




AUDIT COMMITTEE MEETING
MINUTES

4 MARCH 2014

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Signed  Dated 1/7/14

CITY OF GREATER GERALDTON
AUDIT COMMITTEE MEETING
ON TUESDAY 4 MARCH 2014 AT 3.30PM
IN THE COMMITTEE MEETING ROOM – CIVIC CENTRE

MINUTES

1 DECLARATION OF OPENING

Meeting opened at 3.34pm

2 ATTENDANCE

Present:

Acting Mayor N McIlwaine (Joined the meeting at 3.55pm)
Cr S Van Styn
Cr T Thomas
Cr J Critch

Officers:

Ken Diehm, Chief Executive Officer
Bob Davis, Director Corporate and Commercial Services
Margot Adam, Executive Assistant (Minutes)

By Invitation:

Nil

Apologies:

Nil

Leave of Absence:

Nil

3 CONFIRMATION OF PREVIOUS MINUTES

Recommendation: That the minutes of the City of Greater Geraldton Audit Committee meeting held on 6 December 2013, as attached be accepted as a true and correct record of proceedings.

COMMITTEE DECISION:

MOVED Cr Thomas, **SECONDED** Cr Critch

That the minutes of the City of Greater Geraldton Audit Committee meeting held on 6 December 2013, as attached be accepted as a true and correct record of proceedings.

CARRIED

Signed _____



Dated _____

1/7/14

4 AC023 REVIEW OF AUDIT COMMITTEE CHARTER

AC023 REVIEW OF AUDIT COMMITTEE CHARTER	
AGENDA REFERENCE:	D-14-08155
AUTHOR:	B Davis, Director of Corporate & Commercial Services
EXECUTIVE:	B Davis, Director of Corporate & Commercial Services
DATE OF REPORT:	29 January 2014
FILE REFERENCE:	GO/11/0020
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	Yes X 3

SUMMARY:

The purpose of this report is for Audit Committee members to review the Audit Committee Charter with reference to Local Government Operational Guidelines Number 9- Audit in Local Government (revised September 2013). It provides an opportunity for the Committee to identify any desired changes to the Charter, for recommendation to Council, should the Committee wish to do so.

PROPONENT:

The proponent is the City of Greater Geraldton.

BACKGROUND:

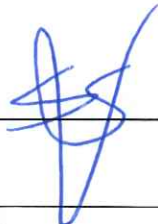
The Audit Committee Charter was reviewed by the Audit Committee at the meeting on 6 December 2013 and amendments were recommended to Council at the meeting of 28 January 2014 (Item AC021). On 8 January 2014 the City received a Department of Local Government Circular no 39-2013 with revised guideline 09 Audit in Local Government. The revised guideline incorporates:

- Information to assist Local Government establish and operate effective Audit Committees
- Information regarding amendments to the Local Government (Audit) regulations 1996 that have extended the functions of Local Government Audit Committees

The Audit Committee were advised of the revised guideline via a Briefing Note on 8 January 2014. The Audit Committee item AC021 was revised to include reference to the revised DLG guideline and notify Council of the intention of the Audit Committee to re review the Audit Committee Charter at the next Audit Committee Meeting.

Council endorsed the Audit Committees amendments to the Audit Committee Charter on 28 January 2014.

Signed _____



Dated _____

1/7/14

Local Government Operational Guidelines Number 9 and a comparison chart of clauses within the Audit Committee Charter and the Model Terms of Reference from the Guideline are attached for the purpose of deliberation and discussion by the Audit Committee.

COMMUNITY CONSULTATION:

No community consultation has been undertaken.

COUNCILLOR CONSULTATION:

There has been no councillor consultation.

STATUTORY IMPLICATIONS:

Part 7 Division 1A -1C of the Local Government Act 1995.

There are no statutory implications.

POLICY IMPLICATIONS:

There are no policy implications.

FINANCIAL AND BUDGET IMPLICATIONS:

There are no financial and budget implications.

STRATEGIC & REGIONAL OUTCOMES:

Strategic Community Plan Outcomes:

Goal 5: Governance

Outcome 5.2: Planning and Policy

Strategy 5.2.7: Ensuring efficient and effective delivery of service

Regional Outcomes:

There are no specific regional outcomes.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:

Economic:

There are no economic issues.

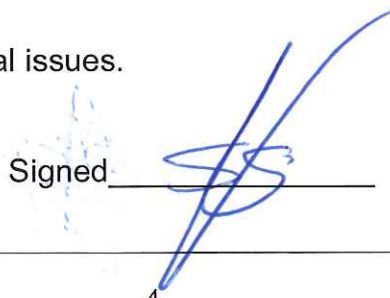
Social:

There are no social issues.

Environmental:

There are now environmental issues.

Signed _____



Dated _____

1/7/14

Cultural & Heritage:

There are no cultural or heritage issues.

RELEVANT PRECEDENTS:

The Audit Committee has previously reviewed its charter and is able to recommend changes, for consideration by Council.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Simple Majority is required.

EXECUTIVE RECOMMENDATION:

The Committee may choose to discuss and recommend changes to the charter, for consideration by Council. Note that the Committee is able to seek a review of its Charter at a future time.

CONCLUSION:

Whether or not the Committee desires amendment to its Charter is a matter for the Audit Committee. Any changes to the Audit Committee Charter proposed by the Committee will be required to be submitted to Council for approval.

COMMITTEE DECISION:

MOVED Cr Critch, SECONDED Cr Thomas

That the Audit Committee by Simple Majority in accordance with Sections 7.1C of the Local Government Act 1995 RESOLVES

to:

1. Defer the discussion of Audit Committee Charter and recommendation of changes. The item will be placed on the Agenda for the next meeting of the Audit Committee.

CARRIED

The Audit Committee Charter will be discussed at the next meeting of the Committee to allow time for review of the current charter and Guideline No 9 from the Department of Local Government – Audit in Local Government

Signed _____



Dated _____

1/7/14

5 AC024 RFT 22 1314 EXTERNAL AUDIT SERVICES 2014-2017

AC024 RFT 22 1314 EXTERNAL AUDIT SERVICES 2014-2017

AGENDA REFERENCE:	D-14-08122
AUTHOR:	K Chua, Manager Accounting Services
EXECUTIVE:	B Davis, Director of Corporate & Commercial Services
DATE OF REPORT:	8 February 2014
FILE REFERENCE:	GO/11/0008
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	Yes X 1 Confidential

SUMMARY:

The purpose of this report is to seek the Audit Committees endorsement of the appointment of a qualified and experienced contractor as the City's External Auditor from 1 July 2014 to 30 June 2017.

PROponent:

The proponent is the City of Greater Geraldton.

BACKGROUND:

In April 2011 the City of Geraldton-Greenough awarded a three year contract to Grant Thornton Audit Pty Ltd for the audit of the City's financial statements and other audit services. The term of the contract expires on 30 June 2014.

Section 7.3 of the Local Government Act requires:

- (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.*
- (3) *The local government's auditor is to be a person who is –*
 - a. *a registered company auditor; or*
 - b. *An approved auditor*

A request for tender to provide External Audit Services – Financial Years 2014-2017 was advertised on the Western Australian Local Government Association Tenderlink e-Tendering Portal on 1 November 2013. The tender closing date was 4 pm Monday 2 December 2013.

There were four (4) suppliers who registered for the tender and three (3) tenders received of which are listed below.

1. Grant Thornton Audit Pty
2. AMD Chartered Accountants
3. UHY Haines Norton Chartered Accountants

COMMUNITY CONSULTATION:

There has been no community consultation.

COUNCILLOR CONSULTATION:

There has been no prior Councillor consultation.

Signed  Dated 1/7/14

STATUTORY IMPLICATIONS:

Tenders were called in accordance with the provisions of the Local Government Act 1995 and with Local Government (Functions and General) Regulations 1996.

Section 7.1 and 7.3 of the Local Government Act state the requirements for appointing the City's auditor.

POLICY IMPLICATIONS:

The City of Greater Geraldton has adopted a purchasing policy for acquiring goods and/or services of all values by obtaining quotes and releasing tenders.

The policy provides compliance with the requirements of the Local Government Act 1995 and Local Government Act (Functions and General Regulations 1996). Additional to the policy, procedures have been developed to guide staff when purchasing goods and services for the City of Greater Geraldton.

FINANCIAL AND BUDGET IMPLICATIONS:

There are no financial implications associated with this item.

STRATEGIC & REGIONAL OUTCOMES:**Strategic Community Plan Outcomes:**

Goal 5: Governance
Outcome 5.2: Planning and Policy
Strategy 5.2.7: Ensuring efficient and effective delivery of service.

Regional Outcomes:

There are no regional outcomes associated with this matter.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic impacts.

Social:

There are no social impacts.

Environmental:

There are no environmental impacts.

Cultural & Heritage:

There are no cultural and heritage impacts.

Signed



Dated

1/7/14

RELEVANT PRECEDENTS:

There are no relevant precedents.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Simple majority is required.

CONCLUSION:

Statutory regulations require the City to appoint a qualified and experienced contractor as the City's External Auditor. The current External Auditors contractor's agreement expires 30 June 2014.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority in accordance with Sections 7.1C and 7.3(1) of the Local Government Act 1995 RESOLVES to:

1. RECOMMEND that the Council appoints each of the audit partners of the preferred tenderer, to be an auditor for the City of Greater Geraldton for the period 1 July 2014 – 30 June 2017.

COMMITTEE DECISION:

MOVED Cr Critch, SECONDED Cr Thomas

That the Audit Committee by Simple Majority in accordance with Sections 7.1C and 7.3(1) of the Local Government Act 1995 RESOLVES

to:

1. RECOMMEND that the Council appoints each of the audit partners of the preferred tenderer, to be an auditor for the City of Greater Geraldton for the period 1 July 2014 – 30 June 2017.

CARRIED

Signed  Dated 1/7/14

6 AC025 COMPLIANCE AUDIT RETURN

AC025	COMPLIANCE AUDIT RETURN
AGENDA REFERENCE:	D-14-08137
AUTHOR:	T Mbirimi, Manager Governance and Risk
EXECUTIVE:	B Davis, Director of Corporate & Commercial Services
DATE OF REPORT:	February 2014
FILE REFERENCE:	GO/11/0020
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	Yes X 1

SUMMARY:

The purpose of this report is to review the Compliance Audit Return 2013 (CAR).

Amendments to Regulation 14 of the *Local Government (Audit) Regulations 1996* requires that the Audit Committee now reviews the Compliance Audit Return and reports the results of that review to Council prior to adoption by Council and submission to the Department of Local Government by 31 March 2014.

PROponent:

The proponent is the City of Greater Geraldton.

BACKGROUND:

In accordance with section 7.13(1) of the Local Government Act 1995 and the Local Government (Audit) Regulations, the City is required to complete a compliance audit in relation to the period 1 January 2013 to 31 December 2013 against the requirements set out in the CAR.

The 2013 CAR continues in a reduced format, with the areas of compliance included restricted to those considered high risk.

COMMUNITY CONSULTATION:

There is no requirement for community consultation on this matter.

COUNCILLOR CONSULTATION:

Several Officers, Managers and Directors have provided their input in order to complete the CAR.

STATUTORY IMPLICATIONS:

As per Section 7.13(1) of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996*.

POLICY IMPLICATIONS:

There are no policy implications associated with this matter.

Signed _____



Dated _____

1/7/14

FINANCIAL AND BUDGET IMPLICATIONS:

There are no financial implications associated with this item.

STRATEGIC & REGIONAL OUTCOMES:**Strategic Community Plan Outcomes:**

Goal 5: Governance
Outcome 5.2: Planning and Policy
Strategy 5.2.7: Ensuring efficient and effective delivery of service.

Regional Outcomes:

There are no regional outcomes associated with this matter.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic impacts.

Social:

There are no social impacts.

Environmental:

There are no environmental impacts.

Cultural & Heritage:

There are no cultural and heritage impacts.

RELEVANT PRECEDENTS:

There are no relevant precedents.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Absolute majority is required.

CONCLUSION:

The CAR is a statutory compliance requirement for local governments and requires a review first by the Audit Committee and then a report to Council for adoption before being submitted to the Department of Local Government. The City is required to provide this to the Department prior to 31 March 2014.

The Audit Committee does not have the option not to review the CAR as it would therefore be non-compliant with the Local Government Act and associated regulations.

Signed _____

Dated _____

1/7/14

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Absolute Majority in accordance with Section 7.13(1) of the Local Government Act 1995 and Regulation 14 of the Local Government (Audit) Regulations 1996 RESOLVES to:

1. Review and Report to Council on the Compliance Audit Return 2013

COMMITTEE DECISION

MOVED Cr Thomas, SECONDED Cr Critch

That the Audit Committee by Simple Majority in accordance with Sections 7.13(1) of the Local Government Act 1995 RESOLVES to:

1. Endorse the results of the Compliance Audit Return 2013.
2. Report the results of the Compliance Audit Return 2013 to Council at the next Ordinary meeting to be held on 25 March 2014.

CARRIED

A comment was added to question number 14 page 8 to clarify the Regional Price Preference Policy.

Signed _____

Dated _____

1/7/14

7 AC026 INTERNAL AUDIT OF ACCOUNTS PAYABLE

AC026 INTERNAL AUDIT OF ACCOUNTS PAYABLE	
AGENDA REFERENCE:	D-14-13605
AUTHOR:	K Chua, Manager Accounting Services
EXECUTIVE:	B Davis, Director of Corporate & Commercial Services
DATE OF REPORT:	February 2014
FILE REFERENCE:	FM/3/0003
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	Yes X1

SUMMARY:

The purpose of this report is to present to the Audit Committee the draft report of findings and recommendations of an Internal Audit of the Accounts Payable function, and Management responses to the internal audit recommendations.

PROponent:

The proponent is the City of Greater Geraldton.

BACKGROUND:

The City's Internal Auditors, Deloitte, undertook an assessment of the City's AP (Accounts Payable) function commencing the first week of February 2014. Audit objectives:

1. Perform a selection of data analytics tests to identify irregular or unusual payment transactions, records or activity
2. Consider the design and operating effectiveness of the internal controls established to support the objectives of the AP function
3. Make recommendations where opportunities for improvement in controls are identified.
 - Using DTect analysis in addition to onsite visit, the audit tests include;
 - Duplicate invoices
 - Vendor to vendor matching/relationship
 - ABN validity
 - Over/underpaid GST
 - Benford's law analysis
 - Ghost vendors
 - Days to pay invoice
 - Vendor name validity
 - Bank account checking

Attached is a copy of the *draft* Internal Audit Report on Accounts Payable Function, including Management responses to the findings and recommendations. A final internal audit report signed by the auditor had not been received as at the time of preparation of this report, but will be tabled if received by the time of the Audit Committee meeting.

Signed  Dated 1/7/14

COMMUNITY CONSULTATION:

There has been no community consultation.

COUNCILLOR CONSULTATION:

There has been no prior Councillor consultation.

STATUTORY IMPLICATIONS:

Local Government (Financial Management) Regulations 1996 Part 2 Regulation 5 addresses requirements as to financial management.

Regulation 5(1)(d)(2) requires proper accounting for expenses paid or payable, and 5(1)(e) requires proper authorisation for the incurring of liabilities and the making of payments.

POLICY IMPLICATIONS:

There are no policy implications.

FINANCIAL AND BUDGET IMPLICATIONS:

There are no financial implications associated with this item.

STRATEGIC & REGIONAL OUTCOMES:**Strategic Community Plan Outcomes:**

Goal 5: Governance
Outcome 5.2: Planning and Policy
Strategy 5.2.7: Ensuring efficient and effective delivery of service.

Regional Outcomes:

There are no regional outcomes associated with this matter.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic impacts.

Social:

There are no social impacts.

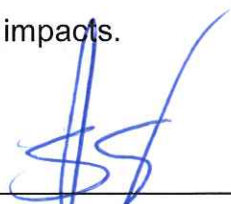
Environmental:

There are no environmental impacts.

Cultural & Heritage:

There are no cultural and heritage impacts.

Signed



Dated

1/7/14

RELEVANT PRECEDENTS:

Internal audits are conducted from time to time as part of the Internal Control framework of organisations, aimed to improve internal controls and accounting and finance processes to minimise risks.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Simple majority is required.

CONCLUSION:

All internal audit observations and findings identified in the report seeking management attention have been examined and appropriate actions have been identified or undertaken or are in progress to achieve desired improvements.

EXECUTIVE RECOMMENDATION:

That the Audit Committee by Simple Majority in accordance with Sections 7.1C of the Local Government Act 1995 RESOLVES to:

1. ACCEPT the Internal Audit Report on Accounts Payable;
2. ENDORSE the Management responses noted in the report, including actions proposed to be taken to resolve issues, enhance internal controls or improve accounting processes; and
3. REQUIRE progress reports on implementation of the proposed management actions, at the next Audit Committee Meeting.

COMMITTEE DECISION

MOVED Cr Critch, SECONDED Cr Thomas

That the Audit Committee by Simple Majority in accordance with Sections 7.1C of the Local Government Act 1995 RESOLVES to:

1. ACCEPT the Internal Audit Report on Accounts Payable;
2. ENDORSE the Management responses noted in the report, including actions proposed to be taken to resolve issues, enhance internal controls or improve accounting processes; and
3. REQUIRE progress reports on implementation of the proposed management actions, at the next Audit Committee Meeting.

CARRIED

The final Internal Audit report signed by the Auditor was tabled at the meeting.

8 MEETING CLOSURE
4.10pm

Signed _____

Dated _____

