



SHIRE OF NORTHAM

**AGENDA FOR
AUDIT COMMITTEE MEETING
COMMENCING AT
4:30 PM
WEDNESDAY
8 DECEMBER 2010**

Councillors:

Please be advised that the next Audit Committee Meeting will be held as above.

**N A Hale
CHIEF EXECUTIVE OFFICER
3 December 2010**

SHIRE OF NORTHAM

SUMMARY OF AGENDA TO BE PRESENTED TO THE AUDIT COMMITTEE MEETING TO BE HELD ON 8 DECEMBER 2010 AT 4:30 PM

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SHIRE OF NORTHAM

Notice and Agenda of an Audit Committee Meeting of Council to be held in the Council Chambers on WEDNESDAY, 8 December 2010 at 4:30 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

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	Cr S B Pollard
Councillors	K D Saunders
	U Rumjantsev
	R W Tinetti
	T M Little
	D A Hughes
	T M Letch
	R M Head
	A W Llewellyn
Executive Manager Corporate Services	D R Gobbart

4. APOLOGIES

5. LEAVE OF ABSENCE

Cr C M D'Ascenzo has been granted 'Leave of Absence' from all Council duties from the 15 November 2010 through to the 31 December 2010.

6. CONFIRMATION OF MINUTES

That the Minutes of the Audit Committee Meeting held on Wednesday, 10 February 2010 be confirmed as a true and correct record of that meeting.

7. AGENDA ITEMS

7.1 MEETING WITH THE SHIRE OF NORTHAM AUDITORS

Submission To:	Internal Report
Name of Applicant:	N/A
Location / Address:	N/A
File Ref:	8.2.7.1
Officer:	Denise Gobbart
Officer Interest::	Nil
Policy/Legislation:	Local Government Act 1995, Local Government (Audit) Regulations 1996, DLGRD Operational Guidelines-Audit Committees in Local Government No 9
Voting:	Simple Majority
Date:	1/12/2010

PURPOSE

Council to accept telephone conversation link up with Council’s Auditor Mr Greg Godwin from UHY Haines Norton.

BACKGROUND

On appointment of the audit committee, it was given delegated authority to meet with the Auditor of the local government at least once in every year, pursuant to Section 7.12A(2) the Local Government Act 1995.

The Local Government Act does not require the Audit Committee to meet with the Auditor rather the local Government is to meet with the Auditor at least once each year.

It should be noted that there will be a fee involved for the auditor to visit the Shire of Northam in person due to travelling and time.

A telephone link up has been arranged with Council’s Auditor Mr Greg Godwin from UHY Haines Norton at 4.00pm. NB: Mr Godwin will be available for approx 45 minutes.

STATUTORY REQUIREMENTS

Local Government Act 1995 Section 7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to —
 - (a) assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and
 - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.

CONFORMITY WITH THE PLAN FOR THE FUTURE

Nil

BUDGET IMPLICATIONS

Nil

OFFICER'S COMMENT

Topics to be discussed with the auditor include;

- Review of Shire of Northam Auditors Report
- Review of Shire of Northam Management Report
- General Business

RECOMMENDATION

1. **That a meeting between the Audit Committee and the Auditor by telephone would satisfy the requirements of Section 7.12A(2) the Local Government (Audit) Regulations 1996 and that the minutes of the meeting show the auditor was involved and the matters discussed.**
2. **That the verbal report by the Shire Auditor Mr Greg Godwin from UHY Haines Norton be noted in the minutes and received.**

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF NORTHAM**

Report on the Financial Report

We have audited the accompanying financial report of the Shire of Northam, which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and rate setting statement for the year ended on that date and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Report

Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the financial report of the Shire of Northam is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a. giving a true and fair view of the Shire's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

**INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF NORTHAM (Continued)**

Other Matters

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) No matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON
CHARTERED ACCOUNTANTS


GREG GODWIN
PARTNER

Address: Perth, WA
Date: 29 November 2010

29 November 2010

The Shire President
Shire of Northam
PO Box 613
NORTHAM WA 6401

Dear Cr Pollard

MANAGEMENT REPORT FOR THE YEAR ENDED 30TH JUNE 2010

We advise that we have completed our audit procedures for the year ended 30th June 2010 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

Outstanding Rates Ratio

The rates debtors have increased from \$427,743 at 30 June 2009 to \$566,180 at 30 June 2010 resulting in the outstanding rates ratio increasing from 7% to 9%. Generally, anything over 5% should start to flag a problem with collection policy and procedures.

Given the ever decreasing nature of funding resources, it is increasingly important for Council to monitor outstanding amounts. Monitoring and collection of outstanding receivables has a direct impact on the cash available to Council. Consequently, it is very important Council continues to concentrate on follow up efforts in order to lower long outstanding rates debtors.

Trust Account

As noted in our management report on the 2009 audit, the inconsistencies in relation to certain old balances in the trust account remain as supporting documents for some of these balances have not yet been located.

To help ensure trust funds are correctly dealt with on a timely basis, we recommend the process in place be continued until all balances have supporting documentation on file.

We noted no other matters we wish to draw to Council's attention.

Corrected Misstatement

We advise we have informed Council management of one misstatement, which was corrected during the course of our audit and is reflected in the financial report. This corrected misstatement is attached at Appendix 1 to this letter.

Uncorrected Misstatements

We advise we have informed Shire management that there were no uncorrected misstatements above \$5,000 noted by us during the course of our audit.

We take this opportunity to thank the Chief Executive Officer and all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully


GREG GODWIN
PARTNER
Enc

**SHIRE OF NORTHAM
APPENDIX 1
FORMING PART OF THE MANAGEMENT REPORT
FOR THE YEAR ENDED 30TH JUNE 2010**

Corrected Misstatement

	Dr (\$)	Cr (\$)
Provision for Bad debts (Statement of Financial Position)	39,077	
Provision for Bad debts (Statement of Comprehensive Income)		39,077
Overprovision of provision for bad debts		

7.2 SHIRE OF NORTHAM 2009/10 ANNUAL REPORT

Submission To:	Internal Report
Name of Applicant:	N/A
Location / Address:	N/A
File Ref:	8.2.7.1
Officer:	Denise Gobbart
Officer Interest:	Nil
Policy/Legislation:	Local Government Act 1995 & LG (FM) Regs 1996
Voting:	Simple Majority
Date:	1/12/2010

PURPOSE

For Council to consider and if acceptable receive the Annual Report for the year ended 30 June 2010 for the Shire of Northam.

BACKGROUND

The Annual Financial Report for the year ended 30 June 2010 was completed and presented to the Shire of Northam's auditor on Thursday, 30 September 2010, for audit. The Audit was completed and signed off on Monday, 29 November 2010.

Section 5.54 'Acceptance of Annual Reports' of the Local Government Act 1995 requires a Annual Report to be accepted by Council by 31 December in each year unless the Auditors Report is not available in time.

The Local Government Act 1995 Section 5.54(2) requires that if the Annual Report is not accepted by the Local Government by 31 December then it must be presented within two (2) months of the Auditors Report becoming available.

STATUTORY REQUIREMENTS

Local Government Act 1995 Section 5.53 Annual Reports;

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain -*
 - (a) *a report from the mayor or president;*
 - (b) *a report from the CEO;*
 - [(c), (d) deleted]*

- (e) *an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year;*
- (f) *the financial report for the financial year;*
- (g) *such information as may be prescribed in relation to the payments made to employees;*
- (h) *the auditor's report for the financial year;*
- (ha) *a matter on which a report must be made under section 29(2) of the Disability Services Act 1993;*
- (hb) *details of entries made under section 5.121 during the financial year in the register of complaints, including —*
 - (i) *the number of complaints recorded in the register of complaints;*
 - (ii) *how the recorded complaints were dealt with; and*
 - (iii) *any other details that the regulations may require; and*
 - (i) *such other information as may be prescribed.*

Local Government Act 1995 Section 5.54 Acceptance of Annual Reports;

- (1) *Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.*

** Absolute majority required.*

- (2) *If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.*

Local Government Act 1995 Section 5.55 Notice of Annual Reports;

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

CONFORMITY WITH THE PLAN FOR THE FUTURE

Nil

BUDGET IMPLICATIONS

Nil

OFFICER'S COMMENT

Council is requested to accept the Annual Report for the year ended 30 June 2010 for the Shire of Northam.

A copy of the management letter is also attached for council perusal for comment.

RECOMMENDATION

The Audit Committee, recommends that Council, pursuant to:

- 1. Sections 5.53 and 5.54 of the Local Government Act 1995, accepts the Annual Report for the 2009/2010 financial year;**
- 2. Section 5.55 of the Local Government Act 1995, authorise the Chief Executive Officer to give public notice of the availability of the Annual Report from Friday 17 December 2010.**

7.3 2009/10 ANNUAL ELECTORS GENERAL MEETING

Submission To:	Internal Report
Name of Applicant:	N/A
Location / Address:	N/A
File Ref:	8.2.7.1
Officer:	Denise Gobbart
Officer Interest:	Nil
Policy/Legislation:	Local Government Act 1995 & LG (FM) Regs 1996
Voting:	Simple Majority
Date:	1/12/2010

PURPOSE

For Council to consider and endorse the date for the Annual Electors General Meeting set by the Chief Executive Officer.

BACKGROUND

The Annual Electors General Meeting is to be held within 56 days of the local government accepting the Annual Report.

A requirement of setting the date is that 14 days local public notice is required for advertising the meeting.

The closing period for adverts to be placed in the "Advocate" is Midday Friday's. As the earliest edition for an advert to be displayed is Wednesday 22 December 2010, this would allow the meeting to be held no earlier than Wednesday 5 January 2011. The last eligible day for holding the meeting would be Wednesday 16 February 2011.

STATUTORY REQUIREMENTS

Local Government Act 1995 Section 5.27 Electors' general meetings;

- (1) *A general meeting of the electors of a district is to be held once every financial year.*
- (2) *A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.*

- (3) *The matters to be discussed at general electors' meetings are to be those prescribed.*

Local Government (Administration) Regulation No 15 Matters for discussion at general electors' meetings - s. 5.27(3)

For the purposes of section 5.27(3), the matters to be discussed at a general electors' meeting are, firstly, the contents of the annual report for the previous financial year and then any other general business.

Local Government Act 1995 Section 5.29 Convening Electors' Meetings;

- (1) *The CEO is to convene an electors' meeting by giving –*
- (a) *at least 14 days' local public notice; and*
 - (b) *each council member at least 14 days' notice, of the date, time, place and purpose of the meeting.*
- (2) *The local public notice referred to in subsection (1)(a) is to be treated as having commenced at the time of publication of the notice under section 1.7(1)(a) and is to continue by way of exhibition under section 1.7(1)(b) and (c) until the meeting has been held.*

CONFORMITY WITH THE PLAN FOR THE FUTURE

Nil

BUDGET IMPLICATIONS

Nil

OFFICER'S COMMENT

Council is requested to endorse the date set, in accordance with the Local Government Act, for the Annual Electors General Meeting.

I am recommending that the meeting date be set as Wednesday, 9 February 2011 at 7.00pm. This is as many in the community may be absent over the Christmas / New Year period. There may be an adverse perception in the community if we were to advertise over the holiday period and hold the meeting in January.

RECOMMENDATION

The Audit Committee recommends to Council, that the Annual Electors General Meeting be held Wednesday, 9 February 2011 at 7.00pm in the Shire of Northam Council Chambers.

8. CLOSURE OF MEETING



SHIRE OF NORTHAM

**MINUTES
OF THE
AUDIT MEETING
HELD ON
WEDNESDAY
10 FEBRUARY 2010**

SHIRE OF NORTHAM

MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 10 FEBRUARY 2010 AT 5:15 PM

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SHIRE OF NORTHAM

**Minutes of the Audit Meeting held in the Council Chambers on WEDNESDAY, 10
February 2010 at 5:15 pm**

DISCLAIMER

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1. DECLARATION OF OPENING AND WELCOME

Cr S B Pollard declared the meeting open at 5:15pm.

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	Cr S B Pollard
Councillors	K D Saunders
	U Rumjantsev
	R W Tinetti
	D A Hughes
	T M Letch
	R M Head
A/Chief Executive Officer	D R Gobbart
Executive Manager, Engineering Services	I R Bartlett

GALLERY

4. APOLOGIES

Cr C M D'Ascenzo, Cr T M Little, Cr A W Llewellyn

5. CONFIRMATION OF MINUTES

Minute No AU.017

Moved: Cr R M Head
Seconded: Cr T M Letch

That the Minutes of the Audit Committee Meeting held Wednesday, 11 November 2009 be confirmed as a true and correct record of that Meeting.

CARRIED 7/0

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 / Legislation:	N/A
Voting:	Absolute Majority
Date:	2/02/2010

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 2009 audit. As Council is required to appoint auditors for a future term, we contacted the Department of Local Government to seek details of Auditors with local government experience that were currently working as Auditors for local government.

On this advice correspondence was sent to UHY Haines Norton, Grant Thornton Australia, PKF Chartered Accountants and KPMG, seeking quotes for audit services for a three (3) year term.

Of the four requests sent out we received acknowledgement from Grant Thornton Australia and UHY Haines Norton.

The following quotes were received;

	Year Ended	Fee Quote	Travel	GST Applicable	Total (GST Inc)
		\$	\$	\$	\$
UHY Haines Norton Perth	30 June 2010	18,500	800	1,930	21,230
	31 June 2011	19,500	850	2,035	22,385
	32 June 2012	20,500	900	2,140	23,540

	Year Ended	Fee Quote \$	Travel \$	GST Applicable \$	Total (GST Inc) \$
Grant Thornton Australia	30 June 2010	18,000	Additional	1,800	19,800
	31 June 2011	18,900	Additional	1,890	20,790
	32 June 2012	19,900	Additional	1,990	21,890

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 \$20,000 has been provided in the 2009-2010 adopted budget, for the Annual Audit and assistance with completion of the Annual Financial Statements.

OFFICER'S COMMENT

UHY Haines Norton was the appointed auditors for the past two financial years. Their fees during that time were 2007/2008 \$17,380 and 2008/2009 \$18,590, 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 they were very 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, to consolidate the work already undertaken since the merger.

RECOMMENDATION/COUNCIL DECISION

Minute No AU.018

Moved: Cr R M Head

Seconded: Cr U Rumjantsev

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

Financial year ending 30 June 2010	\$21,230 (GST Inclusive)
Financial year ending 30 June 2011	\$22,385 (GST Inclusive)
Financial year ending 30 June 2012	\$23,540 (GST Inclusive)

**CARRIED 7/0
BY ABSOLUTE MAJORITY VOTE**

7. CLOSURE OF MEETING

There being no further business the presiding officer declared the meeting closed at 5:17pm.

"I certify that the Minutes of the Audit Committee Meeting held on Wednesday 10 February 2010 have been confirmed as a true and correct record."

_____ President

_____ Date