



SHIRE OF NORTHAM

**MINUTES OF THE
AUDIT COMMITTEE MEETING
HELD
WEDNESDAY
13 FEBRUARY 2013**

SHIRE OF NORTHAM

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 13 FEBRUARY 2013 AT 5:00 PM

	Page
1. DECLARATION OF OPENING AND WELCOME	1
2. DECLARATION OF INTEREST.....	1
3. ATTENDANCE	2
4. APOLOGIES	2
5. CONFIRMATION OF MINUTES.....	2
6. AGENDA ITEMS	3
6.1 APPOINTMENT OF AUDITORS	3
7. CLOSURE OF MEETING.....	12

SHIRE OF NORTHAM

Minutes of the Audit Committee Meeting of Council held in the Council Chambers on WEDNESDAY, 13 February 2013 at 5:00 pm

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Northam for any act, omission or statement or intimation occurring during Council/Committee meetings or during formal/informal conversations with staff. The Shire of Northam 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/Committee meetings or discussions. Any person or legal entity who acts or fails to act in reliance upon any statement 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 limitation of approval made by a member or officer of the Shire of Northam during the course of any meeting is not intended to be and is not taken as notice or approval from the Shire of Northam. The Shire of Northam warns that anyone who has an application lodged with the Shire of Northam must obtain and only should rely on **WRITTEN CONFIRMATION** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Northam in respect of the application.

1. **DECLARATION OF OPENING AND WELCOME**

Cr S B Pollard declared the meeting open at 5.01 pm

2. **DECLARATION OF INTEREST**

Parts of Division 6 Subdivision 1 of the Local Government Act 1995 requires Council members and employees to disclose any direct or indirect financial interest or general interest in any matter listed in this agenda.

The Act also requires the nature of the interest to be disclosed in writing before the meeting or immediately before the matter being discussed.

NB A Council member who makes a disclosure must not preside or participate in, or be present during, any discussion or decision making procedure relating to the disclosed matter unless the procedures set out in Sections 5.68 or 5.69 of the Act have been complied with.

3. ATTENDANCE

COUNCIL

President
Councillors

Cr S B Pollard
T M Little
K D Saunders
U Rumjantsev
D A Hughes
D G Beresford
J E Williams
R M Head
A W Llewellyn
R W Tinetti

Executive Manager Corporate Services D R Gobbart
PA to Executive Manager Corporate Services A Maxwell

4. APOLOGIES

Nil

5. CONFIRMATION OF MINUTES

Minute: AU.030

Moved: Cr D A Hughes

Seconded: Cr A W Llewellyn

That the Minutes of the Audit Committee Meeting held on Wednesday, 28 November 2012 be confirmed as a true and correct record of that meeting.

CARRIED 10/0

6. AGENDA ITEMS

6.1 APPOINTMENT OF AUDITORS

Name of Applicant:	Internal Report
File Ref:	8.2.7.1
Officer:	Denise Gobbart
Officer Interest:	Nil
Policy:	N/A
Voting:	Absolute Majority
Date:	5 February 2013

PURPOSE

For the Audit Committee to recommend to Council; the appointment of Auditors to conduct the annual audit and our accounts and annual financial statements for the next three (3) years.

BACKGROUND

The appointment of UYH Haines Norton as Council’s auditors ceased at the completion of the 30 June 2012 audit. As Council is required to appoint auditors for a future term, we contacted the Auditors that were listed on the WALGA preferred suppliers panel to seek quotes from firms that were currently working as Auditors for local government.

From this preferred supplier listing correspondence was sent to 5 companies being UHY Haines Norton, Grant Thornton Australia, Deloitte, Paxon Group and PricewaterhouseCoopers, seeking quotes for audit services for a three (3) year term.

Of the five requests sent out we received acknowledgement from UHY Haines Norton, Grant Thornton Australia and Deloitte who declined the offer to quote as they are currently not in a position to meet the Shire of Northam’s needs at a competitive fee structure.

The following quotes were received;

	Year Ended	Fee Quote \$	Travel \$	GST Applicable \$	Total (GST Inc) \$
UHY Haines Norton Perth	30 June 2013	22,000	800	2,280	25,080
	30 June 2014	23,000	850	2,385	26,235
	30 June 2015	24,000	900	2,490	27,390
Grant Thornton Australia	30 June 2013	24,500	Additional	2,450	26,950
	30 June 2014	26,000	Additional	2,600	28,600
	30 June 2015	27,500	Additional	2,750	30,250

The quote received from Grant Thornton Australia states that disbursements such as travel and accommodation are additional to the quoted cost

STATUTORY REQUIREMENTS

Local Government Act 1995 Section 7.2. Audit

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

Local Government Act 1995 Section 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.

* *Absolute majority required.*

(2) The local government may appoint one or more persons as its auditor.

(3) The local government's auditor is to be a person who is —

- (a) a registered company auditor; or
- (b) an approved auditor.

Local Government Act 1995 Section 7.6. Term of Office of Auditor

(1) The appointment of a local government's auditor is to have effect in respect of the audit of the accounts and annual financial report of the local government for a term of not more than 5 financial years, but an auditor is eligible for re-appointment.

(2) The appointment of an auditor of a local government ceases to have effect if —

- (a) his or her registration as a registered company auditor is cancelled;
- (b) his or her approval as an approved auditor is withdrawn;
- (c) he or she dies;

- (d) the auditor ceases to be qualified to hold office as auditor or becomes a disqualified person;
- (e) the auditor resigns by notice in writing addressed to the local government; or
- (f) the appointment is terminated by the local government by notice in writing.

(3) Where —

- (a) the registration of a local government’s auditor as a registered company auditor is suspended; or
- (b) a local government’s auditor becomes unable or unwilling to carry out all or part of his or her duties, the local government is to appoint* a person to conduct the audit or to complete that part of the audit which remains to be conducted, as the case requires.

* *Absolute majority required.*

Local Government Act 1995 Section 7.8. Terms of Appointment of Auditors

- (1) Subject to this Part and to any regulations, the appointment of a person as auditor of a local government is to be made by agreement in writing on such terms and conditions, including the remuneration and expenses of the person to be appointed, as are agreed between that person and the local government.
- (2) The remuneration and expenses payable to the auditor of a local government (whether appointed by the local government or by the Departmental CEO under section 7.7) are payable by the local government.

CONFORMITY WITH THE PLAN FOR THE FUTURE

Nil

BUDGET IMPLICATIONS

A provision of \$31,000 has been provided in the 2012-2013 adopted budget, for the Annual Audit, assistance with completion of the Annual Financial Statements and the auditing of various grant acquittals.

OFFICER’S COMMENT

UHY Haines Norton was the appointed auditors for the past three financial years. Their fees during that time were 2009/2010 \$18,500, 2010/2011 \$19,500 and 2011/2012 \$20,500, both GST inclusive.

UHY Haines Norton is able to offer a complete audit team with considerable depth of experience, expertise and knowledge of the local government industry in Western Australia. They have had prior experience with the previous Shire of Northam, to which we were satisfied with their performance.

Significant work has been undertaken since the merger and UHY Haines Norton now have a good understanding of the finances of the shire. It would be my recommendation that Council remain with UHY Haines Norton for the next three year term.

RECOMMENDATION

Minute: AU.031

Moved: Cr A W Llewellyn

Seconded: Cr R M Head

That Mr Greg Godwin and Mr David J Tomasi of UHY Haines Northon, be appointed as auditors for the Shire of Northam for a three (3) year term for the following;

Financial year ending 30 June 2013 \$25,080 (GST Inclusive)

Financial year ending 30 June 2014 \$26,235 (GST Inclusive)

Financial year ending 30 June 2015 \$27,390 (GST Inclusive)

Carried 10/0

Quote 1 – UHY Haines Norton



21 November 2012

Mr N Hale
Chief Executive Officer
Shire of Northam
PO Box 613
NORTHAM WA 6401

Dear Neville

**QUOTATION
PROVISION OF AUDIT SERVICES**

We are pleased to submit our quotation for the supply of audit services to the Shire of Northam for the three years commencing 1 July 2012.

We believe that the detail contained in our profile, along with the information provided in this letter, will demonstrate our experience, expertise, commitment and long term involvement in the provision of audit and related services to local government within Western Australia.

Superior Service

UHY Haines Norton has WALGA preferred supplier status and is able to offer a complete audit team with considerable depth of experience, expertise and knowledge of the local government industry in Western Australia. This means we are able to provide an efficient and effective audit process. All staff who would be involved in the audit will be sourced from our dedicated local government service team and all have had experience over a significant number of years and engagements.

It is not by accident we have been appointed to the WALGA audit panel. The appointment followed a rigorous due diligence process which considered our expertise, experience and ability to deliver a quality service to the local government industry in Western Australia for close to the last two decades. Those who were not included on the panel were left off for good reason.

We also believe our experience and the service we are able to provide is superior to that of our competitors. Our methodology considers all aspects of local government financial systems including an in depth review of compliance with Part 6 of the Act, the Financial Management Regulations and best practice.

Specific Experience

We are very familiar with your Shire having been the appointed auditor for a number of years and consequently, our understanding of your operating environment is second to none.

Staff members from your Shire have also attended our annual workshop series.

We are confident you have had first hand experience of the high level of service, expertise and commitment we are able to deliver.

Fees

Not all audits are the same and like many other professional services, you get what you pay for.

Not only are we WALGA preferred suppliers, but due to the nature of our client base, we are subject to a rigorous regulation process by the Australian Securities and Investments Commission (ASIC). Many of our competitors have not been subject to this rigorous regulation and as a consequence, do not have the quality systems and processes we are required to have.

t: +61 (0)8 9444 3400
f: +61 (0)8 9444 3430

16 Lakeside Corporate 24 Parkland Road Osborne Park Perth WA 6017
PO Box 1707 Osborne Park WA 6916

e: perth@uhyhn.com.au
w: www.uhyhn.com

An association of independent firms in Australia and New Zealand and a member of UHY International, a network of independent accounting and consulting firms.

UHY Haines Norton - ABN 87 345 233 205

Liability limited by a scheme approved under Professional Standards Legislation



Our fee quotes for the provision of audit services are as follows:

	<u>Fee Quote</u>	<u>Travel</u>	<u>Applicable</u>	<u>Total</u>
	<u>\$</u>	<u>Costs</u>	<u>GST</u>	<u>(GST Inclusive)</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>
Year ended - 30 June 2013	22,000	800	2,280	25,080
30 June 2014	23,000	850	2,385	26,235
30 June 2015	24,000	900	2,490	27,390

The fees and time quoted are inclusive of travel related expenses as detailed above and assume there is no significant change in the level of operations of the Shire during the period of our appointment. We reserve the right to review the out-of-pocket travel costs (subject to mutual agreement with yourselves) should they vary over the course of the audit term.

In addition, reasonable out-of-pocket accommodation, living and incidental expenses (based on our internal “Travel Expenses Policy”) will be invoiced at cost to the Shire.

The above fees are also based on the nature of this engagement being “clean” and on the assumption all information requirements are met (prior to our year end visit an information requirements letter is sent). They also assume no major accounting or system weaknesses are encountered which would require any abnormal additional investigation and testing.

Should engagement conditions vary or the level of operations of the Shire vary significantly from those upon which we have based our quotation, we reserve the right to renegotiate the fee for any given year (subject to mutual agreement). An example of this would be the mandating of the application of fair value accounting. The additional audit procedures required would be reasonably significant.

Please note, the fees quoted do not necessarily include any fee associated with the engagement partner meeting with the audit committee as this is dependent on the particular forum adopted each year. This fee will be subject to separate negotiation once the manner of the meeting is determined each year. As a minimum, a fee of \$500 applies for preparation and telephone attendance.

If satisfactory to Council, we would propose the fee be billed in two equal instalments, after our interim visit and following completion (sign off) of each year’s audit.

Any additional work in the form of accounting assistance or other services outside the scope of the audit function will be subject to a separate fee to be agreed upon with you prior to the work being undertaken.

Certifications/Acquittals (including Roads to Recovery and Pensioner Deferred Rates)

Other certifications/acquittals are considered to be outside the scope of our normal audit function as both the number and the scope of work varies significantly from acquittal and from year to year.

If all details are prepared for us and we are able to complete with a minimum of fuss, our charges typically fall in the \$800 to \$1,500 (GST exclusive) range per certification/acquittal (at current indicative rates).

Financial Management Review (FMR)

We are also able to conduct a Financial Management Review in accordance with the Local Government (Financial Management) Regulations.

This is normally conducted at the same time as an interim audit visit and would be subject to an additional fee to be negotiated at the time the review was scoped.

Such a review would include the provision of a detailed report of our findings upon completion.

Value Added Services Specific to the Local Government Industry

Audit Liaison & Guidance

Liaison on audit and accounting issues is not only provided free of charge during the year, it is encouraged. We believe by obtaining an answer when it is required, the Council will be more able to provide for an efficient audit process.

We also regularly provide the industry (all local governments) with newsletters containing comment and direction on topical issues.

Model Financial Report, Model Budget and Annual Workshop

A main ingredient of our local government support is our model financial report and model budget which is updated annually.

This has, over the past sixteen years, established a consistent guideline for local governments to follow in respect of statutory reporting obligations. An indication of its worth to the industry is in the number of authorities (clients and non clients) that have adopted the reporting formats it provides and the number who attend the course each year.

Value Added Services Specific to the Local Government Industry (Continued)

Model Financial Report, Model Budget and Annual Workshop (Continued)

This model also forms the basis of our annual workshop series. This addresses topical accounting issues, reporting amendments and provides a forum for local government accounting practitioners to obtain guidance on various accounting related matters.

In 2003 we also introduced a ‘Nuts and Bolts’ workshop which deals with fundamental local government accounting concepts and is aimed at entry level finance officers.

GST, FBT and Salary Packaging Advice

Our local government services division in conjunction with our tax consulting division is also able to provide detailed advice and assistance in the complex areas of GST, FBT and salary packaging. Such advice would be provided at applicable rates.

Indicative Costs for Additional Services

The hourly rate for additional services depend upon the level of advice required. It is difficult to commit a firm per hour price until the exact extent of the level of advice and work required is known.

As at 1 July 2012, indicative rates for this type of work are as follows:

	Per Hour (GST exclusive) \$
Partner	500 - 600
Manager	250 - 300
Senior	200
Intermediate	180
Graduate	120

We further undertake to provide an estimate of hours and staff level required based on the scope of each task prior to commencement in each instance.

Qualification to Conduct Local Government Audits

Should we be successful in obtaining the audit contract the following are the **qualified** partners of the firm to be nominated as auditors:

Name	Registered Company Auditor Number
<u>Engagement Partner</u> (either)	
Mr G Godwin	310219
Mr D J Tomasi	15724

Please note, UHY Haines Norton, Perth, a Perth based partnership (“the firm”), carries on business separately and independently from other UHY Haines Norton member firms around Australia and New Zealand and UHY member firms worldwide.

UHY Haines Norton is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

Should you require any clarification of the above information please contact me.

Yours faithfully

DAVID TOMASI
PARTNER

Encl

Quote 2 – Grant Thornton Australia



Mr Neville Hale
 Chief Executive Officer
 Shire of Northam
 PO Box 613
 NORTHAM WA 6401

10 Kings Park Road
 WEST PERTH WA 6005
 PO Box 570
 West Perth WA 6872
 T+ 61 8 9480 2000
 E+61 8 9322 7787
 E info.wa@au.gt.com
 W www.granthornton.com.au

21 January 2013

Dear Neville,

PROVISION OF EXTERNAL AUDIT SERVICES

Thank you for the opportunity to provide our Offer in relation to the Provision of External Audit Services for the Shire of Northam (“the Shire”).

We have a proven track record of providing consistent high quality, proactive and cost effective audit services and are experts in working with Local Government Organisations.

Please find enclosed our Proposal for Audit Services document as well as this letter.

A copy of the price schedule is also outlined below;

	Fee (Total Fixed Lump Sum Price excluding GST \$)	Estimated Hours
Provision of Audit Services for the Shire of Northam for the year ended 30 June 2013	24,500	200
Provision of Audit Services for the Shire of Northam for the year ended 30 June 2014	26,000	200
Provision of Audit Services for the Shire of Northam for the year ended 30 June 2015	27,500	200

Please note the above fees exclude GST and disbursements such as travel are billed at cost. Please also note the above fee does not include the audit of grant acquittals which are billed at between \$500 and \$800 per grant acquittal (excluding GST) depending on the complexity and / or volume of transactions applicable to the acquittal.

Our service model is built around the quality of our people, and is based upon developing a close business relationship and working with you throughout the year to proactively deal with any audit issues as they arise. In summary, we provide:

- a **collaborative and proactive partnership** – our people are upfront and friendly, and focused on excellent communication;
- **technical expertise** – a breadth and depth of knowledge, capabilities, support resources and tools to deliver the services you require; and
- a cost effective **value added service**.

Grant Thornton Australia Limited ABN 41 127 556 389

Grant Thornton Australia Limited is a member firm within Grant Thornton International Ltd. Grant Thornton International Ltd and the member firms are not a worldwide partnership. Grant Thornton Australia Limited, together with its subsidiaries and related entities, delivers its services independently in Australia.

Liability limited by a scheme approved under Professional Standards Legislation



2

We are confident in our ability to meet your audit needs and look forward to building a long-term relationship with the Shire. Please do not hesitate to contact me if you have any queries regarding the above or our tender proposal.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in black ink, appearing to read 'M Spain', written over a faint, illegible background.

Michelle Spain
Associate Director – Audit & Assurance

7. CLOSURE OF MEETING

There being no further business the Presiding Officer declared the meeting closed at 5.05 pm.

“I certify that the Minutes of the Audit Committee Meeting held on 13 February 2013 have been confirmed as a true and correct record.”

_____ President

_____ Date