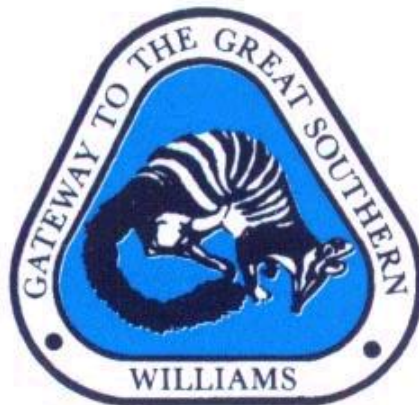


SHIRE OF WILLIAMS

***MINUTES AUDIT COMMITTEE MEETING
HELD ON TUESDAY 13th NOVEMBER 2018***



***2017-2018 ANNUAL
FINANCIAL REPORT and
AUDIT REVIEW***



MINUTES – AUDIT COMMITTEE MEETING HELD 13TH NOVEMBER 2018

TABLE OF CONTENTS

Item	Subject	Page
	NOTICE OF MEETING	2
	DISCLAIMER	3
1.0	Declaration of Opening / Announcement of Visitors	4
2.0	Record of Attendance / Apologies / Leave of Absence (previously approved).....	4
3.0	Public Question Time	4
4.0	Petitions / Deputations / Presentations	4
5.0	Declarations of Interest	4
6.0	Audit Committee Meeting held 21st March 2018	5
6.1	Confirmation of Audit Committee Meeting held 21st March 2018	5
7.0	Announcements by Presiding Member without discussion.....	6
8.0	Reports	6
8.1	Chief Executive Officer Report	7
8.1.1	Presentation of the 2017-2018 Annual Financial Report, Independent Audit Report and Management Letter	7
8.2	Manager of Finance	9
8.2.1	Audit Committee Terms of Reference.....	9
9.0	New Business of an Urgent Nature introduced by Decision of Meeting.	12
10.0	Information Session	12
11.0	Closure of Meeting	12

SEPARATE DOCUMENTS

1. Minutes
2. 2017-2018 Annual Financial Report
3. Auditor's Management Letter
4. Amended Audit Committee Terms of Reference



SHIRE OF WILLIAMS

BROOKING STREET, WILLIAMS, WESTERN AUSTRALIA.

OFFICE HOURS: MONDAY TO FRIDAY: 8.30 a.m. to 5.00 p.m.

TELEPHONE (08) 9885 1005 FACSIMILE (08) 9885 1020 EMAIL shire@williams.wa.gov.au

All communications to be addressed to the Chief Executive Officer, P.O. Box 96, Williams, W.A. 6391.

Your Ref:

Our Ref:

NOTICE OF MEETING

You are respectfully advised that the next Audit Committee meeting will be held in the Council Chambers at 2.00 pm Tuesday 13th November 2018.

Yours faithfully

Geoff McKeown
Chief Executive Officer



DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Williams for any act, omission or statement or intimation occurring during Council or Committee meetings. The Shire of Williams disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings. Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by a member or officer of the Shire of Williams during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Williams. The Shire of Williams warns that anyone who has any application lodged with the Shire of Williams must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attaching to the decision made by the Shire of Williams in respect of the application.



MINUTES

1.0 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The President declared the meeting open at 2.10pm

2.0 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

(PREVIOUSLY APPROVED)

Cr John Cowcher President
Cr Gilbert Medlen *(from 2.51pm)*
Cr Robert Baker
Cr Simon Harding

Geoff McKeown Chief Executive Officer
Cara Ryan Manager of Finance

Visitors

Marius Van Der Merwe *(2.10pm to 3.11pm)*

3.0 PUBLIC QUESTION TIME

4.0 PETITIONS / DEPUTATIONS / PRESENTATIONS

Mr Marius Van Der Merwe, Audit Director, Butler Settineri Pty Ltd will be presenting the Auditor's Management Letter and discussing the Audit of the 2017-2018 Annual Financial Report.

5.0 DECLARATIONS OF INTEREST

DECLARATION OF INTEREST	
Name / Position	
Item No. / Subject	
Type of Interest	



6.0 AUDIT COMMITTEE MEETING HELD 21ST MARCH 2018

6.1 CONFIRMATION OF AUDIT COMMITTEE MEETING HELD 21ST MARCH 2018

Officer's Recommendation

That the Minutes of the Audit Committee Meeting held on 21st March 2018, as previously circulated, be confirmed as a true and accurate record.

Committee Decision

Baker/Harding

That the Minutes of the Audit Committee Meeting held on 21st March 2018, as previously circulated, be confirmed as a true and accurate record.

Carried 3/0

The President welcomed the Shire's appointed auditor Marius Van Der Merwe of Butler Settineri (Audit) Pty Ltd to the meeting and invited him to discuss the Audit of the Annual Financial Report for 2017-2018.

Marius Van Der Merwe commenced his discussion by firstly thanking the Shire administration team for their co-operation during the interim and final audits of the Financial Statements. During the course of the audit, the Auditors did not become aware of any instances where the Shire did not comply with the statutory requirements and that the 2017-2018 Annual Financial Report represents a true and fair view of the Shire's financial position.

A substantial amount of the audit was focussed on the figures presented for valuation of the Road network. An independent valuer was appointed by Butler Settineri to check over the valuations presented by the Shire's valuer. There was a significant decrease in the value of the road network compared to the valuation undertaken in 2015. This was mainly due to unit rates applied to establish a cost replacement value and the total useful life of the components. Marius Van Der Merwe was confident that the road asset value is now sitting at a more reasonable amount.

It was noted in both the Auditor's Management Letter and Audit Report that the Shire did not meet the Local Government Department's benchmark on the asset sustainability ratio and the operating surplus ratio. Although the Shire did not meet these benchmarks for 2017-2018, to understand the sustainability of the Shire's financial position and financial management practices, it is important to compare these ratios over a five year period and in the Auditor's opinion there are no immediate concerns for the Shire of Williams.

Marius Van Der Merwe then discussed the roles of the Audit Committee going forward and what to expect now that the Auditor General will be taking over the responsibility of auditing. Not much will change and it is a possibility that Butler Settineri will be contracted by the



Auditor General to undertake the audit for 2018-2019. There will be a cost increase to the Shire for future Audits as billed by the Auditor General and it is estimated that these costs may increase by at least 25% above the current rate the Shire is paying.

Cr Medlen attended the meeting at 2.51pm

The Audit Committee was invited to ask questions during the presentation. A number of questions were asked about the ratios and the Auditor General's role going forward.

There being no further questions, Marius Van Der Merwe once again thanked the administration team, Audit Committee and Council for their co-operation and support during the last five years.

The President thanked Marius Van Der Merwe for taking the time to discuss the Audit in person with the Audit Committee.

Marius Van Der Merwe left the meeting at 3.11pm

7.0 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

8.0 REPORTS



8.1 CHIEF EXECUTIVE OFFICER REPORT

8.1.1 PRESENTATION OF THE 2017-2018 ANNUAL FINANCIAL REPORT, INDEPENDENT AUDIT REPORT AND MANAGEMENT LETTER

File Reference	4.22.00
Statutory Reference	<i>Local Government Act 1995</i>
Author & Date	Geoff McKeown 9 th November 2018
Attachment	2017-2018 Annual Financial Report

Purpose

To consider and review the Independent Audit Report concerning the audit of the 2017-2018 Annual Financial Report and address any issues presented in the report and recommend to Council any matters that require action to be taken.

Background

The Shire's appointed Auditor, Butler Settineri visited at the beginning of October 2018 to conduct the Audit fieldwork for the audit of the 2017-2018 Annual Financial Report. The independent audit report is to be issued to the Shire and presented, along with the 2017-2018 Annual Financial Report, for the Committee's information.

Comment

The Independent Audit Report states that in the Auditor's opinion the Annual Financial Report of the Shire of Williams is in accordance with the underlying records of the Shire, including:

- giving a true and fair view of the Shire's financial position as at 30 June 2018 and of its performance for the year ended on that date and
- complying with Australian Accounting Standards, the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

During the course of the audit the auditors did not become aware of any instance where the Shire did not comply with the statutory requirements of the *Local Government Act (1995)* or the *Local Government (Financial Management) Regulations 1996*. The report did however highlight that the Shire did not meet the Operating Surplus Ratio or the Asset Sustainability Ratio.

The Management Letter provided by the Auditors stated that they did not encounter any other matters during the course of the audit that they believe should be brought to Council's attention.

Financial Implications

Nil

Strategic Implications

This item aligns with the community's vision and aspirations as contained in the Shire of Williams Strategic Community Plan 2017-2032. Specifically it relates to the following strategies:

CL 2.2 Maintain accountability, transparency and financial responsibility.



Voting Requirements

Simple Majority

Officer's Recommendation

That the Audit Committee receive the 2017-2018 Annual Financial Report, including the Independent Auditor's Report and Management Letter as presented by Butler Settineri. Further, the Audit Committee recommends to Council to adopt the 2017 -2018 Annual Financial Report.

Committee Decision

Harding/Baker

That the Audit Committee receive the 2017-2018 Annual Financial Report, including the Independent Auditor's Report and Management Letter as presented by Butler Settineri. Further, the Audit Committee recommends to Council to adopt the 2017 -2018 Annual Financial Report.

Carried 4/0



8.2 MANAGER OF FINANCE

8.2.1 AUDIT COMMITTEE TERMS OF REFERENCE

File Reference	4.22.00
Statutory Reference	<i>Local Government Act 1995 and Local Government (Audit) Regulations 1996</i>
Author & Date	Cara Ryan 9 th November 2018
Attachment	Amended Audit Committee Terms of Reference

Purpose

To consider the amended Terms of Reference for the Shire of Williams Audit Committee, and recommend them to Council for adoption.

Background

The Audit Committee plays a key role in assisting local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability and the external audit functions.

Amendment to the *Local Government (Audit) Regulations 1996*, led by the 2017 reforms which will see the Auditor General undertake and report on local government financial audits, has expanded the role of the Audit Committee. To assist the Audit Committee in achieving its role, amended Terms of Reference for the Audit Committee have been drafted based on the changes to the regulations.

Statutory Environment

Local Government Act 1995 – Section 7.1A

7.1A. Audit committee

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.
- (2) The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

* *Absolute majority required.*

- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.
- (4) An employee is not to be a member of an audit committee.



7.1B. Delegation of some powers and duties to audit committees

- (1) Despite section 5.16, the only powers and duties that a local government may delegate* to its audit committee are any of its powers and duties under this Part other than this power of delegation.

* *Absolute majority required.*

- (2) A delegation to an audit committee is not subject to section 5.17.

7.1C. Decisions of audit committees

Despite section 5.20, a decision of an audit committee is to be made by a simple majority.

Local Government (Audit) Regulations 1996 – Reg 16

16. Functions of audit committee

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and



- (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

Comment

With the change of the auditing of local governments being assigned to the Auditor General, the role of the Audit Committee has been expanded to have a greater involvement in assisting the Chief Executive Officer to carry out the review of systems and procedures concerning risk management, internal control and legislative compliance in accordance to Regulation 17, of the *Local Government (Audit) Regulations 1996*.

The Audit Committee is now allowed to “monitor and advise” the Chief Executive Officer in reviews of certain systems prescribed by the audit and financial management regulations. The committee will also support the Auditor as required and have functions to oversee the implementation of audit recommendations, which have been accepted by Council and accepted recommendations arising from reviews of local government systems and procedures.

Previously the Chief Executive Officer was required to undertake a review of systems and procedures no less than every two years under Regulation 17(2) and a review of financial management systems every four years under Regulation 5. These have now both been amended and are now required to be undertaken once in every three years. This change gives the Chief Executive Officer consistency in their responsibility to review these requirements in a timely manner.

Consultation

The Chief Executive Officer and the Guide to Local Government Auditing Reforms – June 2018 published by the Department of Local Government, Sport and Cultural Industries.

Financial Implications

Nil

Strategic Implications

This item aligns with the community’s vision and aspirations as contained in the Shire of Williams Strategic Community Plan 2017-2032. Specifically it relates to the following strategies:

CL 2.2 Maintain accountability, transparency and financial responsibility.

Voting Requirements

Simple Majority

Officer’s Recommendation:

That the Audit Committee endorses the amended Audit Committee Terms of Reference and recommends their adoption by Council.



Committee Decision

Harding/Medlen

That the Audit Committee endorses the amended Audit Committee Terms of Reference and recommends their adoption by Council.

Carried 4/0

9.0 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING.

10.0 INFORMATION SESSION

11.0 CLOSURE OF MEETING

The President declared the meeting closed 3.19pm.