

SHIRE OF MT MARSHALL



Mt Marshall Audit Committee

**Minutes of the
Mt Marshall Audit Committee Meeting
held on Tuesday 9 February 2016
in Council Chambers,
80 Monger St, Bencubbin
commencing at 2:00pm.**

Chairman

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intentionally**

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1.0 Declaration of Opening / Announcement of Visitors

As a Chairman had not yet been elected, the Chief Executive Officer opened the meeting at 2:00pm and called for nominations.

2.0 Election of Chairman

Cr RM Kirby was nominated by Cr ARC Sachse.
Cr RM Kirby accepted the nomination.
There being no further nominations, Cr RM Kirby was duly elected Chairman.

Cr RM Kirby assumed the chair and called for nominations for Deputy Chairman.

Cr SE Faulkner was nominated by Cr ARC Sachse.
Cr SE Faulkner accepted the nomination.
There being no further nominations, Cr SE Faulkner was duly elected Deputy Chairman.

3.0 Record of Attendance / Apologies

Attendance

Cr RM Kirby	President/ Chairman	
Cr SE Faulkner	Deputy President / Deputy Chairman	
Cr PA Gillett	Councillor	
Cr ARC Sachse	Councillor	
Cr HJ Shemeld	Councillor	
Cr WJ Beagley	Councillor	
Cr CT Lumsden	Councillor	
Mr Dirk Sellenger	Chief Executive Officer	
Ms Nadine Richmond	Executive Assistant	
Ms Tanika McLennan	Finance and Administration Manager	
Mr Greg Godwin	Moore Stephens (Auditor)	2:52pm – 3:03pm
Mr Ron Back	Financial Consultant	2:14pm – 2:46pm

Apologies

Nil

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4.0 Confirmation of Minutes of Previous Meetings

4.1 Minutes of Mt Marshall Audit Committee

Audit2016/001 COMMITTEE DECISION:

That the Minutes of the Audit Committee Meeting held on Friday 13 February 2015 be confirmed as a true and correct record of proceedings.

Moved Cr PA Gillett

Seconded Cr WJ Beagley

Carried 7/0

5.0 Presentation via teleconference by Mr Ron Back

Mr Ron Back, Financial Consultant addressed the meeting.

Mr Ron Back left the meeting at 2:46pm

Cr HJ Shemeld left Council Chambers at 2:46pm.

Cr HJ Shemeld re-entered Council Chambers at 2:49pm

6.0 Meeting with Council's Auditor

6.1 Presentation of Audit Report and Management Report for the year ended 30 June 2015

Mr Greg Godwin, Moore Stephens addressed the meeting. Mr Godwin discussed with Council the Audit Report and Management Report for the financial year ended 30 June 2015.

Mr Greg Godwin left the meeting at 3:03pm.

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7.0	Reports of Officers
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7.1	2014/2015 Annual Financial Report and Audit Report
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LOCATION/ADDRESS:	Mt Marshall District
NAME OF APPLICANT:	N/A
FILE REFERENCE:	A1/3 & F1/2
AUTHOR:	Tanika McLennan – Finance and Admin Manager
DISCLOSURE OF INTEREST:	Nil
DATE:	12 February 2015
ATTACHMENT NUMBER:	7.1a – Independent Auditors Report and Management Letter 7.1b – Financial Report year ended 30 June 2015
CONSULTATION:	Dirk Sellenger – Chief Executive Officer
STATUTORY ENVIRONMENT:	Local Government Act 1995

5.54. Acceptance of annual reports

(1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

(2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

7.1A. Audit committee

- (1) A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.
- (2) The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.

** Absolute majority required.*

- (3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.

STATUTORY ENVIRONMENT
(Continued):

- (4) An employee is not to be a member of an audit committee.

[Section 7.1A inserted by No. 49 of 2004 s. 5.]

Division 3 — Conduct of audit

7.9. Audit to be conducted

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —

- (a) the mayor or president; and
- (b) the CEO of the local government; and
- (c) the Minister.

- (2) Without limiting the generality of subsection (1), where the auditor considers that —

- (a) there is any error or deficiency in an account or financial report submitted for audit; or
- (b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or
- (c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,

details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.

- (3) The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —

- (a) prepare a report thereon; and

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**STATUTORY ENVIRONMENT
(Continued):**

(b) forward a copy of that report to the Minister,

and that direction has effect according to its terms.

(4) If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government to be dealt with under section 7.12A.

[Section 7.9 amended by No. 49 of 2004 s. 7.]

POLICY IMPLICATIONS: Nil
FINANCIAL IMPLICATIONS: Nil
STRATEGIC IMPLICATIONS: Nil
VOTING REQUIREMENT: Simple Majority

Audit2016/002 OFFICER RECOMMENDATION/COMMITTEE DECISION:

That the Audit Committee receive the

1. Audited Financial Report for the year ended 30 June 2015;
2. Independent Audit Report for the year ended 30 June 2015 and;
3. Management Letter for the year ended 30 June 2015.

Moved Cr PA Gillett

Seconded Cr SE Faulkner

Carried 7/0

BACKGROUND:

The Shire's auditor, Moore Stephens conducted the annual financial audit of the Shire of Mt Marshall in October 2015 for the period of 1 July 2014 to 30 June 2015. A copy of the audited Financial Statement is attached, along with the Independent Audit Report and Management Letter, for consideration by the Audit Committee.

COMMENT:

As advised at the Ordinary Meeting of Council held 16 December 2015, the Auditors Report was not available in time for the Annual Report to be accepted by 31 December 2015. The Department of Local Government were advised of this fact, noting that the Annual Report must be accepted within 2 months of the Audit Report becoming available, and no further action is required.

The Auditors report was finalised 2 February 2016 and is presented accordingly.

Independent Consultant, Mr Ron Back, provides the following comment on Moore Stephens' Management letter:

"Observation- Moore Stephens have used the "Advanced" level for their assessment as the Target. To be helpful they should have used the base level and identified where the Shire is in danger of falling below the acceptable benchmark. They have been

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*irresponsible in identifying “Within acceptable banding as per the guidelines” as the **advance** level specified in those guidelines.*

They have invented a debt service coverage ratio of 15x when the DLG guidelines show 2x as the base and 5x as the advanced level. My experience using all LG’s for 2010/11 to 2012/13 (other data is not complete for 2013/14 onwards) is the median sits at 7.6, 10.0, 8.5 for 2010/11 to 2012/13 respectively. In addition the number of LG’s debt free is steadily reducing.

If the report is to be of use to Council it should compare the base level for the adjusted ratios and highlight negative trends. Because the impact of “one-off” transactions distorts the ratios we should be careful in making decisions based on the raw numbers.”

Council’s Auditor, Mr Greg Godwin of Moore Stephens, and Independent Consultant, Mr Ron Back, will be in attendance at this meeting.

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8.0 Next Meeting – to be advised

9.0 Closure of Meeting

The Chairman thanked the committee, Mr Godwin and Mr Back for their participation and declared the meeting closed at 3:09pm.

These Minutes were confirmed by the Mt Marshall Audit Committee at its meeting held on 22 March 2016

Date

Chairman