset register and the revised

	<p>Net Result on the Statement of Comprehensive Income. Accounting Standard AASB 116 – Property, Plant and Equipment states “if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued”.</p> <p>As the values involved do not materially effect the net results correcting journals were not requested</p>		<p>relevant internal transactions and revaluations have been reversed for the 2009/2010 annual financial report.</p>	<p>values will be shown in the 2010/2011 annual financial report.</p>
<p>Long Overdue Unpresented Cheques</p>	<p>Follow-up testing of bank reconciliations noted two February 2010 dated cheques (#40794 \$67.13 and #40848 \$71.93) were still outstanding at 14 September 2010.</p>	<p>It is recommended that cheques remain outstanding for no longer than three months after date of issue. Follow-up procedure should be in place as part of the review process</p>	<p>The Shire’s Accountant will implement a process which follows up on outstanding cheques after three months.</p>	<p>This process is now in place and is being monitored. One cheque is currently outstanding for longer than three months and Shire staff will continue to attempt to contact the recipient.</p>
<p>Annual Leave Provision</p>	<p>Audit testing noted the Annual Leave Provision was understated by \$3,379 due to a computation error in a supporting schedule. This was corrected and incorporated into the Financial Statements during our audit</p>	<p>We recommend procedures be implemented to review credibility values of provision schedules.</p>	<p>The provision schedules will be reviewed in detail by the Deputy Chief Executive Officer in future.</p>	<p>These schedules have now been finalised for 2010/2011 and checked by the Deputy Chief Executive Officer.</p>

Financial Report	Accounting disclosures and technical issues including amendments to the Rate Setting Statement were corrected with our accounting assistance during the course of the audit.	We will provide our correction workpapers for your future use.	Additional non-cash items were included in the Rate Setting Statement and a slightly different methodology was used to calculate the balance carried forward, consistent with the budget format. The Shire concurs with these changes.	N/A
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During discussion, members agreed that the next meeting with the Shire's auditors should be held in the Shire Office.

6 NEXT MEETING

TBA

7 MEETING CLOSURE

12.15pm The Presiding Member declared the meeting closed.

CONFIRMED: PRESIDING MEMBER _____ **DATE:** ____ / ____ / ____