



**MINUTES OF THE  
AUDIT COMMITTEE MEETING  
14 MARCH 2017**





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Murchison Regional Vermin Council  
Minutes of the Audit Committee Meeting – 14 March 2017 at 10.00am  
In Council Chambers, 90 Hepburn Street, Mount Magnet

**1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

Cr Neil Grinham opened the meeting at 10.16 am and welcomed the visitors Cr Karen Williams (Shire of Mount Magnet), Cr Eliz Morris (Shire of Mount Magnet), Mr Adam Majid (Chief Executive Officer – Shire of Mount Magnet).

**2. RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE**

Present:

Cr. Les Price (Chairperson)  
Cr Neil Grinham  
Cr Jason Homewood  
Cr Robert Grinham  
Cr Kerry Key  
Cr Carol Hodshon  
Cr Ross Pigdon

Apologies:

Cr Harvey Nichols  
Cr Joe O'Brien

Leave of Absence:

Nil

Also in Attendance:

A/CEO Mr Dominic Carbone, CEO Shire of Cue Mr Rob Madson, Cr Karen Williams, Cr Eliz Morris and CEO Shire of Mount Magnet Mr Adam Majid.

Members of Public:

Nil

**3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**3.1 Minutes of Audit Committee Meeting held on 16 February 2016**

As the Minutes of the Audit Committee Meeting held on 16 February 2016 stated Cr Neil Grinham as Chairperson and not Cr Les Price. Cr Neil Grinham relinquished the Chair in favor of Cr Les Price.

Cr Robert Grinham moved that the officers recommendation be adopted with the following amendment that a (5) be inserted to read “The Chairperson of the Audit Committee is Cr Les Price and not Cr Neil Grinham” seconded Cr Ross Pigdon.

#### **AUDIT COMMITTEE DECISION**

**Moved: Cr Robert Grinham**

**Seconded: Cr Ross Pigdon**

*That the minutes of the Audit Committee Meeting held on 16 February 2016 as circulated be confirmed as a true and correct record of proceedings subject to the following corrections.*

- (1) *“Report of the Audit Committee Meeting refer to heading to read “Minutes of the Audit Committee Meeting”.*
- (2) *“President” to read “Chairperson”.*
- (3) *“Deputy President” to read “Deputy Chairperson”.*
- (4) *3.1 Heading “Minutes of the Ordinary Meeting” to read “Minutes of the Audit Committee”.*
- (5) *Chairperson of Audit Committee is Cr Les Price and not Cr Neil Grinham.*

**CARRIED 7/0**

## **4. REPORTS**

### **4.1 Local Government 2016 Compliance Audit Return**

File:	
Author:	Dominic Carbone, A/CEO
Interest Declared:	No interest to disclose
Date:	4 March 2017
Attachment	Draft 2016 Audit Compliance Return

#### **Matter for Consideration**

Consideration of the Compliance Audit Return for the 2016 financial year and recommendation to Council.

#### **Background**

A local government inclusive of a Regional Council is to carry out a compliance audit for the period 1 January to 31 December in each year in a form approved by the Minister. The Compliance Return is to be submitted to the Executive Director by the 31 March the following year.

#### **Statutory Environment**

#### **Local Government Act 1995**

Section 7.13 Regulations as to audits sub-clause (1)(i) states:

“requiring local governments to carry out; in the prescribed manner and in a form approved by the Minister, an audit compliance with such statutory requirements as are prescribed whether those requirements are:

- (i) of a financial nature or not, or
- (ii) under this Act or another written law.

**13. Prescribed statutory requirements for which compliance audit needed (Act s. 7.13(1)(i))**

For the purposes of section 7.13(1)(i) the statutory requirements set forth in the Table to this regulation are prescribed.

**Table**

<b><i>Local Government Act 1995</i></b>		
s. 3.57	s. 3.58(3) and (4)	s. 3.59(2), (4) and (5)
s. 5.16	s. 5.17	s. 5.18
s. 5.36(4)	s. 5.37(2) and (3)	s. 5.42
s. 5.43	s. 5.44(2)	s. 5.45(1)(b)
s. 5.46	s. 5.67	s. 5.68(2)
s. 5.70	s. 5.73	s. 5.75
s. 5.76	s. 5.77	s. 5.88
s. 5.103	s. 5.120	s. 5.121
s. 7.1A	s. 7.1B	s. 7.3
s. 7.6(3)	s. 7.9(1)	s. 7.12A
<b><i>Local Government (Administration) Regulations 1996</i></b>		
r. 18A	r. 18C	r. 18E
r. 18.F	r. 18G	r. 19
r. 22	r. 23	r. 28
r. 34B	r. 34C	
<b><i>Local Government (Audit) Regulations 1996</i></b>		
r. 7	r.10	
<b><i>Local Government (Elections) Regulations 1997</i></b>		
r. 30G		

<b><i>Local Government (Functions and General) Regulations 1996</i></b>		
r. 7	r. 9	r. 10
r. 11A	r. 11	r. 12
r. 14(1), (3) and (5)	r. 15	r. 16
r. 17	r. 18(1) and (4)	r. 19
r. 21	r. 22	r. 23
r. 24	r. 24AD(2), (4) and (6)	r. 24AE
r. 24AF	r. 24AG	r. 24AH(1) and (3)
r. 24AI	r. 24E	r. 24F
<b><i>Local Government (Rules of Conduct) Regulations 2007</i></b>		
r. 11		

**Regulation 14 States as follows:**

**14. Compliance audits by local governments**

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be -
  - (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

**Regulation 15 states as follows:**

**15. Compliance audit return, certified copy of etc. to be given to Executive Director**

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —

- (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
- (b) any additional information explaining or qualifying the compliance audit,

is to be submitted to the Executive Director by 31 March next following the period to which the return relates.

- (2) In this regulation —  
*certified* in relation to a compliance audit return means signed by —
  - (a) the mayor or president; and
  - (b) the CEO.

### **Financial Implications**

Nil

### **Consultation**

Nil

### **Comment**

The 2016 Audit Compliance Return as determined by the Minister has been duly completed and the Audit Committee is requested to review the return and report to Council the results of the review. A copy of the draft 2016 Audit Compliance Return is attached to this report.

### **Voting Requirement**

Simple Majority

The Acting CEO addressed the meeting in relation to responses contained in the Compliance Return and responded to members queries accordingly.

#### **AUDIT COMMITTEE RECOMMENDATION:**

**Moved: Cr Neil Grinham**

**Seconded: Cr Jason Homewood**

*That the Audit Committee recommend to Council that the Draft 2016 Compliance Audit Return be adopted and certified by the Chairperson and Acting Chief Executive Officer and forwarded to the Department of Local Government along with the relevant section of the Minutes in accordance with Regulation 14(3) and Regulation 15 of the Local Government (Audit) Regulations 1996.*

**CARRIED 7/0**

## **4.2 Audit Management Letter for the Year Ended 30 June 2016**

File:	
Author:	Dominic Carbone, A/CEO
Interest Declared:	No interest to disclose
Date:	4 March 2017
Attachment	Auditors' Management Letter

### **Matter for Consideration**

That Council give consideration to the Audit Management letter for the year ended 30 June 2016 together with responses provided by the Acting Chief Executive Officer.

### **Background**

Council is required to examine the report of the Auditor and take appropriate action in relation to the matters raised.

The Auditor has been requested to be available for the Audit Committee Meeting via tele-conferencing.

### **Statutory Environment**

#### **7.12A. Duties of local government with respect to audits**

- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —
  - (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
  - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to —
  - (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
  - (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

### **Business Implications**

Nil

### **Consultation**

Nil



## **Comment**

The findings identified during the Audit of the Regional Councils' Financial Statements for the year ended 30 June 2016 are as follows, together with the response provided by the Acting Chief Executive Officer under the heading of "Management Comment".

## **NON-COMPLIANCE WITH LEGISLATION**

During our audit we noted non-compliance with the following sections of the Local Government Act & Regulations:

- Section 5.46(2) – we noted that Council last reviewed the delegations made under division 4, as kept in the Register of Delegations, during the meeting of Council held on 29 June 2015. However, no review appears to have been completed during the subsequent financial year, or since that date, as required.

We recommend you implement the necessary measures to ensure that the Murchison Regional Vermin Council meets all its legislative requirements in the future.

## **Management Comment**

At the MRVC Ordinary Council Meeting held on 13 December 2016 Council gave consideration to Report No. 12.12 Review of Delegations.

The Council is required to review its delegations at least once every financial, this is noted and the review was conducted in December 2016.

## **BANK RECONCILIATION**

It was noted during our audit that the bank reconciliation for the muni cheque account (#103111201) for 30 June 2016 was incorrect as the bank statement balance differed to the bank reconciliation amount. This was due to a general journal payment of \$2,421.00, on account of wages to D Carbone, posted as at 30 June 2016 was incorrectly treated as a reconciled payment. The direct credit payment was not actioned until 16 August 2016. This error had no impact on the reported cash balances of the regional shire.

Whilst we understand these data errors can occur the bank reconciliation process should uncover these errors and they should be correct at this time.

We recommend that in future you ensure that the bank reconciliations are completed fully and agree to the bank statements.

## Management Comment

The journal entry was necessary in order to record salary owing to the Acting CEO in the correct accounting period being the 2015-16 financial year. The journal entry should have stated Accounts Payable (Creditors) rather than Cash at Bank as the amount was paid after the end of the financial year. Subsequent payments of salaries and journal entries are processed via Accounts Payable (Creditors) so that the cash at bank account is not impacted until the amount owing is actually paid.

## Voting Requirement

Simple Majority

The Auditors Mr Michael St John and Mr Billy-Joe Thomas joined the meeting via teleconferencing, the Chairperson welcomed them to the meeting.

The Auditors addressed the meeting : Chairperson thanked them for making themselves available.

### AUDIT COMMITTEE RECOMMENDATION:

**Moved: Cr Carol Hodshon**

**Seconded: Cr Jason Homewood**

*That Council*

- 1. Receive the Report on the Audit Management Letter for the financial year ended 30 June 2016.*
- 2. Subject to (1) above forward a copy of the report to the Minister for Local Government and Communities and the MRVC Auditor Anderson Munro and Wyllie.*

**CARRIED 7/0**

### 4.3 Report on 2016-17 Annual Budget Review

File:

Author: Dominic Carbone, A/CEO

Interest Declared: No interest to disclose

Date: 6 March 2017

Attachments: Statement of Financial Activities  
Statement of Rate Setting  
Statement of Current Assets and Liabilities  
Budget analysis Worksheets

## Matter for Consideration

That Council adopts the 2016-17 Annual Budget Review

## **Background**

Regulation 33A of the Local Government Act (Financial Management) Regulations 1996 requires that a Regional Local Government between 1<sup>st</sup> February and 31<sup>st</sup> March in each year carry out a review of its Annual Budget for that year. A copy of the review and the determination is to be provided to the Department of Local Government within 30 days of the adoption of the review.

Council adopted a 10% or \$2,000.00 variance or whatever is the greater for the reporting of material variances identified in the annual budget review.

### **33A. Review of budget**

- (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.
- (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.

### **Business Implications**

Nil

### **Consultation**

Nil

### **Comment**

A review of the Regional Local Government 2016-17 Annual Budget has been undertaken in accordance with the Financial Management Regulations and the following worksheets have been prepared;

Statement of Financial Activities

(refer attachments)

Statement of Rate Setting

(refer attachments)

Statement of Current Assets and Liabilities (refer attachments)  
Budget Analysis Worksheets (refer attachments)

The review of the 2016-17 Annual Budget revealed:

(1) A reduction in operating revenue amounting to \$3,000 comprising

- Decrease in interest on investments \$3,000  
(Less funds available for investment  
and reduction in interest rates)

(2) Surplus Brought Forward

- Decrease in Surplus represents a reduction  
of Cash at Bank resulting from additional  
creditors invoices being processed and paid \$23,658

### **Voting Requirements**

Absolute Majority

The Acting CEO addressed the meeting in relation to the variances identified in the budget review and answered members questions accordingly.

#### **AUDIT COMMITTEE RECOMMENDATION:**

**Moved: Cr Ross Homewood**

**Seconded: Cr Robert Grinham**

*That Council*

- 1. Adopts the 2016-17 Annual Budget Review together with the variations detailed in the Budget Analysis Worksheet attached to this Report. A copy of the 2016-17 Annual Budget Review and the determination be provided to the Department of Local Government and Communities.*

**CARRIED 7/0**

#### **5. LATE BUSINESS**

#### **6. CLOSURE OF MEETING**

There being no further business, the chairperson closed the meeting at 10.54 am.