



Shire of Northam
Heritage, Commerce and Lifestyle

SHIRE OF NORTHAM

**NOTICE OF AN
AUDIT COMMITTEE MEETING
COMMENCING AT
4:30 PM
TUESDAY
8 MARCH 2016**

Councillors:

**Please be advised that the next Audit Committee Meeting will be held on
8 March 2016.**

**JASON WHITEAKER
CHIEF EXECUTIVE OFFICER
3 March 2016**

SHIRE OF NORTHAM
AGENDA
AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

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**Notice and Agenda of the Audit Committee Meeting to be held in the Council
Chambers on TUESDAY, 8 March 2016 at 4:30 pm**

DISCLAIMER

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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.

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1. OPENING AND WELCOME

2. DECLARATION OF INTEREST

3. ATTENDANCE

COUNCIL

Councillors

S B Pollard
D G Beresford
J E Williams
J Proud
U Rumjantsev
C R Antonio
D A Hughes

Chief Executive Officer
Executive Manager Corporate Services
Executive Assistant – CEO
Governance Officer

J B Whiteaker
C Young
A C Maxwell
C Greenough

GALLERY

4. APOLOGIES

Councillors

C L Davidson

5. LEAVE OF ABSENCE PREVIOUSLY APPROVED

Cr R W Tinetti has been granted leave of absence from 1 February 2016 to 31 March 2016 inclusive.

Cr T M Little has been granted leave of absence from 24 February 2016 to 19 March 2016 inclusive.

6. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

RECOMMENDATION

That the minutes of the Audit Committee meeting held Wednesday, 25 November 2015 be confirmed as a true and correct record of that meeting

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7. AGENDA ITEMS

7.1 MID YEAR BUDGET REVIEW

Name of Applicant:	Internal Report
File Ref:	8.2.7.1
Officer:	Colin Young
Officer Interest:	N/A
Policy:	N/A
Voting:	Absolute Majority

PURPOSE

To review the 2015/16 Adopted Budget.

BACKGROUND

A thorough review of the Council's financial performance against budget has been undertaken by the Executive Management team. From this review, several items of expenditure and income have been recommended as budget reallocations. These are summarised in Attachment 1.

The purpose of this process is twofold. Firstly, it provides the Council with the opportunity to address any budget items which are or will be significantly over or under budget and secondly it allows the Council the opportunity to re-allocate its resources and consider undertaking additional projects during the current financial year.

STATUTORY REQUIREMENTS

Regulation 33A of the Local Government (Financial Management) Regulations 1996 requires:

- (1) *Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.*

- (2A) *The review of an annual budget for a financial year must —*
 - (a) *consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and*
 - (b) *consider the local government's financial position as at the date of the review; and*
 - (c) *review the outcomes for the end of that financial year that are forecast in the budget.*

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(2) *Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.*

(3) *A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.*

**Absolute majority required.*

(4) *Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.*

CONFORMITY WITH THE COMMUNITY STRATEGIC PLAN

Objective: G2 Improve organisational capability and capacity

Strategy: G2.3 Operate in a financially sustainable manner

BUDGET IMPLICATIONS

The financial impacts of the review are nil, i.e. all changes are balanced out

OFFICER'S COMMENT

The budget review has been prepared to include information required by the *Local Government Act 1995, Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards. Council adopted a 10% and a \$20,000 minimum for the reporting of material variances to be used in the statements of financial activity.

The budget has been reviewed to continue to deliver on strategies adopted by the Council and maintains a high level of service across all programs.

The notes below correspond to the notes in the note column in recommended adjustments contained within Attachment 1. A revised Operating Statement (N&T) and Rate Setting Statement have been produced based on the recommended budget alterations below along with the budgeted reserve closing balances as of 30 June 2016.

2015/16 Budget Review Notes

Operating Expenditure

1. Parts and Repairs Plant \$50,000 – additional expenditure required for the repair of Councils plant & equipment, this is due to additional expenditure being carried out for the regular servicing of Councils Fleet. In previous years regular servicing has not been carried out resulting in plant downtime causing disruptions to operations. Management have put measures in place to ensure plant is serviced in a timely manner in a bid to reduce downtime, in addition this strategy will reduce plant

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- maintenance cost over the short to medium term.
2. Stoneham Public Health Plan \$6,500 – this expenditure was expected to be expended during the 2014/15 financial year, however, expenditure did not occur until the 2015/16 financial year and as such it should have been carried forward in the end of year surplus.
 3. Governance Expenses Other, Engineering Assessment \$7,273 – the expenditure for the engineering assessment for Boronia, Southern Brook, Chedaring and Augustini Roads where expected to be expended during the 2014/15 financial year, however, expenditure did not occur until the 2015/16 financial year and as such it should have been carried forward in the end of year surplus.
 4. Community Consultation \$14,320 – this expenditure for the Northam Community Survey and subsequent focus groups was expected to be expended during the 2014/15 financial year, however, expenditure did not occur until the 2015/16 financial year and as such it should have been carried forward in the end of year surplus.
 5. Printing & Stationary \$10,000 – due to larger than expected bulk stationary orders for rate notices & letterhead printing the Printing & Stationary budget is estimated to finish the financial year greater than budgeted.
 6. Northam Recreation Centre Maintenance (\$15,000) – the budgeted expenditure for the maintenance of the Northam Recreation Centre is expected to end the financial year over budget due to vandalism, partly off-set with greater than expected insurance reimbursements.
 7. Old Girls School \$10,000 – greater than budgeted expenditure due to unforeseen maintenance issues.
 8. Dog Pound Operations \$1,500 – additional expenditure due to a greater number of dog's being held at the pound
 9. Health Legal Expenses \$5,000 – increased due to greater than anticipated health legal matters.
 10. Refund Planning Fees \$550 – fees greater than budgeted.
 11. Library Sundry Expenses \$2,000 – expenditure expected to finish the financial year greater than budgeted for.
 12. Recreation & Culture Legal Fees \$1,550 – legal fees are expected to be greater than budgeted due to the legal fees associated with the large number of lease renewals.
 13. EPA Landfill Levy Returns \$8,000 – charges levied by DPaW are greater than budgeted for.
 14. Dog Pound Management \$20,000 – this expenditure is no longer required, it had been intended the pound was to be contracted out, however this has not eventuated.
 15. Planning Engineering consultant Fees \$8,000 – additional fees required for the planning consultancy, predominantly associated with the Old Hospital Site Development.

Capital Expenditure

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16. Footpath expenditure \$52,227 – footpath capital construction materials are under budget predominantly due to Council staff carrying out traffic management in-house rather than it being outsourced.
17. Killara NRCP Vehicle \$7,046 – reallocation of surplus funds due to vehicle expenditure being less than budgeted for.
18. CESM Vehicle \$6,111 – reallocation of surplus funds due to vehicle expenditure being less than budgeted for.
19. Ranger Vehicle \$10,000 – require additional funds for the purchase of this vehicle original budget not adequate for the type of vehicle required.
20. Cemetery Lot Development \$10,000 – increase budget required due to firm costings being finalised.
21. Wundowie Storm Water Harvesting Project \$27,644 – Some minor variations made to the design to improve system functionality. Pump control lines relocated to shed and connected to existing irrigation system.
22. John Deere Gator \$3,000 – increase of budget to allow for spray tank that was omitted from the budget in error.
23. Henry Street Oval Hardstand Area \$5,000 – additional funding required for the paving relating to the hardstand area at Henry Street Oval, directly due to the need to elevate the surface to make the use of the fire escape doors safe.
24. Dog Pound building improvements \$10,000 – expenditure required for the upgrading of the current dog pound, including a new dog run area and also to convert four existing dog cages to handle dangerous dogs, this has been offset by point 15 above.

Accounts Netted Out (nil impact on budget)

25. Purchase of Fit Bits \$5,000 – Local Government Insurance Service Grant, utilized for funding Fit Bits as part of Councils Wellness Program.
26. O’Driscoll Subdivision Works \$16,568 – works carried out on the O’Driscoll subdivision, developer’s contribution transferred from trust to general funding.

Grant Funded Projects

27. SilverSport Expenditure \$47,500 - grant received from the Department of Sport and Recreation for a pilot program for seniors within the Shire. The program assists seniors in possession of a health care card with the payment of club fees up to \$200 dollars annually and is an extension of the very popular Sport for all (KidSport) program that has been running in the Shire for several years. The grant is split into two components as follows;
 - a. SilverSport Vouchers \$40,000
 - b. Administration Expenditure \$7,500
28. ESL BFB Grant Income/Expenditure \$36,667 – BFB grant funded expenditure is expected to finish the financial year \$36,667 above original budget due to additional expenditure on personal protective equipment, the Emergency Management Coordinator has been in deliberations with DFES whom have agreed to increase the allocation.

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- 29. Audio Visual Improvements Visitor Centre \$10,483 – staff have been successful in obtaining funding for improvements to the Visitor Centre audio visual equipment through the Royalties to Regions Program.
- 30. Activation Program - \$5,000, a grant funding pilot program to encourage active aging, the program will be held at the recreation centre.
- 31. Fire Mitigation, \$24,000 – Council has been successful in receiving a grant for fire mitigation works to be carried out on Council buildings over the 2015/16 & 2016/17 financial years, with total grant funding over the 2 years of \$48,000.

Transfers From/To Reserve

- 32. Consultants \$17,000 – transfer \$17,000 from the leave reserve for contract labour arising from professional placement and services during the term that the Executive Manager Corporate Services Position was vacant. All termination payments for the previous manager have been absorbed within the corporate services salaries budget.
- 33. Two Way Tip Truck \$100,000 savings related to the Tip Truck have reduced the amount required to be transferred from the plant reserve for the 2015/16 plant replacement program.
- 34. Spencer's Brook Bridge Construction \$272,512 – as per Council resolution C. 2612 presented below;
 - 1. Award Tender 22 of 2015 to Avon Concrete for the Lump Sum amount of \$272,512 (Ex GST);
 - 2. Not commence work until a determination has been made (January 2016) on the Current Federal Government Bridge Renewal Program, as this is the preferred funding source for the project;
 - 3. In the event the Bridge renewal funding is unsuccessful the funding for the bridge project to be taken from the Shire of Northam road & bridge reserve.

Unfortunately staff were unable to secure funding from the Federal Government Bridge Renewal Program, as such a transfer from the roads and bridge reserve will need to be carried out for the replacement of the existing bridge with culverts.

- 35. Kuringal Village Upgrade, \$24,890 – building staff sought additional funding for Council to refurbish one of the Kuringal Village Units at February's ordinary Council meeting C.2646, funded through \$6,500 from general funding (off – set by an insurance payment) and transferring the remaining \$18,390 from the Aged Care Reserve.
- 36. AVAS Car-park \$31,477 – additional funds required for the completion of this project, which include relocation of Telstra services, change of crossover construction to avoid the cost for relocation of water corporation services and completion of landscaping. In addition through the project significant 'rock' issues were encountered which impacted the costs significantly. As per the Table presented below it is expected that the additional \$31,477 will finalise the project, which is to be funded from a transfer from the Parking Facilities Reserve.

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Resource	Budget 2015/16	Actual YTD 2015/16	Estimated Budgeted Expenditure 2015/16
Materials	\$49,314.00	\$65,791	\$80791.00
Labour/Plant	Nil	\$16,545	\$16545.00
Less Sunk Costs		(\$16,545)	(\$16,545)
Total	\$49314.00	\$65791.02	\$80791.00
Budget Amendment			\$31477.00

Revenue Accounts

37. Federal Assistance Grants \$10,945 & \$11,913 – both the General Purpose Grant and the Roads Grant revised actuals are less than the original budget.
38. Interim Rates \$62,000 – additional rate revenue resulting from the Maurivillo Estate Subdivision in Wundowie consisting of 63 lots.
39. Insurance Rebate \$12,353, additional rebate received.
40. Insurance Claims \$30,148, greater than expected insurance, this additional revenue is offset with additional expenditure to damaged items.
41. Dog Registration Fees \$8,500 – council has received greater than budgeted dog registration fees.
42. Planning/Development Fees \$31,623 – greater than budgeted revenue received.
43. Town Planning Fines \$11,838 – greater than budgeted revenue received.
44. Swimming Pool Inspection Fees \$8,499 greater than budgeted revenue received
45. Killara Brokerage Income \$17,000 – it is expected that less than budgeted revenue will be received.
46. HRCP Recurrent Grants \$23,309 - greater than budgeted revenue estimated to be received.
47. HACC Recurrent Grants \$13,458 - greater than budgeted revenue estimated to be received.
48. Grants Festivals and Events \$20,000 – funding from Lotterywest was budgeted but will not be received.
49. Events Sponsorship \$9,550 – less than expected sponsorship is expected for the 2015/16 financial year.

Additional Item

50. Modifications Administration Centre \$23,431 – modifications associated with the finance/administration office area, plans and costings have been obtained for modifications to the existing Executive Manager of Corporate Services Office, the office will be modified to accommodate an office for Councils Human Resources Officer, which is considered necessary by management due to the confidential nature of this position, please find the full report attached at Attachment 2. This expenditure will be transferred from the Administration Reserve.

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51. Fencing Old Grass Valley Refuse Site \$20,000 – representatives from the Grass Valley Progress Association have approached Council with a request to fence the Old Grass Valley refuse Site costing Council an estimated \$10,000, originally the site had been fenced but fell into disrepair and was subsequently removed by Council several years ago. It is proposed that grant funding will be sought to cover all or some of the project through the NRM Scheme or similar, if funding is unavailable it is recommended that a transfer be carried out from Councils Waste Reserve for the completion of the project.
52. Front End Loader Bucket Scales \$16,000 – it is proposed that loader scales be fitted to ensure the correct weights are loaded onto Council Trucks to capture accurate quantities, avoiding overloading that can result in damage to machinery, personal injury or traffic infringements.

Non Cash Adjustment

53. Depreciation Expenditure \$3,714,284 – depreciation expenditure is expected to be \$3,714,284 greater than budgeted (non-cash accounting adjustment) by the end of June 2016. This is due directly to the increase in infrastructure assets as part of the 2014/15 financial years fair value adjustments that increased the carrying value by \$173,189,563 as per the breakup presented below the depreciation will increase by \$3,714,284;

<i>Depreciation Adjustment</i>			
<i>Nature & Type</i>	Budget	Adjustment	Revised Budget
Depreciation Other REC/Sport (11346102)	(\$360,106)	(\$602,488)	(\$962,594)
Depreciation Construction Roads (12376102)	(\$1,286,126)	(\$2,491,564)	(\$3,777,690)
Depreciation Maintenance Roads (12386102)	(\$707,379)	(\$519,616)	(\$1,226,995)
Depreciation Halls (11326102)	(\$131,431)	(\$40,757)	(\$172,188)
Depreciation Plant (12396102)	(\$136,851)	(\$29,703)	(\$166,554)
Depreciation Aerodrome (12426102)	(\$14,003)	(\$30,156)	(\$44,159)
Total Depreciation	(\$2,635,896)	(\$3,714,284)	(\$6,350,180)

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Adjustment to End of Year Surplus

54. Estimated Surplus adjustment \$4,024 – net adjustment

<i>Adjustment to end of year surplus</i>	
	Adjustment
Estimated surplus as of the 30th June 2016 allocated	\$ 4,024
Surplus Budgeted 16/17 Annual Leave accounted for Adjustment	\$ 107,709
Adjustment surplus carried forward 30th June 2015	(\$ 107,709)
Net Adjustment to Surplus	\$ 4,024

RECOMMENDATION

That Council;

- 1. Receive the Budget Review conducted for the seven (7) months ended 31 January 2016;**
- 2. Authorise the Chief Executive Officer to amend the 2015/16 Budget in accordance with the attached report titled 'Budget Review as at 31 January 2016.**
- 3. Adopts the addition to the budget of the Administration Modifications for \$23,431**
- 4. Adopts the addition to the budget for the construction of fencing at the old Grass Valley Refuse Site for \$20,000, funded through grant funding or transfer from the Waste Reserve is funding if not available.**
- 5. Adopts the Addition to the budget of the Front End Loader Bucket Scales for \$16,000**

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ATTACHMENT 1

Shire of Northam
Budget Review
For the Year Ended June 2016

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	Adopted Budget	RECOMMENDED ADJUSTMENTS BUDGET REVIEW 2015/16		Revised Budget	note
		Council Resolved	Staff Recommended		
Expense accounts					
Parts and Repairs Plant (1145320220)	(\$ 220,000)		(\$ 50,000)	(\$ 270,000)	1
Stoneham Public Health Plan (7142032)			(\$ 6,500)	(\$ 6,500)	2
Governance Expenses Other, Engineering Assessment (04041212)	(\$ 11,000)		(\$ 7,273)	(\$ 18,273)	3
Community Consultation (04042132)	(\$ 121,000)		(\$ 14,320)	(\$ 135,320)	4
Printing & Stationary (04052032)	(\$ 20,500)		(\$ 10,000)	(\$ 30,500)	5
Northam Rec Centre Building Maintenance(11342502)	(\$ 111,613)		(\$ 15,000)	(\$ 126,613)	6
Old Girls School (11362332)	(\$ 7,099)		(\$ 10,000)	(\$ 17,099)	7
Dog Pound Operations (05072082)	(\$ 2,000)		(\$ 1,500)	(\$ 3,500)	8
Health Legal Expenses (07142052)	(\$ 15,000)		(\$ 5,000)	(\$ 20,000)	9
Refund Planning fees (10302022)	(\$ 210)		(\$ 550)	(\$ 760)	10
Library Sundry Expenses (11352072)	(\$ 7,000)		(\$ 2,000)	(\$ 9,000)	11
Recreation & Culture Legal Fees (11342182)	(\$ 3,000)		(\$ 1,550)	(\$ 4,550)	12
EPA Landfill levy Returns (10256112)	(\$ 10,000)		(\$ 8,000)	(\$ 18,000)	13
Dog Pound Management	(\$ 20,000)		\$ 20,000	\$ -	14
Engineering Consultants Planning (10302122)	(\$ 2,000)		(\$ 11,000)	(\$ 13,000)	15
Capital expenditure					
Footpath Program (12379014)	(\$ 530,253)		\$ 53,836	(\$ 476,417)	16
Killara NRCP Vehicle (05067014)	(\$ 38,500)		\$ 7,046	(\$ 31,454)	17
CESM Vehicle (08171004)	(\$ 40,000)		\$ 6,111	(\$ 33,889)	18
Ranger Vehicle (05077014)	(\$ 25,000)		(\$ 10,000)	(\$ 35,000)	19
Cemetery Lot Development (1625)	(\$ 18,600)		(\$ 10,000)	(\$ 28,600)	20
Wundowie Stormwater Project (13499104)	(\$ 287,645)		(\$ 27,644)	(\$ 315,289)	21
John Deere Gator (123995005)	(\$ 8,211)		(\$ 3,000)	(\$ 11,211)	22
Hard Stand Henery Street Oval (1903)	\$ -		(\$ 5,000)	(\$ 5,000)	23
Dog Pound Building Improvement	\$ -		(\$ 10,000)	(\$ 10,000)	24
Accounts Netted Out					
Grant LGIS Fit Bits (04043003)	\$ -		\$ 5,000	\$ 5,000	
Purchase of Fit Bits (04041212)	\$ -		(\$ 5,000)	(\$ 5,000)	25
Transfer from Trust Account (T701)	\$ -		\$ 16,568	\$ 16,568	
O'Discoll Subdivision Works (14502002)	\$ -		(\$ 16,568)	(\$ 16,568)	26
Grants Funded Projects					
SliverSport Expenditure (new)	\$ -		(\$ 40,000)	(\$ 40,000)	
Grant SliverSport Administration Costs	\$ -		\$ 7,500	\$ 7,500	
Grant SilverSport	\$ -		\$ 40,000	\$ 40,000	27
ESL BFB Expenditure (05062062)	(\$ 112,481)		(\$ 36,667)	(\$ 149,148)	
Esl BFB Grant Income	\$ 79,381		\$ 36,667	\$ 116,048	28
Grant Audio Visual Improvements Visitor Centre	\$ -		\$ 10,483	\$ 10,483	
Expenditure Audio Visual Improvements Visitor Centre	\$ -		(\$ 10,483)	(\$ 10,483)	29
Activation Program Grant (11343093)	\$ -		\$ 5,000	\$ 5,000	
Activation Program Expenditure (11342212)	\$ -		(\$ 5,000)	(\$ 5,000)	30
Grant Fire Mitigation Works Council Buildings (05063083))	\$ -		\$ 24,000	\$ 24,000	
Expenditure Fire Mitigation Works Council Buildings (06062002)	\$ -		(\$ 24,000)	(\$ 24,000)	31

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Transfers from Reserve					
Consultants (04052222)	(\$ 39,000)		(\$ 17,000)	(\$ 56,000)	
Transfer from Leave Reserve			\$ 17,000	\$ 17,000	32
Two Way Tip Truck (12399004)	(\$ 224,204)		\$ 100,000	(\$ 124,204)	
Transfers To Plant Reserve			(\$ 100,000)	(\$ 100,000)	33
Bridge Construction, 12379064 (Spencers Brook Road, motion C.2612)	(\$ 260,000)	(\$ 272,512)		(\$ 532,512)	
Transfer from Road and Bridgeworks reserve	\$ -	\$ 272,512		\$ 272,512	34
Kuringal Village Unit Upgrade	(\$ 11,000)	(\$ 24,890)		(\$ 35,890)	
Kuringal Village Unit Upgrade, Transfer from Aged Care	\$ -	\$ 18,390		\$ 18,390	35
AVAS Car-park Project	\$ -		(\$ 31,477)	(\$ 31,477)	
Transfer from Parking Facilities Reserve			\$ 31,477	\$ 31,477	36
Revenue accounts					
Federal Assistance Grants, General (1030230230)	\$ 1,283,282		(\$ 10,945)	\$ 1,272,337	
Federal Assistance Grants, Roads (1030230330)	\$ 362,200		(\$ 11,913)	\$ 350,287	37
Interim Rates (03013023)	\$ 30,000		\$ 62,000	\$ 92,000	38
Insurance Rebate (04053053)	\$ 43,600		\$ 12,353	\$ 55,953	39
Insurance Claims (14563003)	\$ 15,000		\$ 30,148	\$ 45,148	40
Dog Registration Fees (05073003)	\$ 30,000		\$ 8,500	\$ 38,500	41
Planning/Development Fees (10303003)	\$ 90,000		\$ 31,623	\$ 121,623	42
Town Planning Fines (10303023)	\$ 30,000		\$ 11,838	\$ 41,838	43
Swimming Pool Inspection Fees	\$ 7,000		\$ 8,499	\$ 15,499	44
Killara Brokerage Income (08173093)	\$ 80,000		(\$ 17,000)	\$ 63,000	45
NRCP - Recurrent Grant, Killara (08173003)	\$ 573,146		\$ 23,309	\$ 596,455	46
HACC Recurrent Grant (08171003)	\$ 575,907		\$ 13,458	\$ 589,365	47
Grants Festivals and Events (13453013)	\$ 20,000		(\$ 20,000)	\$ -	48
Events sponsorship (13453123)	\$ 20,000		(\$ 9,550)	\$ 10,450	49
Additional Items					
Modifications Administration Centre	\$ -		(\$ 23,431)	(\$ 23,431)	
Administration Centre, Transfer From Reserve	\$ -		\$ 23,431	\$ 23,431	50
Old Refuse Site Grass Valley Fencing	\$ -		(\$ 20,000)	(\$ 20,000)	
Grant Funding/Transfer From Waste Reserve	\$ -		\$ 20,000	\$ 20,000	51
Front end Loader, Bucket Scales	\$ -		(\$ 16,000)	(\$ 16,000)	52
Non-Cash Adjustment					
Depreciation Other REC/Sport (11346102)	(\$ 360,106)		(\$ 602,488)	(\$ 962,594)	
Depreciation Construction Roads (12376102)	(\$ 1,286,126)		(\$ 2,491,564)	(\$ 3,777,690)	
Depreciation Maintenance Roads (12386102)	(\$ 707,379)		(\$ 519,616)	(\$ 1,226,995)	
Depreciation Halls (11326102)	(\$ 131,431)		(\$ 40,757)	(\$ 172,188)	
Depreciation Plant (12396102)	(\$ 136,851)		(\$ 29,703)	(\$ 166,554)	
Depreciation Aerodrome (12426102)	(\$ 14,003)		(\$ 30,156)	(\$ 44,159)	
Accumulated Depreciation			\$ 3,714,284	\$ 3,714,284	53
				\$ -	
Adjustment to end of year surplus					
Estimated surplus as of the 30th June 2016 allocated			\$ 4,024	\$ 4,024	
Surplus Budgeted 16/17 Annual Leave accounted for Adjustment			\$ 107,709	\$ 107,709	
Adjustment surplus carried forward 30th June 2015			(\$ 107,709)	(\$ 107,709)	54

Net Change to Budget (\$ 1,541,696) (\$ 6,500) \$ 6,500 (\$ 1,541,696)

Reconciliation

Council Resolved	(\$ 6,500)
Budget Amendment	\$ 6,500
total changes to budget	\$ 0

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Shire of Northam
Revised Statement of Comprehensive Income
By Nature and Type
For the Year Ending 30th June 2016

	2015/16 Original Budget \$	2015/16 Amendments \$	2015/16 Revised Budget \$
REVENUE			
Rates	8,595,223	62,000	8,657,223
Operating Grants & Subsidies & Contributions	3,300,636	138,979	3,439,615
Fees and Charges	3,664,393	76,559	3,740,952
Interest Earnings	385,500	0	385,500
Other Revenue	671,122	0	671,122
	<u>16,616,874</u>	<u>277,538</u>	<u>16,894,412</u>
EXPENSES			
Employee Costs	(7,479,223)	0	(7,479,223)
Materials and Contracts	(6,642,417)	(266,928)	(6,909,345)
Utility Charges	(762,396)	0	(762,396)
Depreciation	(3,263,710)	(3,714,284)	(6,977,994)
Interest Expenses	(173,545)	0	(173,545)
Insurance Expenses	(432,268)	0	(432,268)
Other Expenditure	(210,683)	0	(210,683)
	<u>(18,964,242)</u>	<u>(3,981,212)</u>	<u>(22,945,454)</u>
	(2,347,368)	(3,703,674)	(6,051,042)
Non-Operating Grants, Subsidies and Contributions	5,060,836	0	5,060,836
Profit on Asset Disposals	22,612	0	22,612
Loss on Asset Disposals	(166,641)	0	(166,641)
	<u>2,569,439</u>	<u>(3,703,674)</u>	<u>(1,134,235)</u>
NET RESULT	2,569,439	(3,703,674)	(1,134,235)
Other Comprehensive Income	0	0	0
TOTAL COMPREHENSIVE INCOME	<u>2,569,439</u>	<u>(3,703,674)</u>	<u>(1,134,235)</u>

SHIRE OF NORTHAM

AGENDA

AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Shire of Northam
Revised Rate Setting Statement
For the Year Ending 30th June 2016

	2015/16 Original Budget \$	2015/16 Amendments \$	2015/16 Revised Budget \$
REVENUES			
Governance	54,800	(5,505)	49,295
General Purpose Funding	2,177,182	0	2,177,182
Law, Order, Public Safety	1,044,095	69,167	1,113,262
Health	50,000	8,499	58,499
Education and Welfare	1,333,066	19,767	1,352,833
Housing	46,465	0	46,465
Community Amenities	2,469,929	43,461	2,513,390
Recreation and Culture	3,023,244	62,983	3,086,227
Transport	2,277,699	16,568	2,294,267
Economic Services	574,419	(29,550)	544,869
Other Property and Services	54,200	30,148	84,348
	<u>13,105,099</u>	<u>215,538</u>	<u>13,320,637</u>
EXPENSES			
Governance	(1,201,997)	(53,593)	(1,255,590)
General Purpose Funding	(364,868)	0	(364,868)
Law, Order, Public Safety	(1,131,201)	(42,167)	(1,173,368)
Health	(296,919)	(11,500)	(308,419)
Education and Welfare	(1,502,295)	(8,000)	(1,510,295)
Housing	(105,856)	0	(105,856)
Community Amenities	(3,419,277)	(11,550)	(3,430,827)
Recreation & Culture	(4,285,143)	(716,795)	(5,001,938)
Transport	(4,760,181)	(3,071,039)	(7,831,220)
Economic Services	(2,036,106)	0	(2,036,106)
Other Property and Services	(27,040)	(66,568)	(93,608)
	<u>(19,130,883)</u>	<u>(3,981,212)</u>	<u>(23,112,095)</u>
			0
Net Operating Result Excluding Rates	(6,025,784)	(3,765,674)	(9,791,458)
			0
Adjustments for Cash Budget Requirements:			0
Non-Cash Expenditure and Revenue			0
(Profit)/Loss on Asset Disposals	144,029		144,029
Depreciation on Assets	3,263,710	3,714,284	6,977,994
Movement in Provisions & Accruals	0		0
Capital Expenditure and Revenue			0
Purchase Land and Buildings	(3,402,847)	(63,321)	(3,466,168)
Purchase Infrastructure Assets - Roads	(3,350,383)		(3,350,383)
Purchase Infrastructure Assets - Bridges & Culverts	(260,000)	(272,512)	(532,512)
Purchase Infrastructure Assets - Footpaths	(611,151)	53,836	(557,315)
Purchase Infrastructure Assets - Drainage	(2,264,980)		(2,264,980)
Purchase Infrastructure Assets - Streetscape	(264,371)		(264,371)
Purchase Infrastructure Assets - Parks	(649,264)		(649,264)
Purchase Infrastructure Assets - Other	(410,042)	(89,121)	(499,163)
Purchase Plant and Equipment	(1,739,054)	84,157	(1,654,897)
Purchase Furniture and Equipment	0	(10,483)	(10,483)
Proceeds from Disposal of Assets	344,642		344,642
Repayment of Debentures	(210,154)		(210,154)
Self-Supporting Loan Principal Income	30,099		30,099
Transfers to Reserves (Restricted Assets)	(963,385)	(100,000)	(1,063,385)
Transfers from Reserves (Restricted Assets)	1,858,061	382,810	2,240,871
			0
Estimated Surplus/(Deficit) July 1 B/Fwd	5,919,675	0	5,919,675
Estimated (Surplus)/Deficit June 30 C/Fwd	(4,024)	4,024	0
Amount Required to be Raised from Rates	(8,595,223)	(62,000)	(8,657,223)

SHIRE OF NORTHAM
AGENDA
AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Shire of Northam
Revised Reserve Account Balances
For the Year Ended June 2016

	2015/16	2015/16	2015/16
RESERVES - CASH BACKED	Budget	Movement	Revised Budget
	\$	\$	\$
Aged Accommodation Reserve	236,309	(18,390)	217,919
Employee Liability Reserve	488,315	(17,000)	471,315
Housing Reserve	248,777		248,777
Reticulation Scheme Reserve	89,954		89,954
Office Equipment Reserve	125,482		125,482
Plant & Equipment Reserve	427,506	100,000	527,506
Recreation Reserve	0	0	0
Road & Bridgeworks Reserve	383,752	(272,512)	111,240
Refuse Sites Reserve	384,510	(20,000)	364,510
Regional Development Reserve	815,219		815,219
Speedway Reserve	138,301		138,301
Community Bus Replacement Reserve	31,908		31,908
Septage Ponds Reserve	358,422		358,422
Killara Reserve	131,372		131,372
Stormwater Drainage Projects Reserve	28,508		28,508
Recreation and Community Facilities Reserve	399,539		399,539
Administration Office Reserve	687,620	(23,431)	664,189
Council Buildings & Amenities Reserve	33,418		33,418
River Town Pool Dredging Reserve	67,091		67,091
Parking Facilities Construction Reserve	152,854	(31,477)	121,377
Art Collection Reserve	21,743		21,743
Total Cash Backed Reserves	5,250,600	(282,810)	4,967,790

SHIRE OF NORTHAM
AGENDA
AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

ATTACHMENT 2



PROPOSED OFFICES

**HUMAN RELATIONS COORDINATOR AND
EXECUTIVE MANAGER OF CORPORATE SERVICES**

BUILDING BUDGET

SHIRE OF NORTHAM

395 Fitzgerald Street
Northam

REPORT SUMMARY

REPORT DATE	BUILDING NAME	PREPARED BY
February 1, 2016	Proposed administration offices	Nathan Gough Building and Project Supervisor

BACKGROUND

The Shire of Northam has recently been very successful in reducing staff turnover. This has been due to the Councilors and Chief Executive Officer supporting various initiatives, one of which included the increase of Human Relations staff.

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It is intended to construct two offices for the Human Relations Coordinator and The Executive Manager of Corporate Services.

These offices will accommodate these staff members and also provide a place where employees can discuss their concerns in a private environment.

Also it is intended to build a walkway from the rear door to the tea room and toilets. This will reduce the disruption to staff, trying to concentrate on their work from the constant movement of persons that require to use the facilities. It will also reduce noise from the kitchen area while food is being prepared for council and staff meetings.

PROPOSED WORKS

OFFICES:

The walls of the proposed offices will be 84mm thick office partitioning which will provide increased sound deadening than the normal 70mm thick partitioning. This will allow privacy for the occupants.

The two offices will be installed in the Finance area.

A split system air conditioner will be installed in one of the offices as the ducted system which now services that open area will no longer be suitable.

Two new desks will be required.

WALKWAY:

This partitioning will be 70mm and have glass paneling that will enable staff to see the front counter area.

A diagram is provided with the intended modifications highlighted in red.

BUDGET ESTIMATE

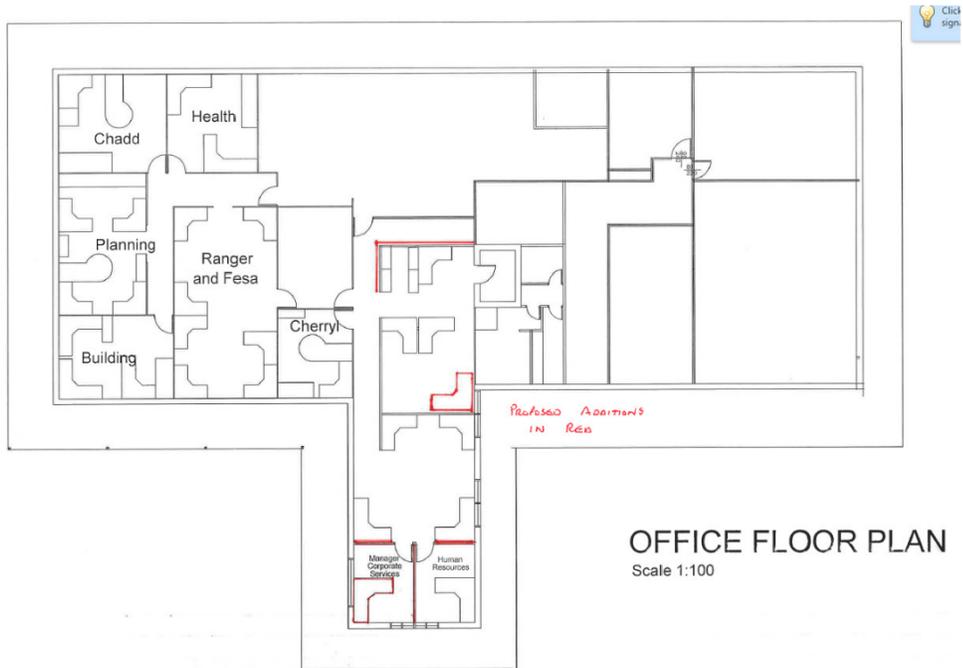
<u>COMPANY</u>	<u>SERVICES</u>	<u>COST EX GST</u>
Quickloc	Offices: 84mm partitioning panels and 2 doors for offices, painting and install included	9310
Quickloc	Walkway: 70mm partitioning panels with glass, painting and install included	4391
Estimate	Electrical	1500
Estimate	Data cabling	550
Estimate	Demolition	800
Estimate	Furniture Moving	200
Estimate	Air conditioning intake duct relocation	600
Estimate	Installation of split system air conditioner in Executive Manager of Corporate Services office	2100

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Contingency	Unexpected costs	500
Staples	Desks x 2	1100
Flatout Freight	Freight	250
SUB TOTAL		21301
GST		2130.1
TOTAL		23431.1



SHIRE OF NORTHAM
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7.2 COMPLIANCE AUDIT RETURN (CAR) 2015

Name of Applicant:	Internal Report
Name of Owner:	Shire of Northam
File Ref:	1.6.1.6
Officer:	Cheryl Greenough
Officer Interest:	N/A
Policy:	Local Government Act 1995
Voting:	Simple Majority

PURPOSE

For Council to adopt the Compliance Audit Return (CAR) 2015.

BACKGROUND

Under the Local Government (Audit) Regulations 1996, a Local Government is required to carry out a Compliance Audit for the period 1 January 2015 to 31 December 2015. The certified return needs to be submitted to the Director General, Department of Local Government and Regional Development by 31 March 2016.

The Compliance Audit Return must be:

1. presented to Council at a meeting of the Council;
2. adopted by the Council; and
3. recorded in the minutes of the meeting at which it is adopted.

A copy of the return is submitted for Councillor's perusal, comment and adoption by Council before 31 March 2016. It is necessary for the Shire President and the Chief Executive Officer to sign off the return as a certified copy.

The 2015 Compliance Audit Return has been completed in house, with the CEO reviewing and approving the completed return.

The compliance review process provides both the CEO and the Council with an additional element of accountability through a check on internal management systems, procedures and record keeping and this demonstrates the Shire's emphasis on improving its good governance, compliance, and best practice.

STATUTORY REQUIREMENTS

- Local Government Act 1995;
- Local Government (Functions and General) Regulations 1996;
- Local Government (Administration) Regulations 1996;

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- Local Government (Elections) Regulations 1997;
- Local Government (Audit) Regulations 1996;
- Local Government (Rules of Conduct) Regulations 2007.

CONFORMITY WITH THE COMMUNITY STRATEGIC PLAN

OBJECTIVE G1: Provide accountable and transparent leadership
OBJECTIVE G2: Improve organisational capability and capacity
OBJECTIVE G3: Provide efficient and effective corporate management

BUDGET IMPLICATIONS

N/A

OFFICER'S COMMENT

The standard of compliance in 2015 has improved from the past years achievement for context purposes, non-compliance or partial non-compliance related to only two items out of 87 items included in the Compliance Return.

The Shire has sound management systems and procedures. The examples of non-compliance noted reflected inconsistent or incomplete compliance and human error, and not any systemic failure.

It is important to note that a number of deficiencies had previously been identified in the Shire of Northam Compliance Audit Return 2014 which have been remedied in the 2015 Audit Return, namely:

Delegation:

In 2014 the delegation register was reviewed as required; and there were certain points that needed to be addressed including delegations to the CEO and officers are required to be in writing, this did not happen in all with all officers.

In 2015 these issues have now been addressed and officers are regularly reminded to enter their delegations in the register.

Disclosure of Interest:

The standard of management of the Primary and Annual returns and registers, and disclosure of interest at meetings has significantly improved from last year.

The 2015 CAR does not record any incidents where legislation has not been complied with.

Disposal of Property:

In 2014 there were 3 airport hangar leases which were not dealt with properly in relation to advertising prior to leasing.

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In 2015 Airport hangar leases in this year's compliance return were dealt with correctly and included advertising. Airport leases are not required to come before council each time as blanket approval to lease hangars was given after the Shire took management of the airport from the Northam Aero Club.

Local Government Employees:

Last year the advertisement for the Executive Manager Corporate Services listed a total salary package, but not the benefits provided in the package. It also didn't state the duration of the contract as required.

This year (2015) Hays Executive Employment were hired to conduct the advertising and the interviews, however it appears they did not include any of the requirements listed in Reg 18A(2) in the advertisement.

Reg 18A

- (2) *An advertisement referred to in sub-regulation (1) is to contain —*
- (a) the details of the remuneration and benefits offered; and*
 - (b) details of the place where applications for the position are to be submitted; and*
 - (c) the date and time for the closing of applications for the position; and*
 - (d) the duration of the proposed contract; and*
 - (e) contact details for a person who can provide further information about the position;*
and
 - (f) any other information that the local government considers is relevant.*

Tenders for Providing Goods and Services:

In February 2015 we issued tender 5 of 2015 for a list of service providers for the Shire. The tenderers were not notified of the outcome of their tender within a reasonable timeframe.

FINANCIAL IMPLICATIONS

Nil.

RECOMMENDATION

That Council adopt the Audit Compliance Return 2015 as attached for submission to the Department of Local Government and Communities inclusive of comments on matters to be addressed.

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Northam - Compliance Audit Return 2015

Commercial Enterprises by Local Governments					
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	Northam has not undertaken any major trading in 2015	Cheryl Greenough
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	No major transactions undertaken in 2015	Cheryl Greenough
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	Northam has not undertaken any major trading in 2015	Cheryl Greenough
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	Northam has not undertaken any major trading in 2015	Cheryl Greenough
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	Northam has not undertaken any major trading in 2015	Cheryl Greenough

Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	N/A	No committees have delegated authority	Cheryl Greenough
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	N/A		cheryl greenough
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	N/A		cheryl greenough
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	N/A		cheryl greenough
5	s5.18	Has Council reviewed delegations to its committees in the 2014/2015 financial year.	N/A		cheryl greenough
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		cheryl greenough

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7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		cheryl greenough
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		cheryl greenough
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes	Delegations Register	cheryl greenough
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes	See attached 16 December 2015 minutes See 16 September 2015 minutes	cheryl greenough
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		cheryl greenough
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	See attached minutes 17 June 2015 Item 13.1.3	cheryl greenough
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	Delegations register	cheryl greenough

Disclosure of Interest

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		Cheryl Greenough
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	See Audit Committee minutes 16.3.15	cheryl Greenough
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	See attached sections of the minutes	cheryl Greenough
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.	Yes	Returns attached	cheryl Greenough
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.	Yes	Returns attached	cheryl Greenough

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6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2015.	Yes	Returns attached	cheryl Greenough
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2015.	Yes	Returns attached	cheryl Greenough
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	See attached	cheryl Greenough
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	See attached	cheryl Greenough
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	See attached	cheryl Greenough
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		cheryl Greenough
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	Record File 2.1.1.2	cheryl Greenough
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.	N/A		cheryl Greenough
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	Register and Declarations	cheryl Greenough
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	As above	cheryl Greenough
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by	Yes	See attached	cheryl Greenough

SHIRE OF NORTHAM
AGENDA
AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

		Council members and employees.			
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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	Public notice was provided for 3 airport leases. Notice was provided in the 6th August 2015 edition of the West Australian newspaper	Cheryl Greenough
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	Each requirement was adhered to according to the Act and Regs	Cheryl Greenough
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.	N/A	No gifts were received by any candidates. Reg 30. Omitted under the Reprints Act 1984 s. 7(4)(f).	Cheryl Greenough

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

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	See minutes 21 October 2015 item 17.1.1	Cheryl Greenough
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.	N/A		Cheryl Greenough
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Cheryl Greenough
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		Cheryl Greenough
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		Cheryl Greenough
6	s7.9(1)	Was the Auditor's report for 2014/2015 received by the local government by 31 December 2015.	Yes		Cheryl Greenough
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.	N/A		Cheryl Greenough
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.	N/A		Cheryl Greenough
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.	N/A		Cheryl Greenough

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Cheryl Greenough
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Cheryl Greenough
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Cheryl Greenough
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		Cheryl Greenough
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		Cheryl Greenough

Local Government Employees

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		cheryl Greenough
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.	No	Hays recruiting advertised the position of Executive Manager Corporate Services but they did not comply with Reg 18A(2)	Cheryl Greenough
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		cheryl Greenough
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		cheryl Greenough
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes	Reference pg 260 20/10/15 minutes attached	cheryl Greenough

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Official Conduct					
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.	N/A		cheryl Greenough
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).	N/A	No complaints of a minor breach have been lodged this year.	cheryl Greenough
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.	N/A		cheryl Greenough
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.	N/A		cheryl Greenough
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.	N/A		cheryl Greenough
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).	N/A		cheryl Greenough

SHIRE OF NORTHAM
AGENDA
AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Tenders for Providing Goods and Services					
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		Cheryl Greenough
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.	N/A	We have not entered into multiple contracts to avoid Reg 11	Cheryl Greenough
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	Yes		Cheryl Greenough
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	Yes		Cheryl Greenough
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	Emailed directly the addendum and direct them to the live website and track response	Cheryl Greenough
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	Two officers were in attendance and the public were invited to attend	Cheryl Greenough
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.	N/A		Cheryl Greenough
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		Cheryl Greenough
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		Cheryl Greenough

SHIRE OF NORTHAM
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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	On one occasion the letters were not sent in a timely manner but steps have been taken to rectify that oversight.	Cheryl Greenough
11	F&G Reg 21 & 22	Did the local governments' advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	Yes	Expressions of Interest were publicly advertised in accordance with Regs 21 and 22	Cheryl Greenough
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.	N/A		Cheryl Greenough
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		Cheryl Greenough
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		Cheryl Greenough
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	Yes	February 2015	Cheryl Greenough
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		Cheryl Greenough
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		Cheryl Greenough
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.	N/A		Cheryl Greenough
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.	N/A	All applications were submitted on time	Cheryl Greenough

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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		Cheryl Greenough
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.	Yes		Cheryl Greenough
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.	Yes	On one occasion for a tender in February the letters were not sent out in a timely manner	Cheryl Greenough
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		CHERYL GREENOUGH
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		CHERYL GREENOUGH
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	See attached Purchasing Policy	Cheryl Greenough

SHIRE OF NORTHAM
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7.3 APPOINTMENT OF AUDITOR

Name of Applicant:	Internal Report
File Ref:	8.2.7.1
Officer:	Colin Young
Officer Interest:	Nil
Policy:	N/A
Voting:	Absolute Majority

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 Moore Stephens (formally UYH Haines Norton) as Council’s auditors ceased at the completion of the 30 June 2015 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 8 companies being Moore Stephens, Macri Partners, PKF Audit Pty Ltd, AMD Chartered Accountants, Butler Settineri, Deloitte, Paxon Group and PK Flawler seeking quotes for audit services for a three (3) year term.

Of the 8 requests sent out we received 5 quotes to provide council with audit services they are presented in the table below;

Audit Services Quotations						
Company	Travel	2016	2017	2018	Total	
Moore Stephens	Included	\$ 20,400	\$ 20,950	\$ 21,500	\$	62,850
Macri Partners	Not Included	\$ 19,000	\$ 20,000	\$ 21,000	\$	60,000
PKF	Not Included	\$ 18,500	\$ 19,000	\$ 19,500	\$	57,000
AMD	Not Included	\$ 19,800	\$ 20,400	\$ 21,000	\$	61,200
Butler Settineri	Not Included	\$ 10,500	\$ 11,000	\$ 11,500	\$	33,000
Deloitte		Declined				
Paxon Group		No quote received				
PK Flawler		No quote received				

SHIRE OF NORTHAM
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The quote received from Moore Stephens included Travel Costs, all other Quotes received did not include the travel costs.

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.*

SHIRE OF NORTHAM
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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

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 \$34,000 has been provided in the 2015/16 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 2012/13 \$22,800, 2013/14 \$23,850 and 2014/15 \$24,900, which were greater than those received in the quotes for the current 3 years.

All Submissions were assessed by the following staff members;

1. Jason Whiteaker
2. Colin Young

The Following Qualitative Criteria Matrix was used to assess the quotes;

Audit Company	Methodology	Experience of Key Personnel	Previous Company Experience	Total
	25%	60%	15%	100%
Moore Stephens	20	60	15	95
Macri	15	55	15	85
PKF	25	50	10	85
AMD	25	55	15	95
Buttler Settineri	15	55	15	85

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Moore Stephens 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 within the Shire of Northam, Management have been satisfied with their performance and have developed a good working relationship over the time they have been Councils Auditors.

In Addition Moore Stephens has a good understanding of the finances of the Shire. It is therefore recommended that Council remain with Moore Stephens for the next three year term (quote provided in Attachment 1).

RECOMMENDATION

That Council appoint Mr Greg Godwin, Mr David J Tomasi and Wen-Shien Chai of Moore Stephens, as auditors for the Shire of Northam for a three (3) year term for the following;

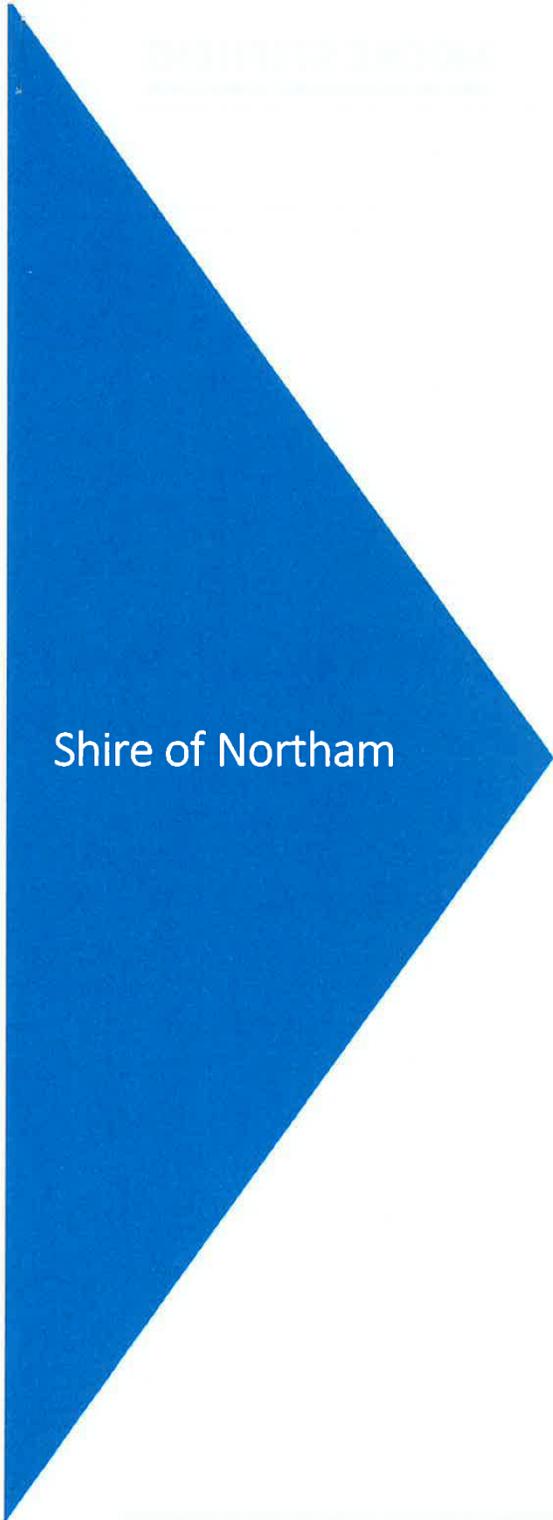
Financial year ending 30 June 2016	\$20,400 (GST Exclusive)
Financial year ending 30 June 2017	\$20,950 (GST Exclusive)
Financial year ending 30 June 2018	\$21,500 (GST Exclusive)

SHIRE OF NORTHAM
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ATTACHMENT 1

A

MOORE STEPHENS



Shire of Northam

PROVISION OF
AUDIT SERVICES
February 2016



www.moorestephens.com.au

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MOORE STEPHENS

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SHIRE OF NORTHAM

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Executive Summary

Direct Benefits of Choosing Us

When you select **Moore Stephens** as your auditor, you will have access to a team with the most collective years of local government experience in Western Australia.

This is very important in keeping your level of audit risk to a minimum (refer **Costs vs Benefits** section for further details).

We also have a detailed compliance component which we believe is far superior to any of our competitors (refer **Detailed Compliance Component** section for further details).

In addition, you will have access to our **proprietary ratio analysis statistics** which are provided to all audit clients as a means of comparing their statutory ratios to those of their peers.

This was greatly enhanced in 2015 and included detailed comparison/analysis of all reported local government statutory ratios for the 2013 and 2014 years (that is, since the implementation of the new ratios).

It is included as part of our core audit service.

Moore Stephens, 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.

Cost vs Benefit (Is it Worth the Risk?)

- Not all audits are the same – “you get what you pay for”.
- Whilst the temptation may exist to save a few dollars, expenditure on audit services is not a major expense.
- Opting for the cheapest service may increase the risks exponentially.
- These questions should be asked:
 - “Does a cheaper fee compromise a comprehensive approach?”
 - “Are all auditors performing the same task and looking to assist Council reduce the risks?”
 - “Do all audit firms have the broad understanding and knowledge of the industry with the industry’s best outcomes at heart?”
- **Our understanding, knowledge and commitment to the industry is supported by the findings of the Public Accounts Committee (PAC) report entitled “Improving Local Government Accountability” as tabled in Parliament (November 2015). Three examples of better practice by audit firms were highlighted in the report and all are able to be credited to us.**

It is clear from the findings and recommendations of the PAC there were inconsistencies in the quality of reporting amongst audit firms and we take great comfort in the fact our reporting approach was highlighted as better practice.

At Moore Stephens We:

- Take our responsibility as local government auditors very seriously;
- Consider ourselves the leader in the field;
- Endeavour to ensure we understand the implication of all legislative/regulatory changes as they occur and incorporate them into our audit process to help ensure an effective, complete service and inform audit clients and the industry generally of the impacts;
- Are aware our processes are much more comprehensive than competitors and demonstrate a far greater understanding of the local government operating environment; and
- Believe we have demonstrated this consistently over the past three decades.

SHIRE OF NORTHAM

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Executive Summary (Continued)

Detailed Compliance Component

Local Government (Audit) Regulation 3(b) requires the auditor to include in the audit report, any matters indicating non-compliance with Part 6 of the Act, the Local Government (Financial Management) Regulations 1996 or applicable financial controls in any other written law.

- Our audit procedures are designed to ensure a comprehensive assessment of this mandatory compliance aspect.
- This requirement should not be overlooked and all auditors should understand their statutory obligation in this regard.
- This requirement should be considered when comparing audit proposals.
- **Please note, we are able to provide details of our checklists if you require. Due to specific Intellectual Property rights we have withheld them at this juncture.**

Shire of Northam – Specific Experience

We are very familiar with your Shire having been the appointed auditor for a number of years as well as being the current incumbent. This provides us with a detailed understanding of your operating environment. Staff members from your Shire have also attended 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.

Experienced Team

Should we be successful with our tender, **Greg Godwin** is the lead audit partner proposed as part of our audit offering and he will be ably supported by our dedicated local government specialist team which includes **David Tomasi** and **Paul Breman**. **Greg** has had 11 years experience providing auditing services specifically to the Shire of Northam and local government in Western Australia.

David and **Paul** have nearly 30 years of experience each in providing audit and advisory services to local government in Western Australia.

As a consequence, we are recognised as a prominent authority on audit and accounting related issues which affect the industry.

The combined knowledge, coupled with the experience gathered by our team, ensures you will receive a quality service which delivers all of the statutory requirements plus additional service value at a reasonable cost.

Our knowledge of the local government industry gathered over three decades at all levels of our firm, helps ensure a low risk, high quality, value for money service.

Value Added Services Specific to the Local Government Industry

Audit Liaison and Guidance

Liaison on audit and accounting issues is not only provided free of charge to audit clients 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.

SHIRE OF NORTHAM

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Executive Summary (Continued)

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

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 nineteen 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.

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 response to industry requests to better align with budget timetables, 2015 saw us split the budget module from our May workshop and now present this in February.

We also conduct an annual 'Nuts and Bolts' workshop (November/December) which deals with fundamental local government accounting concepts and is aimed at entry level finance officers.

Specific Local Government Knowledge

Over the course of the past several years, due to our industry knowledge and practical involvement, we were best placed to advise our clients with respect to the many financial changes. These included the changes emanating from Financial Management Regulations 16 (Reserves vested in Council requiring recognition), 17A (mandating of Fair Value) and 50 (Ratios).

We believe this was very evident during the years ended 30 June 2013 and 2014, particularly with respect to Fair Value.

This trend continued for the year ended 30 June 2015 and beyond, as clients continue to deal with these changes as well as requirements associated with Audit Regulation 17.

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.

SHIRE OF NORTHAM

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Relevant Experience

Relevant Local Government and Regional Experience

The firm is the largest auditor of local government in the State and for the year ended 30 June 2015 we were the incumbent auditors of the following thirty nine (39) local governments and regional councils:

City of Albany	Shire of Kellerberrin
Shire of Ashburton	Shire of Lake Grace
Shire of Augusta-Margaret River	Shire of Mt Marshall
Shire of Brookton	Shire of Mukinbudin
Shire of Carnarvon	Shire of Narembeen
Shire of Chapman Valley	Shire of Northam
Shire of Chittering	Shire of Northampton
Shire of Christmas Island	Shire of Quairading
Town of Claremont	Shire of Serpentine-Jarrahdale
Shire of Cocos (Keeling) Islands	Shire of Shark Bay
Shire of Coolgardie	Southern Metropolitan Regional Council
Shire of Coorow	City of Subiaco
Town of Cottesloe	Shire of Three Springs
Shire of Dumbleyung	Shire of Toodyay
Shire of Esperance	Shire of Trayning
Shire of Gingin	Shire of Westonia
Shire of Gnowangerup	Shire of Wongan-Ballidu
Shire of Halls Creek	Shire of Wyndham-East Kimberley
Shire of Irwin	Shire of Yilgarn
City of Kalgoorlie-Boulder	

In the course of the past years we have also provided detailed Financial Management Review services to the majority of our audit clients and other local governments.

Over the past twenty years, we have also conducted an annual workshop which in 2015, was attended by over one hundred (100) local governments from all over Western Australia. These workshops have addressed the Annual Financial Report, Budget, accounting standards, the mandating of fair value, infrastructure assets, cashflow statements, ratio analysis, sustainability and various other topical accounting issues.

We have developed a model financial report and model budget which address all relevant disclosure requirements and attempt to establish a consistent guideline for local governments to follow. These reports are updated annually as disclosure requirements are amended. Each year, the model is purchased by in excess of one hundred and twenty (120) authorities statewide.

In 1999, we developed a strategy to assist local government with the implementation of GST and the firm has a dedicated tax task force to assist Councils in the complex areas of GST and FBT.

We are also the long serving contract provider for WALGA's tax service.

SHIRE OF NORTHAM

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Relevant Experience (Continued)

Relevant Local Government and Regional Experience (Continued)

Since November 1999, we have provided a remote accounting service to many regional remote local governments. This service includes the provision of a full general ledger, monthly and quarterly accounts, principal activity plan, budget, annuals and general accounting assistance. The service has also developed its own suite of software and this is currently used by a number of other municipalities. This software contains a unique rating package we have developed on our own initiative and are presently in development of a new online general ledger to complement our current offering.

In addition to audit and accounting services, we have also provided extensive assistance to local government in the following areas during the past ten years.

- Financial Management Reviews
- Financial Report preparation
- Audit Regulation 17 Reviews
- Statutory Compliance Audits
- Infrastructure Assets advice
- Fair Value implementation
- Budget Conversion and Assistance
- Ratio Interpretation Assistance
- GST & FBT Advice
- Long Term Financial Plans
- Strategic Plans
- Corporate Business Plans
- Workforce Plans
- Asset Management Plans

As an added service, we also produce and distribute newsletters and accounting updates which address topical issues.

We are a subscriber member of Local Government Managers Australia (LGMA) and an active participant in Institute events. In 2014, we became a Foundation Partner of LGMA having previously been a Principal Partner since the beginning of 2008 and a major sponsor of the annual conference since 2000 as well as other regional conferences and sporting events.

Other Audit Experience

In add addition to our local government audits we have a number of audit engagements in the following categories:

- Listed Entities
- Other Public Entities
- Large Private Companies
- Foreign Amount Companies
- Indigenous Organisations
- Significant Not-For-Profit Organisations

Our base of audit clients and our experience in commercial enterprises gives us exposure to contemporary approaches in:

- Management;
- Data collection;
- Receivables and collection systems;
- Infrastructure asset recording and management; and
- Labour force management.

We offer the benefit of this exposure in our audit of systems and policies and deliver these benefits as part of our core service.

SHIRE OF NORTHAM

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016



Greg brings the necessary local government experience, expertise and knowledge to help ensure an efficient, effective and value for money service

Qualifications

- Bachelor of Commerce and Accounting
- Chartered Accountant
- Registered Company Auditor
- Registered Self-Managed Superannuation Fund Auditor

KEY PERSONNEL

Greg Godwin

Audit Partner

Role:

- Audit and Assurance Partner

Relevant Experience

- Broad range of experience across all industry sectors
- Commenced his own practice, Godwin & Co Chartered Accountants, in 1997 building it to a successful ten person practice before migrating to Australia in 2005
- Has over 11 years of extensive exposure to the local government industry in Western Australia
- Currently the engagement Partner for approximately half of the firm's local government audit clients and has a number of corporate clients that add to his experience and skills

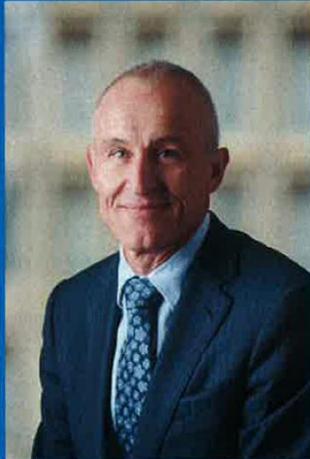
Industry Papers Presented

Greg has presented a number of Papers covering industry specific matters

SHIRE OF NORTHAM

AGENDA

AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016



David's specific local government knowledge and experience helps provide added quality to the audit process

Qualifications

- Bachelor of Commerce (UWA)
- Chartered Accountant (Fellow)
- Registered Company Auditor
- Registered Tax Agent
- Registered Co-operative Company Auditor
- Registered Self-Managed Superannuation Fund Auditor

KEY PERSONNEL

David Tomasi

Audit Partner

Role:

- Partner in charge of the **Audit** and **Local Government** Divisions
- Quality Control Leader
- Engagement Partner (including Local Government Audit and Consulting engagements)

Relevant Experience

- Commenced his career as an Auditor in 1986
- Broad range of experience across all industry sectors including five years with a "big 4" accounting firm and twelve months in the UK
- Extensive local government experience since 1990, including development of the firm's local government methodology and approach and being engagement partner on a significant number of our local governments spanning three decades
- Facilitated Strategic Plans at two local government authorities
- Involved in numerous special investigations and consulting engagements
- Presented all of the firm's workshops (since inception in 1995)
- Previously a member of the DLGRD's Financial Reporting Working Party, which, amongst other things, was charged with the review of the Financial Management Regulations to ensure consistency with recent changes to Australian Accounting Standards (AIFRSs) and providing guidance on other financial reporting matters
- Has a genuine affinity and empathy with regional Western Australia

Industry Papers Presented

David has presented many Papers covering industry specific matters, including:

Asset Management, Cash Flow Statements, Local Government Audit and Accounting, IFRS, Fair Value, Reporting, ROMAN II and Cloud Computing.

SHIRE OF NORTHAM

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016



Chai's wide local government audit experience adds further skills and experience to our audit team

Qualifications

Bachelor of Accounting and Finance
Chartered Accountant
Registered Company Auditor

KEY PERSONNEL

Wen-Shien Chai

Audit Engagement Partner

Role:

- Audit and Assurance Partner

Relevant Experience

- Commenced his career as an Auditor in 1996
- Migrated to Australia from Malaysia at the end of 2002 after 8 years in various audit roles
- Admitted as an Australian Chartered Accountant in 2008
- Has worked across a wide range of clients and industry groups
- Joined Moore Stephens in May 2007, managing a varied client base and has engagement partner responsibility for a significant number of Local Governments

SHIRE OF NORTHAM

AGENDA

AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016



Paul's experience and "hands-on" knowledge is widely recognised in the Industry

Qualifications

- Bachelor of Business
- Certified Practising Accountant (CPA Australia)
- Diploma in Local Government (C)

KEY PERSONNEL

Paul Breman

Local Government Services Partner

Role:

- Local Government Partner
- Responsibility for our Remote Accounting Services, IT Solutions and all consulting engagements

Relevant Experience

- Involved in the Local Government industry for nearly 30 years
- Previously held positions at a variety of local governments in WA ranging from large metropolitan Councils such as the City of Melville to small rural local governments such as the Shire of West Arthur
- Joined Moore Stephens in 2007 from the position of Executive Manager of Corporate Services, Shire of Esperance
- A Certified Practising Accountant with an in-depth knowledge of local government accounting and governance practices
- An active member of the Department's Financial Management Working Party
- An LGMA Finance Managers Group committee member
- Recipient of numerous financial management awards including the WA Public Sector CPA of the Year 2001

Key Skills

- Brings to the firm a rare strength of local government experience which demonstrates the firm's long term commitment to the Industry
- Detailed knowledge of the industry adds depth and understanding to all of our local government audit engagements

SHIRE OF NORTHAM
AGENDA
AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016



Russell has a wide ranging local government experience built on a significant number of years both as an auditor and now a consultant.

Qualifications

Bachelor of Commerce
Graduate Diploma in Computer Studies

KEY PERSONNEL

Russell Barnes

Local Government Services Partner

Role:

- Local Government Partner
- Engagement Partner on all consulting engagements

Relevant Experience

- Involved with the Local Government industry for nearly 10 years.
- Has been with Moore Stephens since 2007.
- A detailed working knowledge of local government governance, administrative and financial aspects from his time as both an auditor and consultant.

Key Skills

- Russell adds to the firms experience which reinforces our long term commitment to the Industry

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Approach/Methodology

Audit Plan

As previously discussed it is envisaged our audit will be conducted in two visits.

An interim visit in the March to May period of the year and a final visit once you are ready for our year end procedures. The ultimate goal is to ensure all procedures are completed by your required deadline in any given year.

Our audit procedures will also involve a planning phase which will be undertaken prior to or at the commencement of our interim procedures.

During our interim visit we will perform the bulk of our systems and compliance testing with a view to helping you correct any areas of non-compliance prior to year end.

Our year end procedures are mainly focused at substantively verifying year end balances and ensuring that disclosure requirements are met and the annual financial report is correctly stated. They will also include an update/follow up of systems and compliance issues investigated/raised during our interim visit.

Further information with respect to our audit methodology can be found at Appendix 1 of this proposal.

Scope/Approach

Our audit will be carried out in accordance with Australian Auditing Standards, Auditing Guidance Statements, the Local Government Act 1995 ("the Act") and accompanying Regulations.

Procedures are designed to ensure your specifications and the Minimum Standard Audit Specification as per the Department of Local Government and Regional Development's Operational Guideline Number 9 are met. These include the critical audit areas as follows:

- Revenue
- Expenditure
- Current Assets
- Investments
- Non Current Assets
- Liabilities
- Reserve Funds
- Contingent Assets/Liabilities
- Capital Commitments
- Governance and Control
- Financial Statements
- Statement of Cash Flows
- Statutory Obligations
- Accounting Policies and Notes to the Financial Statements
- Budget compliance with respect to timing, format and the previous year's final audited position
- Financial ratios required by the Financial Management Regulations
- GST /FBT Compliance

As part of these procedures we will undertake testing to:

1. Assist us in forming an opinion as to whether:
 - (a) the accounting records are reliable and adequate as a basis for the preparation of the financial statements;
 - (b) the accounts are properly kept;
 - (c) the annual financial report;
 - (i) is prepared in accordance with the financial records; and
 - (ii) represents fairly the results of the operations of the local government and the financial position of the local government at 30 June in accordance with:
 - *Australian Accounting Standards*;
 - the *Local Government Act 1995* (as amended);
 - the *Local Government (Financial Management) Regulations 1996* (as amended); and
 - other mandatory professional reporting requirements.

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Approach/Methodology (Continued)

Scope/Approach (Continued)

- (d) there are any material matters indicating a significant adverse trend in the financial position or the financial management practices of the Shire;
- (e) there are any 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 laws;
- (f) details of whether information and explanations were obtained by the auditor;
- (g) a report on the conduct of the audit; and
- (h) the opinion of the auditor as to whether or not the specific financial ratios reported are supported by verifiable information and reasonable assumptions

Our audit procedures are designed to ensure a comprehensive assessment of this mandatory compliance aspect in relation to points 1(d) and (e) above (as required by Local Government (Audit) Regulation 3(b)).

From experience we are aware our processes are much more comprehensive than our competitors and demonstrate a far greater understanding of the local government operating environment.

This requirement should not be overlooked and all auditors should understand their statutory obligation in this regard.

We take our responsibility as local government auditors very seriously, consider ourselves the leader in the field and believe we have demonstrated this consistently over the past three decades.

Please note, we are able to provide details of our checklists if you require. Due to specific Intellectual Property rights we have withheld them at this juncture.

1. All bank and cash balances will be subject to third party confirmation and tests will be undertaken to ensure investments are made in accordance with legislation.
2. Examine the Shire's receipting function and perform detailed testing as considered necessary;
3. Examine money owing to the Shire including testing recoverability, follow up procedures and compliance with relevant legislation;
4. Review payment vouchers (including credit card transactions) and ensure appropriate procedures exist in respect to authorisation and payment of accounts as well as detailed testing as considered necessary;
5. Perform a review of controls surrounding payroll and staff leave records and perform detailed testing as deemed necessary;
6. Review of rating records including rate imposition, valuations, compliance with legislation and detailed testing as required;
7. Review all borrowing transactions to ensure they have been conducted in accordance with the Act;
8. Review reserve transactions to ensure compliance with the legislation;
9. Review asset register and perform testing on ownership, additions and depreciation calculations to determine accuracy and if in accordance with Shire policies;
10. Review all transactions involving land and other property to ensure legislative requirements are complied with and the Shire has right of occupancy;

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Approach/Methodology (Continued)

Scope/Approach (Continued)

11. Review agreements where the Shire has leased land to third parties and help ensure compliance with relevant legislation in respect of them;
12. Review of the budget and related processes to ensure compliance with the Act and accompanying regulations;
13. Review of all minutes of Council meetings (and Committees if applicable) to help determine items of audit interest and compliance with the Act and accompanying regulations; and
14. Examine tenders to ensure compliance with the Act and accompanying regulations.

As part of our audit procedures, we will also review the Asset Management Plans and Long Term Financial Plans to ensure they have been completed in accordance with statutory requirements, and review the net current assets brought forward from the previous year reported in the annual budget.

It should be appreciated the areas detailed above are not exhaustive. Our audit procedures will examine other areas as deemed appropriate in order we can form an opinion on the financial statements of the Shire and make comments in regard to the accounting systems and procedures in place.

Our final visit is scheduled to:

- be mutually convenient;
- be within 30 days of being advised the accounts and annual financial report are available for audit; and
- enable you to meet your deadline (subject to your audit readiness).

An exit interview will be performed at the conclusion of our audit field work.

We will also liaise with staff to ensure meetings with the CEO, Council and/or the Audit Committee occur as required. In accordance with the Act and Regulations, this may be by electronic means.

Our audit fee is based on the current above-mentioned scope requirements. In the event of a significant change in the required scope the audit fee may be re-negotiated.

We require the Shire to maintain adequate accounting records and prepare the annual financial report in accordance with applicable accounting standards.

We will send an audit requirements letter summarising our information requirements for the audit prior to our final visit.

Providing all necessary information is made available to us as required, we undertake to issue our audit report and management report by the required deadline (as determined each year) and further undertake to provide such reports to the Council and Minister as required.

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Pricing

In detailing our fee structure, we wish to draw your attention to our Executive Summary section and the specific parts of this proposal we have highlighted in bold red text.

We pride ourselves on providing what we consider is the highest level of review amongst local government audit service providers to ensure we meet our statutory obligations as auditor of your Shire as well as the value add you need to assist the most efficient and effective allocation of Shire resources. We take our responsibility in this regard very seriously and consider ourselves the leader in the field.

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

SHIRE OF NORTHAM

YEAR	YEAR ENDED	FEE QUOTE	TRAVEL COSTS	APPLICABLE GST	TOTAL (GST INCLUSIVE)
		\$	\$	\$	\$
1	30 June 2016	20,000	400	2,040	22,440
2	30 June 2017	20,500	450	2,095	23,045
3	30 June 2018	21,000	500	2,150	23,650

The fees and time quoted are inclusive of travel related expenses as detailed above.

Reasonable accommodation and incidental expenses (based on our internal "Travel Expenses Policy") will be charged in addition to the fees quoted above and will be invoiced at cost to the Shire.

The above fees are also based on the nature of each 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 above fees quoted do not 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 will apply for preparation and attendance on a telephone conference. **If the meeting was timed to coincide with a scheduled audit visit, no additional charge would be made.**

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.

Price Variation Mechanism

Our price increases are not based on any indexation. They are firm fixed prices in relation to each year as detailed above.

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

Pricing (Continued)

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 \$500 to \$1,500 (GST exclusive) range per certification/acquittal (at current indicative rates) and we are very willing to quote a fixed amount prior to commencing each certification.

As a general guide, for a general quote, the fee for the majority of the acquittals we certify are in the \$800-\$1,000 (GST exclusive) range.

It should be noted, our firm has a dedicated acquittals section which has oversight by **David Tomasi** and is managed by **Andries Bekker**. The sole focus of the section is the audit certification of funding acquittals.

David and **Andries** have developed a strong working relationship with key funding bodies. In particular, we have direct contact with Alan Chisholm at the (Federal) Department of Infrastructure and Regional Development (Roads to Recovery) and officers within the (State) Department of Regional Development (CLGF/Royalties for Regions)

This dedicated section and line of communication now makes for a much more efficient acquittals process with faster turnaround times.

The completion of acquittal certifications does not depend on staff being available from other engagements.

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 2015, indicative rates for this type of work are as follows:

	PER HOUR (GST EXCLUSIVE)	
	\$	
Partner	450 - 600	
Associate Director	350 - 400	
Manager	250 - 300	
Senior	180 - 200	
Intermediate	140 - 180	(bulk of acquittal work at this level)
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.

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Hours and Staffing

Financial Statement Audit

Estimated hours are as follows:

INTERIM VISIT		
Partner	6	
Manager/Supervisor/Senior/Intermediate/Graduate	42	(predominately on site)
Planning/Secretarial	2	
	50	
FINAL VISIT		
Partner	8	
Manager/Supervisor/Senior/Intermediate/Graduate	54	(predominately on site)
Planning/Secretarial	2	
	64	
TOTAL HOURS	114	

It should be appreciated our audit team has a wealth of Local Government experience.

This is due largely to the wealth of local government experience provided by our service team and the fact the Engagement Partner is actively involved in the industry and fieldwork.

In addition to the hours above, our Partner and Manager spend additional time to ensure the audit is appropriately supervised.

Our experience and approach when coupled with our service level, provides a very efficient and effective audit process.

Please note: the above hours also ignore travel time to and from the Shire premises. This travel time is in addition to the hours as detailed above.

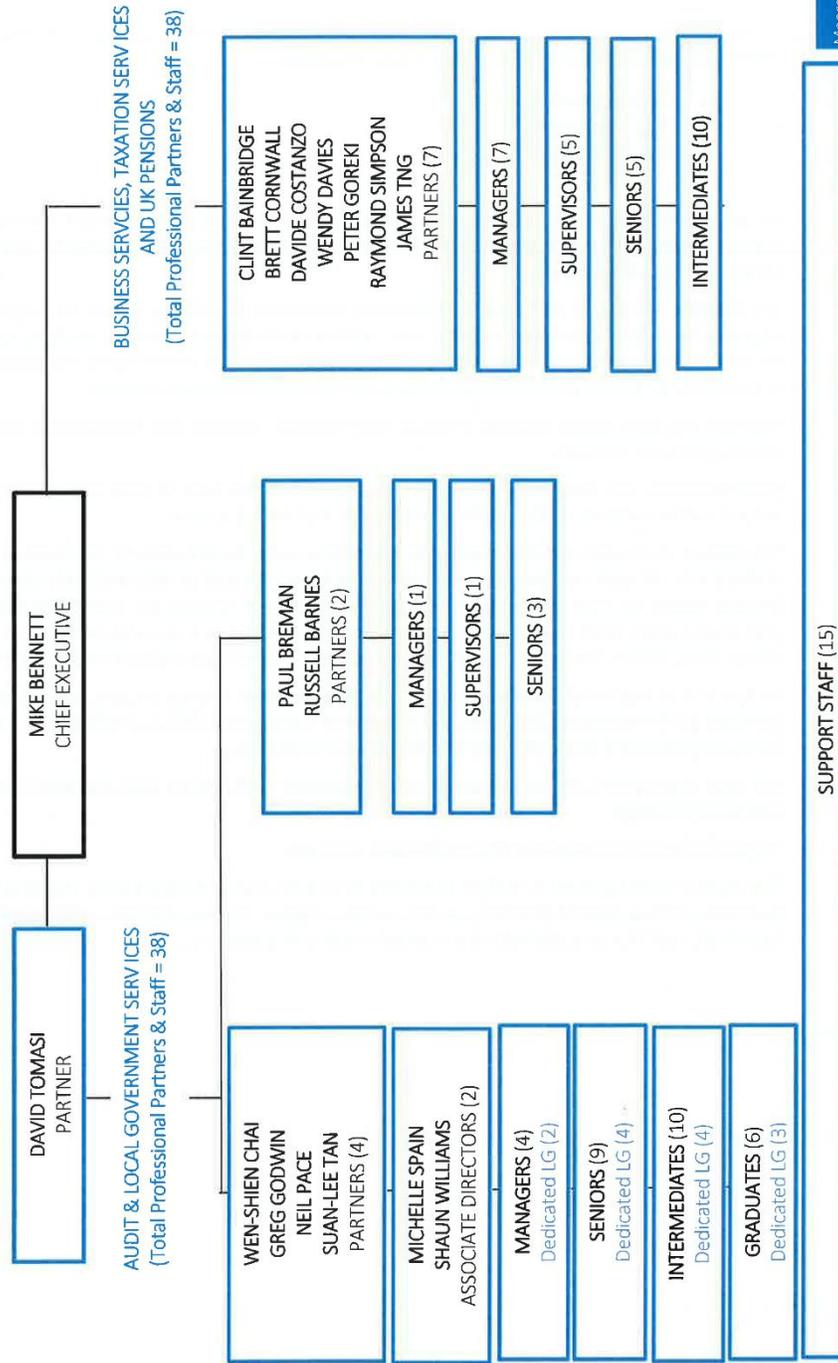
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Organisational Structure

As detailed in this document, Moore Stephens and the firm's key personnel have developed a wealth of experience in local the government. The size of the firm (in numbers and experience) also allows flexibility and will ensure we are able to complete the engagement in your required timeframe.



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Quality Assurance

The firm takes a three-tiered approach to quality assurance:

- Project Specification
- Staff Selection
- Quality Reviews

All review projects are designed and documented before commencement to ensure the objectives of our client are specifically addressed and our methodology is understood. The document is approved prior to commencement of fieldwork.

The Partners and senior staff have had extensive experience in auditing, gained by employment in and exposure to large international auditing firms, both in Australia and overseas, and are conversant with modern audit techniques and methodology. Partners and senior staff of the firm have significant experience in the conduct of internal and external audits in commercial and public authorities.

Partners and staff attend ongoing in-house staff training, national and international conferences and commercially run seminars.

Field operatives and supervising personnel are selected on the basis of their experience in the project subject matter and their ability to add value to the final project outcome.

The work is conducted and documented in accordance with the standards of the Institute of Chartered Accountants. All work completed is progressively reviewed by staff at different levels to ensure the end product meets our high standards. The engagement partner reviews the completed files before final clearance is given. Draft reports of findings and recommendations are discussed with senior management of our clients before final submission to ensure that findings and reporting context are accurate.

Being a firm of Registered Company Auditors operating on public interest entities, we are subject to robust oversight by the Australian Securities and Investment Commission (ASIC) as well as the Public Company Accounting Oversight Board (PCAOB) the US equivalent regulator.

We have undergone a review by both of these regulators in the recent past and both reviews returned satisfactory findings.

These reviews are conducted in three to five year intervals.

The quality review process is further enhanced by a peer review conducted by Chartered Accountants Australia and New Zealand (CAANZ) practice reviews program. Our last practice review under the program found our audit files complied with the Institute's quality requirements.

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Other

DISCLAIMER

Moore Stephens, Perth carries on business separately and independently from other Moore Stephens member firms around Australia and worldwide.

Services provided under this engagement are provided by Moore Stephens Perth and not by any other independent Moore Stephens member firm. No other independent Moore Stephens member has any liability for services provided by other members.

TERMS AND CONDITIONS

Unless otherwise agreed in writing, Moore Stephens' standard terms concerning billings and fees will apply.

CONFIDENTIALITY

The information contained in this proposal is confidential and cannot be conveyed to any party other than the party to which it is directed.

CONFLICTS OF INTEREST

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services envisaged in this contract. Should the possibility of a perceived or actual conflict arise the matter would be raised with the Chief Executive Officer immediately and activities suspended until the issue was resolved to your satisfaction.

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

APPENDIX 1: Audit Methodology

AUDIT SERVICES

Our audit will be carried out in accordance with Australian Auditing Standards with an objective of expressing an opinion on the financial statements of the entity.

1. OBJECTIVES OF THE AUDIT

The audit would be designed to achieve the following objectives:

- To enable us to express an opinion on whether the financial statements show a true and fair view of the results for the year and the financial affairs at year end.
- Whether we can be satisfied with implicit management assertions in respect of the financial statements in regard to the following:
 - Occurrence;
 - Completeness;
 - Validity;
 - Measurement;
 - Compliance;
 - Ownership; and
 - Presentation and disclosure
- To review the systems of internal controls (including a review of work undertaken by the internal auditor, if applicable) to determine whether they appear adequate to:
 - Safeguard the assets and funds of the entity;
 - Provide reasonable assurance of effective and efficient operations;
 - Provide reasonable assurance of compliance with laws and regulations, and
 - Provide reasonable assurance as to reliability of financial data and reports.

2. AUDIT PLAN

The firm's audit will be planned in accordance with Australian Auditing Standard ASA300 "Planning an Audit of a Financial Report" and ASA320 "Materiality in Planning and Performing an Audit" to enable us to conduct an effective audit in an efficient and timely manner. Our plan will be based on our knowledge of the client's activities and our evaluation of the risk base activities of the entity in accordance with ASA315 "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment". This will be developed and revised as considered necessary during the course of the audit. The emphasis of our audit will focus on the significant risk areas while also ensuring that the entity complies with all legislative and funding requirements.

Our audit planning stage covers the following procedures:

- Obtaining knowledge of the client's current activities, accounting system, policies and internal control procedures, including the internal audit and audit committee functions (if applicable);
- Determining materiality levels in accordance with Australian Auditing Standards ASA320 "Materiality in Planning and Performing an Audit";
- Assessing inherent risk and relating this assessment to material account balances and classes of transactions at the assertion level;

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

APPENDIX 1: Audit Methodology (Continued)

AUDIT SERVICES (CONTINUED)

2. AUDIT PLAN (CONTINUED)

- Obtaining an understanding of the internal control structure. Evaluating the operation of the internal control structure and making a preliminary assessment of control risk. This assessment of control risk will determine the nature, timing and extent of other audit procedures;
- Evaluation of the effectiveness and efficiency of controls and systems;
- Determining and programming the nature, timing and extent of the audit procedures to be performed, and
- Consideration of opening balances in accordance with ASA510 "Initial Audit Engagements – Opening Balances".

3. RISK ASSESSMENTS AND INTERNAL CONTROLS

A review will be made of all significant areas of the client's operations to determine the risk.

Audit risk has three components:

- Inherent risk – (the risk that material errors will occur);
- Control risk – (the risk that the system of internal control will not prevent or detect misstatement);
- Detection risk – (the risk that the substantive audit procedures will not detect misstatement in account balances and or class of transactions.)

Our audit is planned to achieve an appropriate acceptable level of audit risk. From the preliminary assessment of control risk (in conjunction with the assessment of inherent risk) the appropriate detection risk to accept for financial report assertions will be determined.

This stage will also consider ASA240 "The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report" and the audit plan will be amended if necessary.

4. SCOPE

- 4.1 The scope of the audit is determined in accordance with our assessment of the audit risk, Australian Auditing Standards and relevant legislative requirements as applicable.
- 4.2 The audit will be planned to adequately cover all material aspects of the client that are relevant to us forming an opinion on the truth and fairness of the financial report presented by the governing body.

5. APPROACH TO KEY AUDITABLE AREAS AND ACTIVITIES

- 5.1 Key auditable areas and activities determined in planning stage from:
 - knowledge of client's business;
 - materiality; and
 - risk assessment.
- 5.2 Audit procedures and tests would be developed to form an opinion on the assertions by management either explicitly or implicitly of each key auditable area and activity.

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AUDIT COMMITTEE MEETING TO BE HELD ON 8 MARCH 2016

APPENDIX 1: Audit Methodology (Continued)

AUDIT SERVICES (CONTINUED)

5. APPROACH TO KEY AUDITABLE AREAS AND ACTIVITIES

5.3 These assertions can be categorised as follows:

- Existence or Occurrence – audit procedures would determine whether reported assets and liabilities actually existed at balance date, and transactions reported in the income statement actually occurred during the period covered.
- Completeness – audit procedures would determine whether all transactions and accounts that should be included in the financial report is included, and there are no undisclosed assets, liabilities or transactions.
- Rights and Obligations – audit procedures would determine whether the entity owns and has a clear title to the assets, the liabilities are obligations of the entity, and the entity was actually a party to reported transactions.
- Valuation or Allocation – audit procedures would determine whether the assets and liabilities are valued properly, and the revenues and expenses are measured properly.
- Presentation and Disclosures – the financial report will be reviewed in detail to ensure the assets, liabilities, revenues and expenses are properly described and disclosed on the financial report.

5.4 As part of these procedures the following will be completed:

- Third party confirmations will be obtained to verify all major assets and liabilities.
- The financial report will be analytically reviewed and all individual assets, liabilities and profit and loss items within a material variance will be investigated and satisfactory explanation obtained.
- Financial report will be reviewed to ensure compliance with all legislative requirements and Australian Accounting Standards.
- Review of post balance date events, contingent liabilities and capital commitments.
- Consideration will be given to the future viability of the entity including the ability to pay its debts as and when they become due and payable, and whether the basis of preparing the financial report on the going concern concept is relevant.

6. REPORTING

• Management Reports

- (i) Any significant and/or unusual developments arising during the course of our examinations would be firstly communicated immediately to the Chief Financial Officer or equivalent.
- (ii) Our management report would detail all issues of major significance observed during the course of the audit. These reports would set out particulars of:
 - i. material errors or breaches of the client's policies and procedures;
 - ii. instances where the group fails to comply with appropriate legislation;
 - iii. acts of lack of proprietary or probity;
 - iv. failure to maintain proper accounts and records;
 - v. failure to operate key controls over its activities; and

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APPENDIX 1: Audit Methodology (Continued)

AUDIT SERVICES (CONTINUED)

6. REPORTING (CONTINUED)

- **Management Reports (continued)**

- vi. matters related to the efficient and effective operations of the organisation noted during the course of the audit.

All reports would be discussed in detail with appropriate officers before being released.

- (iii) All management reports would be addressed to the President (as required by the Act) and a copy sent to the Chief Executive Officer.

- **Independent Audit Reports on Financial Statements**

Audit opinions on the financial statements would be provided after completion of the audits i.e. after the receipts of all confirmations, letter of representations and the signing of the financial statements by nominated staff members.

The audit opinions would be in the form required by Australian Auditing Standards and statutory requirements.

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8. DECLARATION OF CLOSURE