



## **SHIRE OF NORTHAM**

**NOTICE FOR  
AUDIT COMMITTEE MEETING  
COMMENCING AT  
5:15 PM  
WEDNESDAY  
10 FEBRUARY 2010**

**Councillors:**

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

**N A Hale  
CHIEF EXECUTIVE OFFICER  
29 January 2010**

# SHIRE OF NORTHAM

## SUMMARY OF AGENDA TO BE PRESENTED TO THE AUDIT COMMITTEE MEETING TO BE HELD ON WEDNESDAY, 10 FEBRUARY 2010 AT 5:15 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, 10 February 2010 at 5:15pm**

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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  
Councillors

Cr S B Pollard  
K D Saunders  
U Rumjantsev  
R W Tinetti  
T M Little  
D A Hughes  
C M D'Ascenzo  
T M Letch  
R M Head  
A W Llewellyn

Chief Executive Officer  
Manager Planning & Development  
Manager Health & Building  
Manager Finance & Administration  
Manager Works & Services

N A Hale  
C B Hunt  
P B Steven  
D R Gobbart  
I R Bartlett

## 4. APOLOGIES

## 5. CONFIRMATION OF MINUTES

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

## 6. AGENDA ITEMS

### 6.1 APPOINTMENT OF AUDITORS

Name of Applicant:	<b>Internal Report</b>
File Ref:	<b>8.2.7.1</b>
Officer:	<b>Denise Gobbart</b>
Officer Interest::	<b>Nil</b>
Policy/Legislation:	<b>N/A</b>
Voting:	<b>Absolute Majority</b>
Date:	<b>29 January 2010</b>

#### 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
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**

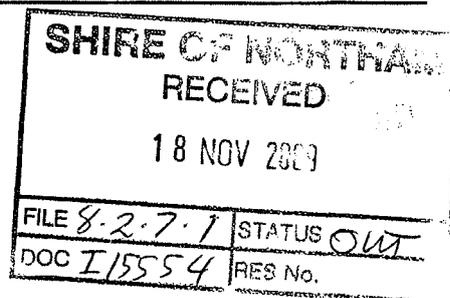
**That Mr David J Tomasi and Mr Greg Godwin of UHY Haines Norton Perth, be appointed as auditors for the Shire of Northam for a three (3) year term for the following;**

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

*Denise*

16 November 2009

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



Dear Neville

**QUOTATION  
PROVISION OF EXTERNAL AUDITING 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 2009.

We have enclosed a **WHY UHY** flyer together with a copy of our firm profile which details our local government experience, audit scope, audit approach and staff profiles.

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.

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. 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.

We believe the service we 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.

We have been the appointed auditor of your Shire for a number of years and staff members from your Shire also attend our annual workshop series. Consequently, we are confident you have had first hand experience of the high level of service, expertise and commitment we are able to deliver.

**Fees**

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

		<u>Fee Quote</u>	<u>Travel Costs</u>	<u>Applicable GST</u>	<u>Total (GST Inclusive)</u>
		\$	\$	\$	\$
Year ended -	30 June 2010	18,500	800	1,930	21,230
	30 June 2011	19,500	850	2,035	22,385
	30 June 2012	20,500	900	2,140	23,540

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.

**Fees (Continued)**

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).

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.

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)**

Other certifications/acquittals (including Roads to Recovery) 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 \$400 to \$800 (GST exclusive) range per certification/acquittal (at current indicative rates).

**Financial Management Review**

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 Shire 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 thirteen 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.

**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 2009, indicative rates for this type of work are as follows:

	<b>Per Hour (GST exclusive)</b>
	\$
Partner	400 - 500
Manager	250
Senior	180
Intermediate	150
Graduate	100

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 D J Tomasi	15724
Mr G Godwin	310219

Please note, should we be successful in obtaining this engagement, it will be conducted by UHY Haines Norton Perth, which is a separate and distinct partnership from other UHY Haines Norton associated offices in Australia and UHY associated offices worldwide. These other independent offices shall have no legal liability to your organisation.

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

Yours faithfully



GREG GODWIN  
PARTNER

Encl

**Denise Gobbart**

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**From:** Sarah Fitzsimmons  
**Sent:** Friday, 29 January 2010 2:35 PM  
**To:** Denise Gobbart  
**Subject:** FW: Revised Quote - ATTN: Denise Gobbart - Audit Services Quote - Shire of Northam  
**Importance:** High

FYI

**Sarah Fitzsimmons**  
**PA to Manager of Finance & Administration**  
Shire of Northam  
PO Box 613, NORTHAM WA 6401  
Telephone: (08) 9622 6111  
Facsimile: (08) 9622 1910  
Email: [finsec@northam.wa.gov.au](mailto:finsec@northam.wa.gov.au)  
Web: [www.northam.wa.gov.au](http://www.northam.wa.gov.au)

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**From:** Marlene Plews  
**Sent:** Friday, 29 January 2010 2:34 PM  
**To:** Sarah Fitzsimmons  
**Subject:** FW: Revised Quote - ATTN: Denise Gobbart - Audit Services Quote - Shire of Northam  
**Importance:** High

**Marlene Plews**  
**Senior Records Officer**  
Shire of Northam  
PO Box 613, NORTHAM WA 6401  
Telephone: (08) 9622 6100  
Facsimile: (08) 9622 1910  
Email: [records@northam.wa.gov.au](mailto:records@northam.wa.gov.au)  
Web: [www.northam.wa.gov.au](http://www.northam.wa.gov.au)

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**From:** Kristy Smith [<mailto:ksmith@gtwa.com.au>]  
**Sent:** Friday, 29 January 2010 2:34 PM  
**To:** Marlene Plews

29/01/2010

**Cc:** Michael Hillgrove

**Subject:** Revised Quote - ATTN: Denise Gobbart - Audit Services Quote - Shire of Northam

**Importance:** High

Hi Denise,

In response to your letter dated 15 December 2009, inviting Grant Thornton to submit a quote to perform Interim and Annual Audits, please find our quote below.

Grant Thornton would like to submit their official quote for the audit of the Shire of Northam for the year ended 30 June 2010 as \$18,000 excluding GST and disbursements eg: travel, accommodation.

For the years ending 30 June 2011 and 2012 our fees would be \$18,900 and \$19,900 respectively. These estimates exclude GST and applicable travel costs.

Should you need any further information, please do not hesitate to contact Mr Michael Hillgrove on (08) 9480 2000.

Thank you  
Kind regards,

Kristy Smith  
PA/Audit Administrator  
Grant Thornton Australia Ltd  
T +61 8 9480 2162  
F +61 8 9322 7787

10 Kings Park Road West Perth WA 6005  
PO Box 570 West Perth WA 6872

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Grant Thornton Australia Ltd ABN 41 127 556 389  
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29/01/2010

**7. CLOSURE OF MEETING**