



Minutes

of the

Audit Committee Meeting of Council

held on

Thursday 17 March 2016

At 3PM

In

The Council Chambers

Honour Avenue Wyalkatchem

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Minutes of the Audit Committee of Council held in Council Chambers, Cnr Honour Avenue and Flint Street, Wyalkatchem on Thursday 17 March 2016.

**1. DECLARATION OF OPENING**

**1.1 The Presiding Person declared the Meeting open: 15.00**

**1.2 The Shire of Wyalkatchem disclaimer was read aloud.**

*No responsibility whatsoever is implied or accepted by the Shire of Wyalkatchem for any act, omission or statement or intimation occurring during this meeting. It is strongly advised that persons do not act on what is heard at this Meeting and should only rely on written confirmation of Council's decisions, which will be provided within ten days of this meeting.*

**2. PUBLIC QUESTION TIME**

**2.1 Response to previous questions taken on notice.**

There were no questions taken on notice from the last Audit Committee Meeting.

**2.2 DECLARATION OF PUBLIC QUESTION TIME OPENED: 15.02**

**2.3 DECLARATION OF PUBLIC QUESTION TIME CLOSED: 15.02**

**3. RECORD OF ATTENDANCE, APOLOGIES, AND APPROVED LEAVE OF ABSENCE**

**3.1 Present:**

**3.2 Apologies:**

**3.3 On leave of absence: Cr Gawley**

**3.4 Staff:**

**3.5 Visitors: Paul Gilbert**

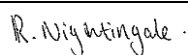

**3.6 Gallery:**

**3.7 Applications for leave of absence:**

**4. ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION.**

## 5. CONFIRMATION OF MINUTES

### 5.1.1 MEETINGS – CONFIRMATION OF MINUTES – AUDIT COMMITTEE MEETING 15 OCTOBER 2015

<b>FILE REFERENCE:</b>	Minute Book
<b>AUTHOR'S NAME AND POSITION:</b>	Rachel Nightingale Administration Officer
<b>AUTHOR'S SIGNATURE:</b>	
<b>MANAGER'S NAME</b>	Ian McCabe Chief Executive Officer
<b>MANAGER'S SIGNATURE</b>	
<b>NAME OF APPLICANT/ RESPONDENT/LOCATION:</b>	Shire of Wyalkatchem
<b>DATE REPORT WRITTEN:</b>	9 March 2016
<b>DISCLOSURE OF INTEREST:</b>	The author has no financial interest in this matter.
<b>PREVIOUS MEETING REFERENCE:</b>	Not Applicable

#### **SUMMARY:**

That the Audit Committee resolves the following:

1. Confirm the minutes as an accurate record of the Audit Committee Meeting of Council held 15 October 2015.

#### **Appendix:**

There is no attachment to this item.

#### **Background:**

The minutes have been circulated to all Councillors and they have been made available to the public. The minutes are also published on the Shire's website.

#### **Comment:**

There is no further comment to this item.

#### **Consultation:**

Ian McCabe, Chief Executive Officer.

#### **Statutory Environment:**

1. *Local Government Act 1995* Part 5 Division 2 Subdivision 3 Section 5.25
2. Local Government (Administration) Regulations 1996, Regulation 11 Content of minutes of council or committee meetings s. 5.25(f)
3. Shire of Wyalkatchem Standing Orders Local Law 1998, Part 3 Business of the Meeting Standing Order 3.5 Confirmation of Minutes

#### **Policy Implications:**

There is no Council Policy relative to this issue.

#### **Financial Implications:**

There are no Financial Implications relative to this issue.

**Strategic Plan/Risk Implications:**

There are no Strategic Plan/Risk Implications relative to this issue.

**Voting Requirements:** Simple Majority

Audit Committee Decision Number: 31

Moved: Cr Jones

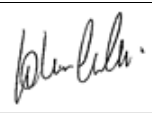
Seconded: Cr Utt

**That the Audit Committee resolves the following:**

- 1. Confirm the minutes as an accurate record of the Audit Committee Meeting of Council held 15 October 2015.**

**Vote: 6 0**

**6.1.1. FINANCIAL MANAGEMENT – REPORTING – COMPLIANCE AUDIT  
RETURN 1 ANUARY 2015 TO 31 DECEMBER 2015**

<b>FILE REFERENCE:</b>	12.19.01
<b>AUTHOR'S NAME AND POSITION</b>	Ian McCabe Chief Executive Officer
<b>AUTHOR'S SIGNATURE:</b>	
<b>NAME OF APPLICANT/RESPONDENT/LOCATION:</b>	Shire of Wyalkatchem
<b>DATE REPORT WRITTEN:</b>	4 March 2016
<b>DISCLOSURE OF INTEREST:</b>	The author has no financial interest in this matter.
<b>PREVIOUS MEETING REFERENCE:</b>	Audit Committee Meeting 19 February 2015 Decision No. 25

**SUMMARY:**

**That the Audit Committee resolve the following:**

- 1. Advise Council that the Committee recommends that Council adopt the Compliance Audit Return CAR for the period 1 January 2015 to 31 December 2015 and submit a certified copy to the Department of Local Government before 31 March 2016.**

**Appendix:**

1. Draft Wyalkatchem Compliance Audit Return 2015

**Background:**

The Compliance Audit Return for the period 1 January 2015 to 31 December 2015 is required to be submitted to the Department of Local Government by 31 March 2016.

**Comment:**

Regulation 14 of the Local Government (Audit) Regulations 1996 requires the Local Government's Audit Committee review the Compliance Audit Return and report the results to Council, prior to the CAR's adoption by Council and submission to the department by 31 March 2016.

The timeline for submission of the Compliance Audit Return is:

1. Consideration by the audit committee at the meeting Presented to Council at its Ordinary Meeting on 17 March 2016;
2. Consideration and adoption by Council at the ordinary meeting 17 March 2016;
3. President and CEO to certify the adoption;
4. Submit to the Department of Local Government by 31 March 2016.

After the Compliance Audit Return has been presented to Council a certified copy (i.e. signed by the Shire President and Chief Executive Officer) of the return along with the relevant sections of the minutes and any additional information explaining or

qualifying the Compliance Audit Return is to be submitted to the Director General of the Department of Local Government.

The Compliance Audit Return can be used as an internal control tool to assess the Shire of Wyalkatchem's statutory compliance with the *Local Government Act 1995* and associated regulations.

**Consultation:**

Ian McCabe, Chief Executive Officer  
Claire Trenorden, Senior Finance Officer

**Statutory Environment:**

Section 7.13 (1) (i) of the *Local Government Act 1995*

Regulation 14 – Compliance Audit Return to be prepared – Local Government (Audit) Regulations 1996

Regulation 15 – Completion of Compliance Audit Return – Local Government (Audit) Regulations 1996

**Policy Implications:**

There is no Council Policy relative to this issue.

**Financial Implications:**

There are no Financial Implications relative to this issue.

**Strategic/Risk Implications:**

The Shire is required to complete and lodge the CAR by 31 March of each year following adoption by Council; failure to complete this process will make the Shire non-compliant with requirements of the Act.

**Voting Requirements: Simple Majority**

**Council Decision Number: 32**

**Moved:** Cr Jones

**Seconded:** Cr Oldsworth

**That the Audit Committee resolve the following:**

- 1. Advise Council that the Committee recommends that Council adopt the Compliance Audit Return CAR for the period 1 January 2015 to 31 December 2015 and submit a certified copy to the Department of Local Government before 31 March 2016.**

**Vote: 7 0**



Wyalkatchem - Compliance Audit Return 2015

<b>Commercial Enterprises by Local Governments</b>					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2015.	N/A		Ian James McCabe
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2015.	N/A		Ian James McCabe
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2015.	N/A		Ian James McCabe
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2015.	N/A		Ian James McCabe
5	s3.59(5)	Did the Council, during 2015, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Ian James McCabe

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<b>Delegation of Power / Duty</b>						
No	Reference	Question	Response	Comments	Respondent	
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A		Ian James McCabe	
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		Ian James McCabe	
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		Ian James McCabe	
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		Ian James McCabe	
5	s5.18	Has Council reviewed delegations to its committees in the 2014/2015 financial year.	N/A		Ian James McCabe	
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Ian James McCabe	
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Ian James McCabe	
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Ian James McCabe	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Ian James McCabe	
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Ian James McCabe	
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Ian James McCabe	
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2014/2015 financial year.	Yes		Ian James McCabe	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Ian James McCabe	

<b>Disclosure of Interest</b>						
No	Reference	Question	Response	Comments	Respondent	
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Ian James McCabe	
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Ian James McCabe	



No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Ian James McCabe
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	N/A	Election 17/10/15 and extraordinary election 21/11/15	Ian James McCabe
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	N/A		Ian James McCabe
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2015.	Yes		Ian James McCabe
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2015.	Yes		Ian James McCabe
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Ian James McCabe
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Ian James McCabe
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Ian James McCabe
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Ian James McCabe
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Ian James McCabe
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Ian James McCabe
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Ian James McCabe



No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Ian James McCabe
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	N/A		Ian James McCabe

**Disposal of Property**

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Ian James McCabe
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes		Ian James McCabe

**Elections**

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	Yes		Ian James McCabe

**Finance**

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Ian James McCabe
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	Yes		Ian James McCabe
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Ian James McCabe
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Ian James McCabe



No	Reference	Question	Response	Comments	Respondent
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2015 received by the local government within 30 days of completion of the audit.	Yes		Ian James McCabe
6	s7.9(1)	Was the Auditor's report for 2014/2015 received by the local government by 31 December 2015.	Yes		Ian James McCabe
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	Yes		Ian James McCabe
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	Yes		Ian James McCabe
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	Yes		Ian James McCabe
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Ian James McCabe
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Ian James McCabe
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Ian James McCabe
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Ian James McCabe
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Ian James McCabe



<b>Local Government Employees</b>					
No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A	Not applicable in this return period.	Ian James McCabe
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A	Not applicable in this return period.	Ian James McCabe
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A	Not applicable in this return period.	Ian James McCabe
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A	Not applicable in this return period.	Ian James McCabe
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	N/A	Not applicable in this return period.	Ian James McCabe

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<b>Official Conduct</b>					
No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	Yes	Governance and Emergency Services Officer is delegated in the event that the complaint relates to the CEO.	Ian James McCabe
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	Yes	This has not proved necessary in the return period.	Ian James McCabe
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	Yes	This has not proved necessary in the return period.	Ian James McCabe
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	Yes	This has not proved necessary in the return period.	Ian James McCabe
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred.	Yes	This has not proved necessary in the return period.	Ian James McCabe
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	Yes	This has not proved necessary in the return period.	Ian James McCabe

<b>Tenders for Providing Goods and Services</b>					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	Yes		Ian James McCabe
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	Yes		Ian James McCabe
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Ian James McCabe
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Ian James McCabe




No	Reference	Question	Response	Comments	Respondent
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Ian James McCabe
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Ian James McCabe
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	Yes		Ian James McCabe
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Ian James McCabe
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	Yes		Ian James McCabe
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	Yes		Ian James McCabe
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes		Ian James McCabe
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	Yes		Ian James McCabe
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	Yes		Ian James McCabe
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	Yes		Ian James McCabe
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	N/A		Ian James McCabe
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	Yes		Ian James McCabe
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	Yes		Ian James McCabe



No	Reference	Question	Response	Comments	Respondent
18	F&G Reg 24AD(6)	If the local government to sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	Yes		Ian James McCabe
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	Yes		Ian James McCabe
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	Yes		Ian James McCabe
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Ian James McCabe
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A		Ian James McCabe
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Ian James McCabe
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	N/A		Ian James McCabe
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$150,000 or less.	Yes		Ian James McCabe



**6.1.2. FINANCIAL MANAGEMENT – AUDIT REPORTS AUDIT AND MANAGEMENT REPORT 30 UNE 2015**

<b>FILE REFERENCE:</b>	12.02.02
<b>AUTHOR'S NAME AND POSITION:</b>	Ian McCabe Chief Executive Officer
<b>AUTHOR'S SIGNATURE:</b>	
<b>NAME OF APPLICANT/RESPONDENT/LOCATION:</b>	Shire of Wyalkatchem
<b>DATE REPORT WRITTEN:</b>	4 March 2016
<b>DISCLOSURE OF INTEREST:</b>	The author has no financial interest in this matter.
<b>PREVIOUS MEETING REFERENCE:</b>	Audit Committee Meeting 19 February 2015 Decision No.26

**SUMMARY:**

**That Council resolve to:**

- 1. Accept the Independent Audit Report dated 20 November 2015**
- 2. Accept the Management Report for the year ended 30 une 2015.**

**Appendix one document :**

- Independent Auditor's Report from Macleod Corporation Pty Ltd for the year ended 30 June 2015;
- Audit Management Report for the year ended 30 June 2015;

**Background:**

At the Ordinary Meeting of Council held in July 2012, Council resolved to appoint an Audit Committee comprising all seven elected members of Council. At the Ordinary Meeting of Council held in August 2012, Council accepted the Terms of Reference and Audit Specifications.

**Comment:**

A copy of the Independent Auditor's Report and the Audit Management Report for the year ending 30 June 2015 is attached. The interim report dated 5 March 2015 is also included.

The Independent Auditor is available for the discussion of any matter within the Independent Audit Report or Management Report.

**Consultation:**

Ian McCabe, Chief Executive Officer  
 Claire Trenorden, Senior Finance Officer  
 Mr Paul Gilbert, Auditor and Director, Macleod Corporation Pty Ltd

**Statutory Environment:**

*The Local Government Act 1995*  
 Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

**Policy Implications:**

There is no Council Policy relative to this issue.

**Financial Implications:**

Fees as per the Audit Agreement.

**Strategic /Risk Implications:**

Discussion and understanding of the Independent Audit Report and Management Report by Council is fundamental to good governance of the Shire.

**Voting Requirements: Simple Majority**

**Council Decision Number: 33**

**Moved:** Crutt

**Seconded:** Cr Oldsworth

**That Council resolve to:**

1. **Accept the Independent Audit Report dated 20 November 2015**
2. **Accept the Management Report for the year ended 30 June 2015.**

**Vote: 6 0**

12-2-3  
24/11/15



**MACLEOD**  
CORPORATION PTY LTD.

A.B.N. 25 082 636 968

14 The Outlook  
BAYONET HEAD  
ALBANY WA 6330

PO Box 5321  
ALBANY WA 6332

ph/fax. 08 9844 1693

m. 0412 375 667

e. [paul@macleodcpa.com.au](mailto:paul@macleodcpa.com.au)

[www.macleodcpa.com.au](http://www.macleodcpa.com.au)

20 November 2015

Cr Quentin Davies  
Shire President  
Shire of Wyalkatchem  
PO Box 224  
WYALKATCHEM WA 6485

Dear Cr Davies

SHIRE OF WYALKATCHEM  
AUDIT FOR THE YEAR ENDED 30 JUNE 2015

In accordance with the requirements of Section 7.9 of the Local Government Act and Regulation 10 of the Local Government (Audit) Regulations 1996 (as amended), we report that we have completed our audit for the year ended 30 June 2015.

We enclose a copy of our Audit Report, together with our interim and final management letters.

As indicated in our management letter, during the course of our audit we did not note any areas where improvement may be made which would enhance the level of internal control.

Generally, we consider the Shire to be in a sound financial position.

If you have any questions you are welcome to contact me.

Yours sincerely

Paul Gilbert CPA  
Macleod Corporation Pty Ltd

Enclosures.



**INDEPENDENT AUDITOR'S REPORT  
TO THE RATEPAYERS OF THE SHIRE OF WYALKATCHEM**

**Report on the Financial Report**

We have audited the accompanying financial report of the Shire of Wyalkatchem, which comprises the Statement of Financial Position as at 30 June 2015, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

**Management's Responsibility for the Financial Report**

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud and error.

**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 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 followed applicable independence requirements of Australian professional ethical pronouncements.



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**INDEPENDENT AUDITOR'S REPORT  
TO THE RATEPAYERS OF THE SHIRE OF WYALKATCHEM**

**Auditor's Opinion**

In our opinion the financial report of the Shire of Wyalkatchem 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 2015 and of its operating results 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).

**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.
- (e) In relation to the Supplementary Ratio Information presented at page 59 of this report, we have reviewed the calculations as presented and in our opinion these are:
  - i) Based on verifiable information; and
  - ii) Reasonable assumptions.



---

Paul Gilbert, Director  
Macleod Corporation Pty Ltd  
Dated this 20<sup>th</sup> day of November 2015



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CORPORATION PTY LTD.**

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www.macleodcpa.com.au

20 November 2015

Ian McCabe  
Chief Executive Officer  
Shire of Wyalkatchem  
PO Box 224  
WYALKATCHEM WA 6485

Dear Mr McCabe

**AUDIT MANAGEMENT REPORT  
FOR THE YEAR ENDED 30 JUNE 2015**

We have now completed our audit, for the year ended 30 June 2015, and attached is our report to be included with the financial statements as presented to us for audit.

In accordance with the terms of our audit engagement, we remind you that the work undertaken by us to form an opinion on the financial statements and your compliance is permeated by judgment, in particular regarding the nature, timing and extent of the audit procedures for gathering of audit evidence and the drawing of conclusions based on the audit evidence gathered. In addition, there are inherent limitations in any audit. These include the use of testing, the possibility of collusion and the fact that most audit evidence is persuasive rather than conclusive in nature. As a result, even though our audit is conducted in accordance with Australian Audit Standards, our audit can only provide reasonable – not absolute – assurance that the financial systems of Council are functioning reliably, and that the financial statements contain no errors or omissions.

During the course of our audit we did not note any areas where improvement may be made which would enhance the level of internal control.

Generally, we consider the Shire to be in a sound financial position. Whilst an analysis of key operating ratios is included with the financial statements at Note 18, I make mention of the following key operating statistics as indicators of financial condition:

	2015	2014	2013	2012
Operating result/(loss) for the year	878,099	(819,738)	(319,700)	(9,538)
Net cash flow from / (used in) Operating Activities	1,927,134	(232,844)	557,545	669,316
Current position (Current Assets - Current Liabilities)	2,607,144	344,744	879,770	1,204,974
Current ratio	8.55	2.18	3.18	4.55

Note: The current ratio above is calculated simply dividing current assets by current liabilities, and for convenience ignores asset restrictions used in the statutory reporting of the current ratio at Note 19 of the financial statements.



Analysis of the above statistics indicates that the current ratio, has improved significantly from 2015 . The improvement in current ratio reflects positive results of cash flow management strategy. The current years movement was also impacted by a significant increase in grant funds held in advance of \$1.2million disclosed at Note 2c.

We would like to take this opportunity to thank Claire and team for the assistance provided during the course of the audit.

We also enclose an invoice for our fee.

Please forward a copy of the annual report for the year ended 30 June 2015, including audited financial statements to us once complete.

Thankyou, if you have any questions you are welcome to contact me.

Yours sincerely



Paul Gilbert CPA  
Macleod Corporation Pty Ltd


Enclosures.

Copy to:

The Shire President

The Minister for Local Government

### 6.1.3 CHIEF EXECUTIVE OFFICER'S REPORT TO THE AUDIT COMMITTEE

<b>FILE REFERENCE:</b>	13.09.01
<b>AUTHOR'S NAME AND POSITION:</b>	Ian McCabe Chief Executive Officer
<b>AUTHOR'S SIGNATURE:</b>	
<b>DATE REPORT WRITTEN:</b>	8 March 2016
<b>DISCLOSURE OF INTEREST:</b>	The author has no financial interest in this matter.

#### **SUMMARY:**

**That the audit committee of Council resolve the following:**

- 1. Accept the Chief Executive Officer's report for the year ended 30 June 2015 as presented**

**Appendix:** There is no attachment to this report. Reference can be made to the appendix at item 6.1.2 which includes the auditor's reports.

#### **Comment:**

The audit for the year ended 30 June 2015 included two reports by the auditor, Paul Gilbert of Macleod Corporation Pty Ltd. The audit report provides an auditor's opinion based on professional judgement as to risk, fraud or negligent mis-step and whether the financial report is fair and true and the appropriateness of the accounting policies and the internal controls of the Shire. The opinion concluded that the financial report provided a true and fair view of the Shire's financial position and operating results for the year ended 30 June 2015. In referencing the Local Government (Audit) Regulations 1996, the auditor also reported:

- No significant adverse trends to the financial position or financial management practices of the Shire;
- No matters indicating non-compliance;



- That all information was obtained as requested;
- That all audit procedures were satisfactorily completed; and,
- Supplementary Ratio Information was based on verifiable information and reasonable assumptions.

The management letter for the year ended 30 June 2015 provided some commentary on key operating ratios and a 'reasonable assurance' that financial systems are functioning reliably and that there are no errors or omissions. This comment recognises that a 100% replication of transactions is impractical and that all audits are persuasive rather than conclusive. There is much reliance on the skill and integrity of staff to maintain systems and work within them.

With the advice of the auditor in the last two financial years and continual improvement within administration, there has been a reduction of risk and improvement in process. Indeed, the audit report notes no area where improvement may be made to enhance the level of internal control.

The auditor drew attention to a few key operating statistics as indicators of financial condition, including the current ratio. This ratio is a modified commercial ratio designed to focus on the liquidity position of a local government in the past year's transactions. It is calculated as follows:

$$\text{Current ratio} = \frac{(\text{Current Assets MIN } S \text{ Restricted Assets})}{(\text{Current Liabilities MIN } S \text{ Liabilities Associated with Restricted Assets})}$$

Restricted Assets generally refers to Reserves, unspent grants or assets outside the control of the local government. The ability to generate revenue, the reliance on external funding sources and the level of current debt are key factors in the calculation of this ratio. The auditor noted that a simplified current ratio in 2014/15 was 8.55 (ignoring asset restrictions), a marked improvement from 2.18 in 2013/14. This followed deterioration between 2012 and last year from 4.55 in 2012, to 3.18 in 2013 and 2.18 in 2014. It should be noted that there has been an impact due to the timing of Financial Assistance Grants which can produce variability in ratios. This is a timing issue and makes comparatives unhelpful without adjustment as some years will see grants received early rather than the year they relate to.

The operating performance of the Shire has improved. In fact, a more comprehensive view of the financial performance of the Shire may be gleaned from the annual report with the following ratios reported at note 19 (page 44):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current Ratio	3.32	1.44	1.77
Asset Sustainability Ratio	1.03	0.84	1.47
Debt Service Cover Ratio	13.35	0.43	4.2
Operating Surplus Ratio	0.54	-0.54	-0.26
Own Source Revenue Coverage Ratio	0.53	0.48	0.45

A great deal of progress has been made in addressing debt, a lagging requirement to increase reserves to address asset replacement and a low rating base.

Continued effort in understanding our business, identifying opportunities to improve efficiency and effectiveness and managing risk in doing so will assist in continued performance improvement.

My thanks to the auditor Paul Gilbert CPA for his work and advice and my appreciation to all staff of the Shire of Wyalkatchem for their contribution in improving the Shire's performance. In particular, Mrs Claire Trenorden and Mrs Rachel Nightingale are to be commended for the high standard in finance and governance work in 2014 15.

**Consultation:**

Ms Claire Trenorden	Senior Finance Officer
Mrs Rachel Nightingale	Administration Officer

**Statutory Environment:**

There is no direct statutory environment relevant to this issue.

**Policy Implications:**

There is no Council Policy relative to this report.

**Financial Implications**

There are no direct financial implications relative to this item.

**Strategic Plan/Risk Implications**

There are no direct Strategic Risk Implications relative to this item.

**Voting Requirements**                      Simple Majority

**Audit Committee Decision Number: 34**

**Moved:** Cr Davies

**Seconded:** Cr Jones

**That the audit committee of Council resolve the following:**

- 1. Accept the Chief Executive officer's report for the year ended 30 June 2015 as presented**

**Vote:** 6 0

**7. GENERAL MATTERS**

**8. CLOSURE OF THE MEETING: 15.39**