



SHIRE OF YORK

**MINUTES OF THE
AUDIT COMMITTEE MEETING
HELD ON 15 FEBRUARY 2010
COMMENCING AT 11.00AM
IN THE COUNCIL CHAMBERS.**

SHIRE OF YORK
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SHIRE OF YORK

THE MEETING OF THE AUDIT COMMITTEE HELD ON MONDAY, 15 FEBRUARY 2010,
COMMENCING AT 11.00AM IN THE COUNCIL CHAMBERS, YORK.

1. OPENING

The Chief Executive Officer opened the meeting in order to allow for the election of the presiding member and deputy.

2. ELECTION OF PRESIDING MEMBER

The Audit Committee elected Cr Pat Hooper as the Presiding Member as per the Local Government Act Section 5.12 "Election of presiding members and deputies" which states:

- (1) The members of a committee are to elect a presiding member from amongst themselves in accordance with Schedule 2.3, Division 1 as if the references in that Schedule —
 - (a) to "office" were references to "office of presiding member";
 - (b) to "council" were references to "committee"; and
 - (c) to "councillors" were references to "committee members".
- (2) The members of a committee may elect a deputy presiding member from amongst themselves but any such election is to be in accordance with Schedule 2.3, Division 2 as if the references in that Schedule —
 - (a) to "office" were references to "office of deputy presiding member";
 - (b) to "council" were references to "committee";
 - (c) to "councillors" were references to "committee members"; and
 - (d) to "mayor or president" were references to "presiding member".

Under Schedule 2.3 Division 1 the CEO/Acting CEO acts as presiding officer at the meeting until the election until the election of the presiding member. Nominations for position of Presiding Member are to be in writing to the CEO/Acting CEO prior to the meeting or during the meeting prior to the election for the position taking place. Voting is to be by secret ballot. Where a councillor has been nominated by another Councillor they must indicate either verbally or in writing that they are willing to accept the nomination.

3. ELECTION OF DEPUTY PRESIDING MEMBER

The Audit Committee elected Cr Tony Boyle as the Deputy Presiding Member.

4. **ANNOUNCEMENT OF ANY DECLARED FINANCIAL INTERESTS**

D Carbone declared a financial interest in item 7.3.

5. **ATTENDANCE**

- MEMBERS
Cr Hooper, Cr Boyle
- STAFF
R Hooper, T Cochrane
- OBSERVERS
D Carbone
- APOLOGIES

6. **CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

- MINUTES OF AUDIT COMMITTEE MEETING HELD 25 MAY 2009

Recommendation

Moved: Cr P Hooper

Seconded: Cr T Boyle

That the minutes of the Audit Committee meeting held on 25 May 2009 as circulated, be accepted as a true and correct record.

CARRIED (2/0)

- Matters Arising

7. **REPORTS**

7.1 MEET WITH AUDITORS - ANNUALLY

FILE:	FI.FRP.4
COUNCIL DATE:	15 February 2010
REPORT DATE:	20 January 2010
LOCATION/ADDRESS:	N/A
ACTION OFFICER:	Tyhscha Cochrane, Acting DCEO
SENIOR OFFICER:	Ray Hooper, CEO
DISCLOSURE OF INTEREST:	No
APPENDICES:	Appendix A – Fee Schedule
DOCUMENTS TABLED:	Nil

Summary:

Pursuant to Section 7.12A(2) there is a requirement that the Auditor meets with the Local Government once in every year.

This provision was a requirement listed in the Audit Specifications and confirmed in the proposal received from Council's Auditors, Macri Partners.

Accordingly the Auditor has been invited to meet with the Committee Members.

Background:

In response to an invitation to attend the Audit Committee the Macri Partners provided the following response:

"We regret to advise that due to other engagements we are unable to attend the audit committee meeting to be held on the 15 February 2010.

However, please do not hesitate to contact us regarding the next meeting to be held in March."

Consultation:

Ray Hooper - Chief Executive Officer
Dominic Carbone – Consultant
Macri Partners

Statutory Environment:

Local Government Act 1995 (as amended)
Financial Management Regulations 1996

Policy Implications:

Nil.

Financial Implications:

Nil at this time. For future attendance at the Audit Committee a fee schedule is attached and labeled Appendix A.

Strategic Implications:

Nil.

Voting Requirements:

Absolute Majority Required: No

Site Inspection:

Site Inspection Undertaken: Not applicable

Triple bottom Line Assessment:
Economic Implications:

Social Implications:

Environmental Implications:
Not applicable.

Comment:

OFFICER RECOMMENDATION

Moved: Cr T Boyle

Seconded: Cr P Hooper

“That it be noted that the Shires Auditor Macri Partners could not attend the Audit Committee meeting held on the 15th February 2010 and that an invite be extended to attend the Audit Committee on the 4th March 2010.”

CARRIED (2/0)

SCHEDULE 'E'

FEE PROPOSAL

2. PRICING – ADDITIONAL SERVICES

Services may be required by the Council for specific projects (grant acquittals, etc) and other services relating to provision for technical advice, tax advice (GST and FBT) and such like.

Depending on the size and complexity of the services we would envisage the use of either partner, manager, senior or assistant.

The hourly rates by staff for each year are:

<u>Position</u>	<u>Rate per Hour (ex GST)</u>	<u>GST</u>	<u>Rate per Hour (inc GST)</u>
Partner	\$ 180	\$ 18	\$ 198
Manager	\$ 130	\$ 13	\$ 143
Senior	\$ 110	\$ 11	\$ 121
Assistant	\$ 90	\$ 9	\$ 99

The hourly rates are subject to negotiation.

Audit Committee Representation:

Audit Partner in the normal course will attend the audit committee meetings. Fee will be charged based on an hourly rate disclosed above.

The Manager of Audit & Accounting Services may also attend these meetings with the Audit Partner and this will be provided at no cost to the Council.

We wish to point out that as part of our audit service we would provide at no cost to the Council answers to taxation and other queries which could be provided over the telephone and within a reasonable time frame.

7.2 DELEGATION TO THE COMMITTEE

FILE:	FI.FRP.6
COUNCIL DATE:	15 February 2010
REPORT DATE:	20 January 2010
LOCATION/ADDRESS:	N/A
ACTION OFFICER:	Tyhscha Cochrane, Acting DCEO
SENIOR OFFICER:	Ray Hooper, CEO
DISCLOSURE OF INTEREST:	No
APPENDICES:	Appendix A - Proposed Terms of Reference of Audit Committee Appendix B – Department of Local Government – Operational Guidelines Number 9 – Audit in Local Government
Committees	
DOCUMENTS TABLED:	Nil

Summary:

Due to the new Committee not meeting previously this report is to provide guidance as to the structure of the Audit Committee.

Background:

The Audit Committee was established by Council May 2006 as a result of amendments to the Local Government Act 1995 (as amended).

Part 7 of the Local Government Act (1995) governs the establishment of the Audit Committee and delegations to it.

In establishing the Audit Committee the Council determined that no delegation would be made to the Committee, the Committee is to make recommendations to Council for consideration only.

Consultation:

Ray Hooper - Chief Executive Officer
Dominic Carbone - Consultant

Statutory Environment:

Part 7 of the Local Government Act (1995)
Local Government Act (Audit) Regulations 1996, Regulation 16.

Policy Implications:

Nil.

Financial Implications:

Nil.

Strategic Implications:

Nil.

Voting Requirements:

Absolute Majority Required: No

Site Inspection:

Site Inspection Undertaken: Not applicable

Triple bottom Line Assessment:

Economic Implications:

The Audit Committee will oversee and analyse the financial reliability and sustainability of the local government.

Social Implications:

Community confidence in the governance of the district may be enhanced by the activities of the Audit Committee.

Environmental Implications:

Not applicable.

Comment:

Council at the time of establishing the Audit Committee did not provide any delegations and this will remain and the purpose of the Audit Committee is to provide recommendations to the Council.

OFFICER RECOMMENDATION

Moved: Cr P Hooper

Seconded: Cr T Boyle

That the information contained within Report 7.2 of the Audit Committee meeting held on the 15th February 2010 be received.

CARRIED (2/0)

Advice: A report is to go to the 15th March 2010 Ordinary Council Meeting offering membership to the Audit Committee or Observer Status.



York Shire Council

Audit Committee

Preamble:

This committee is established in terms of the Local Government Act 1995 Part 5 Division 2 Sub-Divisions 2 and 3 Sections 5.8 – 5.25 and Part 7 Division 1A.

Membership: (Comprising at least 3 Councillors)

1. Cr Hooper
2. Cr Boyle
3. Cr Scott

Terms of Reference:

As set out in the Audit Committees in Local Government, Local Government Operational Guidelines Number 9.

Delegations:

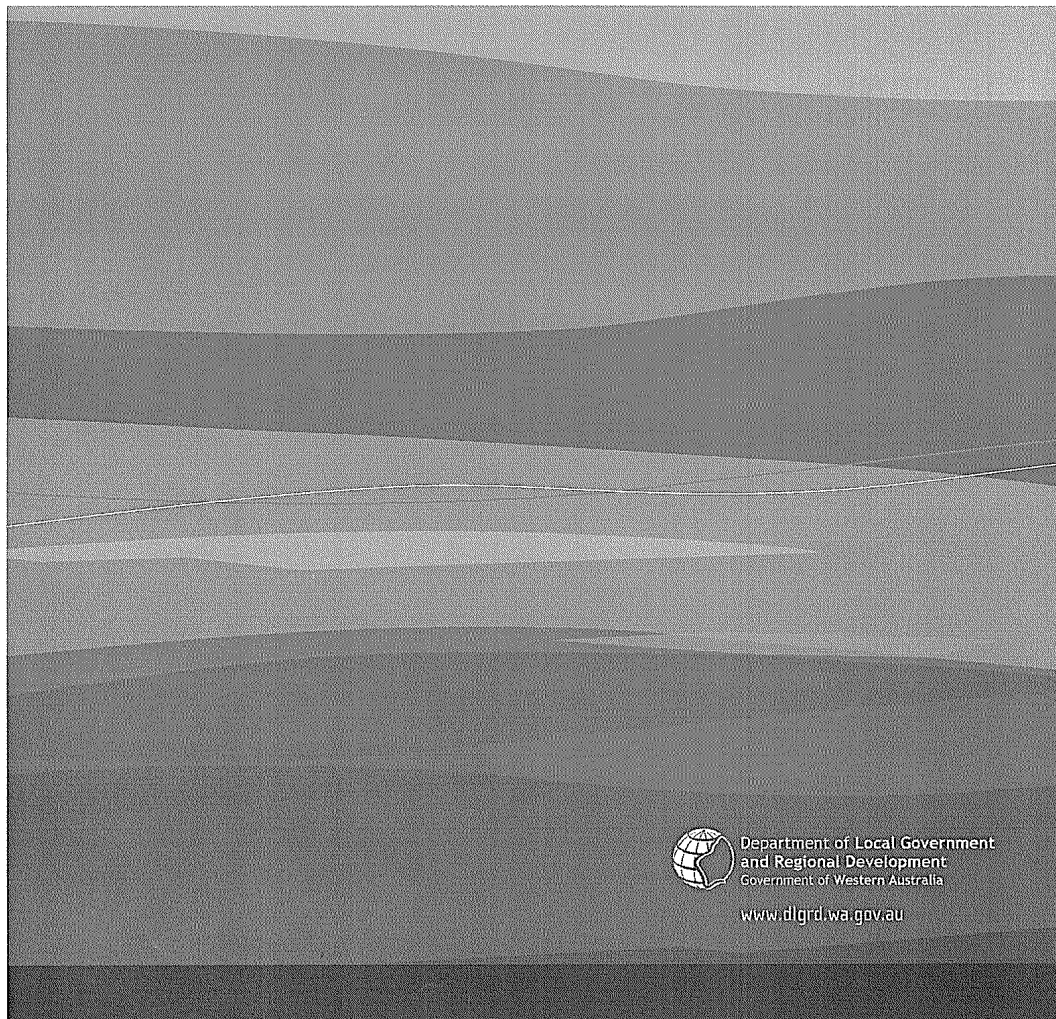
General Delegations:

1. Minutes of all meetings are to be available to be included at the next Ordinary Meeting of Council
2. This committee may only make recommendations to the Council
3. This committee does not have the authority to commit the Council or the Shire of York to any undertaking

Financial Delegations:

This committee does not have the authority to commit the Council or the Shire of York to any financial undertaking.

Audit Committees in Local Government
Their appointment, function and responsibilities
Local Government Operational Guidelines – Number 09 Revised March 2006



Audit Committees in Local Government

THEIR APPOINTMENT, FUNCTION AND RESPONSIBILITIES

1. INTRODUCTION

1 An amendment to the *Local Government Act 1995* (the Act) in 2005 introduced a requirement that all local governments establish an audit committee. Such committees are to provide an independent oversight of the financial systems of a local government on behalf of the Council. As such, the committee will operate to assist Council to fulfil its corporate governance, stewardship, leadership and control responsibilities in relation to the local government's financial reporting and audit responsibilities.

2 The purpose of this guideline is to assist local governments to establish and operate an effective audit committee. Clear and comprehensive terms of reference, setting out the committee's roles and responsibilities, is essential and a model terms of reference for an audit committee is provided with this guideline. Matters such as the governing legislation, membership, primary roles and responsibilities of the committee and ancillary functions are also addressed. Guidance is provided to the committee as it approaches its task of appointing an external auditor through provision of a minimum standard audit specification.

2. LEGISLATION

3 The relevant parts of the Act and regulations that relate to financial management, audits and audit committees are listed below.

Financial Management

4 In relation to financial management under Part 6 of the Act, a local government is to –

- a) prepare and adopt an annual budget in the form and manner prescribed. A copy of the budget is to be sent to the Department within 30 days of adoption.

- b) prepare an annual financial report and such other financial reports as are prescribed. The accounts of the local government and annual financial report are to be submitted to the auditor for audit by 30 September.
- c) have a municipal fund and a separate and distinct trust fund.
- d) establish and maintain reserve funds for the holding of monies set aside for future use.

Audit requirements for local governments

5 Part 7 of the Act and the *Local Government (Audit) Regulations 1996* (the Regulations) address the situation of audit. In relation to the duties of the local government with respect to audits –

- a) the local government is to do everything in its power to –
 - i. assist the auditor to conduct an audit and carry out his or her other duties under the Act; and
 - ii. ensure that audits are conducted successfully and expeditiously;
- b) a local government is to meet with its auditor at least once in every year;
- c) a local government is to examine the report of the auditor and is to –
 - i. determine if any matters raised require action to be taken by the local government; and
 - ii. ensure that appropriate action is taken in respect of those matters;
- d) a local government is to –
 - i. prepare a report on any actions taken in respect of any matters raised in the report of the auditor; and
 - ii. 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 by the auditor is received by the local government, whichever is the latest in time.

Audit Committees

6 The Act and Regulations provide that: –

In relation to the establishment of an audit committee –

- a) each local government is to establish an audit committee consisting of three or more persons to exercise the powers and discharge the duties conferred on it;
- b) members of the committee are to be appointed by an absolute majority decision of Council. At least three of the members, and the majority of the members, are to be elected members;
- c) the CEO is not to be a member of the committee and may not nominate a person to be a member or have a person to represent him or her as a member of the committee;
- d) an employee is not to be a member of the committee;
- e) the only powers and duties that can be delegated to a committee are any of the powers and duties of the local government under Part 7 of the Act. The committee cannot on-delegate the powers and duties delegated to it;
- f) an audit committee with a member who is a person that is not an elected member can be delegated powers and duties referred to in [e]; and
- g) a decision of the committee is to be made by simple majority.

As part of its function an audit committee –

- a) is to provide guidance and assistance to the local government –
 - i. as to the carrying out of its functions in relation to audits;
 - ii. as to the development of a process to be used to select and appoint a person to be the auditor; and
- b) may provide guidance and assistance to the local government as to –
 - i. matters to be audited;
 - ii. the scope of the audit;

- iii. its functions under Part 6 of the Act that relate to financial management; and
- iv. the carrying out of its functions relating to other audits and other matters related to financial management.

Appointment of the Auditor

7 The Act and Regulations provide that –

- a) on the recommendation of the audit committee a local government is to from time to time appoint, by absolute majority, a person to be its auditor;
- b) the local government may appoint one or more persons as its auditor;
- c) the local government's auditor is to be a person who is –
 - i. a registered company auditor; or
 - ii. an auditor approved by the Minister;
- d) a person may not be appointed as a local government auditor if that person is –
 - i. a councillor or employee of the local government;
 - ii. in debt to the local government for more than \$5,000;
 - iii. a councillor or employee of a regional local government in which the local government is a participant;
 - iv. a member of an incorporated association formed by the local government; or
 - v. a class of persons as prescribed in the Regulations;
- e) an auditor is not to be appointed for more than five years; and
- f) the appointment of a person as an auditor is to be made by agreement in writing and is to include –
 - i. the objectives of the audit;
 - ii. the scope of the audit;
 - iii. a plan for the audit;
 - iv. details of the remuneration and expenses to be paid to the auditor; and
 - v. the method to be used by the local government to communicate with, and supply information to, the auditor.

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Conduct of the Audit

a The Act and Regulations provide that –

- a) the auditor is required by 31 December next following the financial year to which the audit relates, to examine the accounts and annual financial report submitted for audit;
- b) the auditor is to form an opinion as to whether –
 - i. the accounts are properly kept; and
 - ii. the annual financial report –
 - is prepared in accordance with the financial records; and
 - represents fairly the results of the operations of the local government and its financial position at 30 June;
- c) the auditor is to prepare a report on the audit and within 30 days of completing the audit forward a copy to –
 - i. the mayor or president;
 - ii. the CEO of the local government; and
 - iii. the Minister;
- d) the report is to give the auditor's opinion on –
 - i. the financial position of the local government; and
 - ii. the results of the operation of the local government;
- e) the report is to include –
 - i. any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;
 - ii. any matters indicating non-compliance with financial management requirements of the Act, Regulations and any other written law;
 - iii. details of whether information and explanations were obtained; and
 - iv. a report on the conduct of the audit;
- f) where it is considered appropriate to do so the auditor is to prepare a management report to accompany the auditor's report;

g) where the auditor considers that –

- i. there is any error or deficiency in an account or financial report;
- ii. any money paid from, or due to the local government has been, or may have been misapplied; or
- iii. there is a matter arising from the audit that needs to be addressed by the local government;

details are to be included in the report to the Minister; and

h) the auditor has a right of access at all reasonable times to such books, accounts, documents and assets of the local government as are in the opinion of the auditor necessary to allow the audit to be conducted.

3. OPERATION OF AUDIT COMMITTEES

Role and Responsibilities

9 The role of the audit committee is to support Council in its endeavours to provide effective corporate governance and fulfil its responsibilities in relation to directing and controlling the affairs of the local government.

10 The essential role for an audit committee is oversight for all matters that relate to the conduct of audits. The committee's effectiveness will be greater if it is also given responsibility for oversight of financial management processes within the local government but only where a Council does not have a finance committee.

11 Please note that an audit committee [or any other committee] cannot be given a management task where the Act and Regulations make the CEO specifically responsible. Where the local government is assigned the function through the legislation the audit committee may have a role unless the function has been delegated to the CEO by the Council.

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- 12 The deliberations and recommendations of the committee must be independent and autonomous. Therefore, the Act prohibits the CEO being a member of the committee. However, it is essential that the CEO be given every opportunity to provide his/her expert advice to the committee as he/she does with full Council and other committees. Therefore, the CEO or their nominated representative must be given official adviser status and attend all meetings.
- 13 A model terms of reference is attached as Appendix 1 to assist local governments to define an appropriate role for its audit committee. When considering the model, local governments need to remember it is a guide and they can delete or modify any matters they believe not applicable.
- 14 It is important to note that the legislation gives the audit committee a specific role in appointing the auditor. It is to recommend to the Council who should be appointed as the auditor. Attached as Appendix 2 is a model 'Minimum Standard Audit Specification' that local governments can use when developing a process to be used to select and appoint a person to be the auditor. Local governments can amend the document to suit their individual requirements. Any scope adopted must meet, as a minimum, the legislative requirements.
- 15 The legislation specifies that a local government is required to meet with its auditor at least once in every year. The term "local government" in this context means the Council. If Council so resolved via a formal delegation, a meeting between the audit committee and the auditor would satisfy this requirement.
- 16 It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or audit committee should resolve how the meeting with the auditor will be conducted and for the record of the meeting to show that the auditor was involved and the matters discussed. It would be inappropriate for Council representatives to meet with the auditor in their offices unless they were members of the Audit Committee or a significant majority of the members.
- 17 The committee may need to liaise regularly with the external auditor to discuss the audit plan, results of the audit and implementation of any recommendations for action emerging from the audit. The method of liaison between auditor and committee should be addressed in the agreement of appointment.
- 18 Advice from the auditor may address issues such as –
- (i) an assessment of accounting procedures;
 - (ii) an assessment of internal controls;
 - (iii) an assessment of risk;
 - (iv) compliance with the Act and associated regulations;
 - (v) compliance with Council policies;
 - (vi) performance assessments on the efficiency and effectiveness of operations;
 - (vii) processes of the internal audit;
 - (viii) outcomes of the external audit prior to issue of management and audit reports; and
 - (ix) changes to accounting standards and legislation and the impact on the local government.
- 19 The audit committee should examine the auditor and management reports. The committee would then determine if any matters raised in the reports require action to be taken by the local government and to ensure that appropriate action is implemented.
- 20 A further role for the audit committee would be to receive and authorise the report relating to the audit prepared by the CEO that is to be sent to the Minister. This report would outline any actions the local government has taken or intends to take in relation to the matters identified by the auditor.

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21 The role of the audit committee in relation to the internal audit function is a matter of conjecture. Most CEOs would argue that where there is a formal internal audit that it is an operational function and is their responsibility. The role of the Audit Committee may be to ensure that an internal audit function is put in place where required and that its processes are appropriate, accountable and transparent. The role of the external auditor in this regard can be established at the time of appointment.

Membership

22 An audit committee is required to consist of a minimum of 3 members and in that situation all must be council members. Where a committee consists of more than 3 members then a majority of those members must be council members. Local governments may decide to appoint a committee involving only elected members or they may appoint one or more persons who are external to the Council. If a Council considers it appropriate the whole Council can be appointed as the audit committee.

23 If the local government wishes to appoint one or more persons other than elected members to the committee, it should ensure that they have the requisite knowledge and skills to provide benefit to the committee.

Operation of the Committee

24 Irrespective of the membership of the committee, all legislative requirements relating to committee meetings such as advertising meeting dates, notice of meeting and keeping minutes of meetings need to be complied with.

25 The legislation prevents a meeting fee being paid to an external person but it is permissible for a payment to be made, commensurate with the expertise and knowledge such people bring to the committee. The Council will need to determine whether payment will be offered and the level of that payment.

26 Members of the committee should be encouraged to attend appropriate courses to keep them up to date with legislation, accounting and other relevant issues.

Other Responsibilities

27 Local governments are required by legislation to complete a statutory compliance return and have the return adopted by Council. The return is a comprehensive checklist of a local government's compliance with the requirements of the Act and all its Regulations. After adoption, the return is to be signed by the Mayor or President and the CEO prior to it being forwarded to the Department.

28 The detailed nature of the return makes it difficult for Council to assess any implications arising from the return at its Ordinary Council Meetings. In addition, the return covers a significant number of compliance matters that relate to the management of financial processes and procedures.

29 Therefore, as an option Council could consider allocating to the audit committee the role of reviewing the return and making a recommendation on its adoption. The audit committee could also consider proposals from the CEO as to whether the compliance audit is undertaken internally or an external party is contracted to undertake the task. In the case of an external party the audit committee would have the responsibility to receive the report and make recommendations on it to full Council.

4. THE EXTERNAL AUDITOR

Appointment of an Auditor

30 The Act requires that each local government, from time to time, appoint an auditor on the recommendation of the audit committee. The committee should undertake a proper selection and appointment process as part of appointing an auditor.

31 It is important to realise that the Act specifies that it is a person(s) that is appointed as auditor, not the company which employs the person. Therefore, when the audit report is received it must be signed by the person(s) appointed as the auditor; it cannot be the generic signature identifying the firm.

Scope of the Audit

- 32 The Act and Regulations prescribe the scope of the external audit of the annual financial statements of a local government.
- 33 The scope details are going to vary between local governments but as an aid a model minimum standard audit specification is attached as Appendix 2 to this guideline. Individual local governments can amend that document to suit their particular needs.

Reporting by the auditor

- 34 Regulations require the auditor, where appropriate, to prepare a management report to accompany the auditors report. Although there is no legislative requirement for the auditor to prepare a management report unless he or she deems it appropriate, local government may wish to require the auditor to prepare a report on all issues identified during the audit.
- 35 The auditor, after completing the audit, is to forward a copy of his or her audit and management report to –
- the Mayor or President;
 - the CEO of the local government; and
 - the Minister via the Department.
- 36 The CEO should be assigned the task of providing the report to the audit committee.

Appendix 1

MODEL TERMS OF REFERENCE – AUDIT COMMITTEES

- 37 Important: The following Model Terms of Reference contains clauses that may not be applicable to each local government. Local governments will need to consider each clause and only adopt those that are applicable to the roles and responsibilities and delegated powers and functions that will apply to their audit committee.
- 38 The clauses that are considered optional have been asterisked (*).

Objectives of Audit Committees

- 39 The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.
- 40 Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.
- 41 The committee is to facilitate –
- the enhancement of the credibility and objectivity of *internal and external financial reporting;
 - *effective management of financial and other risks and the protection of Council assets;
 - compliance with laws and regulations as well as use of best practice guidelines relative to auditing;
 - *the coordination of the internal audit function with the external audit; and
 - the provision of an effective means of communication between the external auditor, *internal auditor, the CEO and the Council.

Powers of the Audit Committee

- 42 The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

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43 The committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

Membership

44 The committee will consist of *four members with three elected and *one external person. All members shall have full voting rights.

45 *External persons appointed to the committee will have business or financial management/reporting knowledge and experience, and be conversant with financial and other reporting requirements.

46 *Appointment of external persons shall be made by Council by way of a public advertisement and be for a maximum term of two years. The terms of the appointment should be arranged to ensure an orderly rotation and continuity of membership despite changes to Council's elected representatives.

47 *Remuneration will be paid to each external person who is a member of the committee on the basis of an annual payment.

48 The CEO and employees are not members of the committee.

49 The CEO or his/her nominee is to attend all meetings to provide advice and guidance to the committee.

50 The local government shall provide secretarial and administrative support to the committee.

4. Meetings

51 The committee shall meet at least *quarterly.

52 Additional meetings shall be convened at the discretion of the presiding person.

5. Reporting

53 Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council.

54 *The committee shall report annually to the Council summarising its activities during the previous financial year.

6. Duties and Responsibilities

55 The duties and responsibilities of the committee will be –

- a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor;
- c) Develop and recommend to Council –
 - a list of those matters to be audited; and
 - the scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the auditor. The agreement is to include –
 - the objectives of the audit;
 - the scope of the audit;
 - a plan of the audit;
 - details of the remuneration and expenses to be paid to the auditor; and
 - the method to be used by the local government to communicate with, and supply information to, the auditor;
- f) *Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the local government does everything in its power to –
 - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
 - ensure that audits are conducted successfully and expeditiously;

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- h) Examine the reports of the auditor after receiving a report from the CEO on the matters and –
- determine if any matters raised require action to be taken by the local government; and
 - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) *Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;
- l) *Review the level of resources allocated to internal audit and the scope of its authority;
- m) *Review reports of internal audits and by monitoring the implementation of recommendations made by the audit and reviewing the extent to which Council and management reacts to matters raised;
- n) *Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;
- o) *Review the local government's draft annual financial report, focusing on –
- accounting policies and practices;
 - changes to accounting policies and practices;
 - the process used in making significant accounting estimates;
 - significant adjustments to the financial report (if any) arising from the audit process;
 - compliance with accounting standards and other reporting requirements; and
 - significant variances from prior years;
- p) *Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
- q) *Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;
- r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council; and
- s) *Review the Statutory Compliance Return and make a recommendation on its adoption to Council.

Appendix 2

MODEL MINIMUM STANDARD AUDIT SPECIFICATION

IMPORTANT: The following Model Minimum Standard Audit Specification may be used as the basis for the calling of tenders or seeking of quotes for the appointment of an auditor. Local governments need to consider the Model to ensure that only those clauses applicable to its requirements are used. This applies, in particular, to the "Critical matters to be audited".

Introduction

This document is provided for the assistance of auditors who wish to apply for the role of auditor with the City/Town/Shire.

Auditors are required to address all of the matters outlined in the specification.

Auditors who submit an application may be asked to provide further information and/or make a presentation to the audit committee.

Objectives of the Audit

To provide an independent audit opinion of the accounts and annual financial reports of the local government for each financial year covered by the term of the audit appointment.

	Term of Audit Appointment		Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia;
61	For the financial years commencing 1 July through to 30 June..... (not more than 5 years)		
	Scope of the Audit		
62	The auditor is to –		[c] The auditor is to provide the local government with a general outline of his/her methodology;
	Carry out such work as is necessary to form an opinion as to whether –		[d] The auditor is to provide the local government with a plan for the audit including –
	(a) the accounts are properly kept; and		■ timing of interim audit visits;
	(b) the annual financial report –		■ final audit visit (within 30 days of being advised that the accounts and annual financial report are available for audit);
	(i) is prepared in accordance with the financial records; and		■ timing of the legislative requirement to meet with the local government and whether that meeting will be in person or by some other means; 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 the Australian Accounting Standards, the <i>Local Government Act 1995</i> (as amended), the <i>Local Government (Financial Management) Regulations 1996</i> (as amended) and other mandatory professional reporting requirements;		■ the method to be used to communicate with, and provide advice and information to, the local government; and
	Give an opinion in his or her audit report on –		[e] The auditor is required to produce an audit report as required by section 7.9 of the <i>Local Government Act 1995</i> and, if considered appropriate by the auditor, a management report.
	(a) the financial position of the local government; and		
	(b) the results of the operation of the local government;	64	Critical Matters to be Audited
	Include in his or her audit report –		The auditor is to include in his or her application the extent to which the critical matters outlined below will be audited so as to form an opinion on the manner in which they have been maintained.
	(a) any material matters that indicate significant adverse trends in the financial position or the financial management practices of the local government;		[i] Revenue
	(b) any matters indicating non-compliance with financial management requirements of the Act, Regulations and any other written law.		■ Rates revenue
			■ Government grants
			■ User pays revenue
			■ Profit on sale of non-current assets
			■ Other income
63	Audit Methodology and Approach		[ii] Expenditure
	Other requirements of the Auditor –		■ Salary and wage costs
	(a) The auditor is required to comply with the requirements of section 7.9 of the <i>Local Government Act 1995</i> and the <i>Local Government (Audit) Regulations 1996</i> ;		■ Depreciation
	(b) An audit is to be carried out in accordance with "Auditing Standards" and "Auditing Guidance Statements" adopted from time to time by the		■ Materials and contract expenditure
			■ Loss on sale of non-current assets
			■ Insurances
			■ Bad debts
			■ Other expenditure

p10.

(iii) Current Assets <ul style="list-style-type: none"> ■ Bank and short term investments ■ Receivables and prepayments ■ Inventory 	66	The auditor is to provide a fee for any additional audit requested by Council.
(iv) Non-Current Assets <ul style="list-style-type: none"> ■ Property, plant, furniture and equipment ■ Infrastructure and depreciation ■ Other receivables 	67	Terms Conditions to be noted by auditors – <ul style="list-style-type: none"> ■ The auditor shall not sub contract to a third party; ■ The auditor shall not, and has no right to, assign the audit contract to third parties; ■ The auditor shall not be engaged by the local government to undertake any financial consultancy with the local government that requires the preparation of financial information that will be the subject of the annual audit; and ■ The auditor shall confirm that he or she has, and will maintain during the duration of the audit term, professional indemnity insurance covering the legal liability arising out of any neglect, default, error, or omission.
(v) Liabilities (Current and non-current) <ul style="list-style-type: none"> ■ Creditors and accruals ■ Loan borrowings including new loans raised ■ Provision for annual and long service leave entitlements 		
(vi) Reserve Funds		
(vii) Contingent Liabilities		
(viii) Capital Commitments		
(ix) Accounting Policies and Notes to the Financial Statements		
(x) Cash Flow Statement		Termination of Appointment
(xi) The financial ratios required by the <i>Local Government (Financial Management) Regulations 1996</i>	68	The appointment as auditor is terminated if – <ul style="list-style-type: none"> (a) the auditor ceases to be a registered company auditor; (b) the auditor ceases to be an approved auditor under Section 7.5 of the <i>Local Government Act 1995</i>; (c) the auditor is a disqualified person under Section 7.4(2) of the <i>Local Government Act 1995</i>; (d) the auditor resigns by notice in writing to Council; and (e) Council serves notice in writing to the auditor terminating the appointment.
Hours, Fees and Expenditure		
65 The auditor is to provide – <ul style="list-style-type: none"> ■ Estimate of the time to be spent on the audit; ■ Fees for completing the audit in accordance with this specification; ■ Nominated auditor(s) and registered company audit number(s); and ■ Experience of the nominated auditors in completing local government audits. 		



Department of Local Government
and Regional Development
Government of Western Australia

www.dlgrd.wa.gov.au

FURTHER INFORMATION

For more information about this and other guidelines, contact the Local Government Support and Development Branch of the Department of Local Government and Regional Development on:

Tel: (08) 9217 1500

Fax: (08) 9217 1555

Freecall: 1800 620 511 (Country Only)

These guidelines are also available on the Department's website at www.dlgrd.wa.gov.au

ABOUT THE GUIDELINE SERIES

This document and others in the series are intended as a guide to good practice and should not be taken as a compliance requirement. The content is based on Departmental officers' knowledge, understanding, observation of, and appropriate consultation on contemporary good practice in local government. Guidelines may also involve the Department's views on the intent and interpretation of relevant legislation.

All guidelines are subject to review, amendment and re-publishing as required. Therefore, comments on any aspect of the guideline are welcome. Advice of methods of improvement in the area of the guideline topic that can be reported to other local governments will be especially beneficial.

7.3 FINANCIAL MANAGEMENT REVIEW

FILE:	FI.FRP.6
COUNCIL DATE:	15 February 2010
REPORT DATE:	20 January 2010
LOCATION/ADDRESS:	N/A
ACTION OFFICER:	Tyhscha Cochrane, Acting DCEO
SENIOR OFFICER:	Ray Hooper, CEO
DISCLOSURE OF INTEREST:	No
APPENDICES:	Appendix A – Financial Management Systems and Procedures Review
DOCUMENTS TABLED:	Nil

Summary:

Review of Financial Management Systems and Procedures.

Regulations 5(2)(c) of the Local Government (Financial Management) Regulations 1996 requires the Chief Executive Officer to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four financial years) and report to the local government the results of those reviews.

Background:

To comply with the requirements of the Regulations Accountant Dominic Carbone and Associates was commissioned by the Chief Executive Officer to undertake the review and report on Council's Financial Management Systems and Procedures.

Consultation:

Ray Hooper - Chief Executive Officer
Dominic Carbone - Consultant

Statutory Environment:

Local Government Act 1995
Local Government(Financial Management) Regulations 1996.

The financial management responsibilities of the CEO are established under Regulation 5 of the Local Government (Financial Management) Regulations 1996:

- “(1) Efficient systems and procedures are to be established by the CEO of a local government:
- (a) for the proper collection of all money owing to the local government;
 - (b) for the safe custody and security of all money collected or held by the local government;
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
 - (d) to ensure proper accounting for municipal or trust:
 - (i) revenue received or receivable;
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;

- (f) for the maintenance of payroll, stock control and costing records; and
- (g) to assist in the preparation of budgets, budget reviews, accounts and reports Required by the Act or these Regulations.”

In addition, the CEO is to:

“(2)

- (a) ensure that the resources of the local government are effectively and efficiently managed;
- (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and no less than once in every 4 financial years) and report to the local government the results of those reviews.”

Policy Implications:

Nil.

Financial Implications:

There are no financial implications in considering this item.

Strategic Implications:

Nil.

Voting Requirements:

Absolute Majority Required: No

Site Inspection:

Site Inspection Undertaken: Not applicable

Triple bottom Line Assessment:

Economic Implications:

Social Implications:

Community confidence in the governance of the district.

Environmental Implications:

Not applicable.

Comment:

The financial management review provides the Chief Executive Officer and the Council with an independent assessment of the appropriateness and effectiveness of the Shires Financial Management Systems.

The review procedures undertaken included documentation, analysis and testing of financial internal controls. The Shires financial records were examined to ascertain the level of effectiveness of the financial systems including the following:

- Proper collection of all money owing to the Shire;
- Safe custody and security of all money collected and held by the Shire;
- Proper maintenance and security of the Shire’s financial records;

- Proper accounting for all revenue, expenses, assets and liabilities of the Municipal and Trust funds;
- Proper authorisation for the incurring of Liabilities and making of Payments;
- Cost Management;
- Budgeting;
- Financial Reporting;
- Internal Control Procedures and Policies;
- Delegations and Policies;
- Flowcharting of the following processes'
 - Main/Cashiering
 - Accounts Receivable
 - Accounts Payable
 - Petty Cash Imprest System
 - Payroll

The review reveals the following:

1. Debt Collection

That the Shire consider adopting a debt collection policy for sundry and rates debts, to ensure a more robust approach to debt collection procedures is followed; which will assist in minimising the amounts outstanding from all debtors.

The following sample draft policies have been prepared for consideration and adoption:

Financial Management Recovery of Rates and Service Charges
Financial Management Recovery of Non Rates Charges

2. Swimming Pool

That the Shire consider introducing a receipting process that accounts for all takings collected at the swimming pool, including daily admissions, to provide an adequate audit trail for collection of all monies from pool activities.

Further the shire needs to consider whether the use of the kiosk at the pool by the pool manager constitutes a disposal of property under section 3.58 of the Local Government Act 1995; and therefore the requirement to comply with the provisions of that section of the Act.

3. Residency Museum

It is recommended that the Shire consider introducing a receipting/reconciliation process for daily admissions and sale of goods to provide an adequate audit trail for collection of all monies from museum activities.

4. Investments

The Committee give consideration to adopting the following draft sample policy:

Financial Management - Investments

Section 6.14 of the Local Government Act and Regulation 19 of the Local Government Financial Management Regulations 1996 requires the Shire to establish a policy and internal control procedures in relation to the investment of surplus funds.

That the Shire consider adopting a delegation which authorises the Chief Executive Officer to transfer surplus funds, not required by the Shire for immediate use, to an appropriate secured investment account/term deposit.

Council delegates its authority and power to the Chief Executive Officer, to invest money held in the Municipal or Trust funds, that is not required for the time being for any purpose in accordance with part 111 of the Trustees Act 1962 or in an investment approved by the Minister subject to the following conditions:

1. The establishment of documented internal control procedures to be followed to ensure control over the investments; and
2. Compliance with Regulation 19(2) Local Government (Financial Management) Regulations and Council Administrative Policy Financial Management Investments.

5. Computer Security

That the Shire take steps to ensure that individual staff have unique logins and passwords that are changed on a monthly basis to ensure security and protection of data. This will also provide appropriate audit logs on any changes to financial data by staff by their unique login identifier.

Actions have been initiated to ensure that staff adhere to the above mentioned recommendation.

6. Accounting

The Committee is requested to give consideration to the following draft sample delegation:

Payment from Trust and Municipal Funds

Council delegates its authority and power to the Chief Executive Officer, to make payment by Cheque or Electronic Fund Transfer (EFT) from the Trust and Municipal Funds subject to the following conditions:

1. That an EFT payments relating to payroll be authorised by at least two officers, with one authorising officer, being either the Chief Executive Officer or Deputy Chief Executive Officer.
2. In relation to (1) above, one officer must be the Chief Executive Officer and Deputy Chief Executive Officer.
3. That EFT payments other than payroll, be authorised by two officers, with at least one being a signatory to Council cheques.

Refer to Local Government (Financial Management) Regulation 13 and Council Administrative Policy. Financial Management – Authority to sign Trust and Municipal Fund cheques.

The Committee is requested to give consideration to the following draft sample policies:

Financial Management - Payment of Accounts

Financial Management – Authority to Sign Trust and Municipal Fund Cheques

The above sample delegation and policies allow for the proper processing and authorisation of purchases and payments.

7. Credit Cards

It is recommended that a Credit Card Policy be adopted to meet the requirements of Regulation 11 of the Local Government (Financial Management) Regulations 1996 and the Department of Local Government and Regional Development's Operational Guidelines relating to the use and issue of corporate credit cards.

The Committee is requested to give consideration to the following draft sample policy:

8 Other Matters

The committee may also give consideration to the adoption of other administrative policies and delegations included in the report, namely if applicable:

Administrative Policies:

Significant Accounting Policies – This policy is recommended in order to ensure that what is stated in the annual report is what is contained in the Administrative Policy. The review undertaken reveals that currently this is not the case and therefore it is recommended for adoption.

Aged Care Housing – Accommodation Bond Liquidity Strategy – This policy is to make you aware of the Aged Care Act 1997 requirements, however at this stage this may not be relevant to the Shire.

Employee Recognition (Gratuity) – Section 5.50 of the Local Government Act requires the local government to prepare a policy in relation to the above. The sample policy states certain amounts. These can be varied; however the Act specifies that the maximum amount can be no greater than \$5,000.00. Further research is being undertaken and examples from other local governments are being sourced. This will be presented at the 4th March 2010 Audit Committee.

Financial Management – Cash Advances – This policy is recommended in order to provide guidance to petty cash advances that are required in the day to day operations of the Shire. The amount stated in the above sample policy is \$100.00, however this amount may be amended accordingly to better reflect the use of cash advances in the Shire.

Delegations:

Donations or Financial Assistance – This delegation is recommended for adoption on the basis that it provides a clear process of how donations and financial assistance matters will be dealt with by the Council.

In relation to the following Officers have determined the monetary limits, percentage and responsibilities to the following Administrative Policies:

Financial Management - Corporate Credit Cards – Item 6.0 – Purchasing.

Financial Management Investments – Item 3.0 – In relation to percentages relating to Category of Investments.

Financial Management Cash Advances – Item 1.0 and 2.0 – Amounts.

Financial Management Payment of Accounts – Item 3.0, 6.0 and 8.0 – Amounts and Additional Staff.

In summary the opinion of the Accountant Dominic Carbone and Associates is as follows:

“The review of the Financial Management Systems and Procedures developed by the Shire York indicates that they are appropriate and effective for the particular operations and size of the Shire. In addition, the review has concluded that the Shire has observed the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.”

OFFICER RECOMMENDATION

Moved: Cr P Hooper

Seconded: Cr T Boyle

That the Audit Committee:

- 1. Receives the Financial Management Systems and Procedures review completed by the Accountant, Dominic Carbone and Associates;***
- 2. Subject to the advice provided by Dominic Carbone and Associates the Audit Committee makes the following recommendations for Council consideration:***

That the following policies and delegations are recommended for adoption:

Administrative Policies:

Financial Management and Recovery and Service Charges

Financial Management Recovery of Non Rates Charges

Financial Management Investments

Financial Management Payments of Accounts

Financial Management Authority to Sign Trust and Municipal Fund Cheques

Financial Management Corporate Credit Cards

Financial Management Significant Accounting Policies

Financial Management Cash Advances

Administrative Delegations:

Investments

Donations or Financial Assistance

Payment from Trust and Municipal Funds

- 3. That the Chief Executive Officer further investigate the implication of the use of the kiosk by the Pool Manager in relation to Section 3.58 of the Local Government Act 1995.***
- 4. That the Chief Executive Officer amend the procedures for recording and processing of takings at the Swimming Pool and the Residency Museum.***

Advice Note:

Employee (Recognition Gratuity) will be further researched and a report will be prepared for the Audit Committee on the 4th March 2010.

CARRIED (2/0)



THE SHIRE OF YORK

FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES REVIEW

AUGUST 2009

DCA

Dominic Carbone & Associates

Public Accountants - Registered Tax Agents – Local Government Services

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Victoria Park WA 6100
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7th August 2009

Mr Ray Hooper
Chief Executive Officer
Shire of York
PO Box 22
YORK WA 6302

Dear Mr Hooper,

Ref: FINANCIAL MANAGEMENT SYSTEMS AND PROCEDURES REVIEW

As per the terms of engagement I have completed a review of the appropriateness and effectiveness of the Shire's Financial Management Systems and Procedures required by Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996. The findings are detailed as follows:

1) Proper Collection of all Money Owing to the Shire

- (a) The Shire imposed a penalty interest charge of 11% on all unpaid rates pursuant to Section 6.51 of the Local Government Act 1995 and Financial Management Regulation 71. In accordance with s 6.45(4)(e) of the Local Government Act 1995, and Financial Management Regulation 68, the Shire imposed an instalment interest charge of 5.5%.

No penalty interest charge was imposed for other debts.

- (b) The Financial Information by ratio for the 2007/08 financial year reveals that the outstanding rates ratio was 7.14% - an increase of 2.14% in comparison to the previous year.
- (c) The Shire undertakes the rating function, including the billing process, interim rating, valuation updates and instalment reminders. Rates payments are received at the Shire administration centre, which are receipted and posted to the Synergy Rates Subsidiary Ledger and General Ledger.
- (d) The Shire receives money collected from two outstations:
 - i) Swimming Pool - The pool manager processes purchases for season passes and only issues receipts for these purchases. Daily admittances are operated on a token basis, which is utilised to reconcile daily cash takings; no receipt is issued. The total takings for the week, (season passes and daily admittances) are filled in on the weekly pool cash takings sheet and delivered to the Administration Centre, where cash is verified to takings sheet by the Customer Service Officer, who receipts the

monies and writes the receipt number on the pool takings sheet. A copy of the receipt is given to the pool manager for his records. Weekly takings sheet is filed with daily receipts.

- ii) Museum Residency– The Museum residency caretaker receives cash and cheques from visitors to the museum for admittances and sales of goods. A weekly reconciliation of cash received is detailed on a blank sheet and delivered with cash and cheques to Administration Centre. The Customer Service officer verifies cash and cheques to the reconciliation sheet provided and enters receipt into Synergy. Copy of receipt is given to Museum caretaker for her records.

- (e) Flowcharts for accounts receivable and mail/cashiering were compiled – refer Attachments 1 and 2, which indicates no internal control weaknesses.

It is recommended that the Shire consider adopting a debt collection policy for sundry and rates debts, to ensure a more robust approach to debt collection procedures is followed; which will assist in minimising the amounts outstanding from all debtors. Refer attachment 8 for Sample Draft Policies.

In summary, rate debt collection procedures were implemented at regular intervals during the financial year to ensure a rate collection percentage of 92.8% was achieved.

2) Safe Custody and Security of all Money Collected and Held by the Shire

- (a) All funds, with the exception of the swimming pool and Museum Residency takings, are held overnight at the administration centre, locked in a cash box in the strong room. An inspection of the strongroom revealed that the door was left open during office hours exposing its contents;

- (i) The swimming pool manager issues receipts for all season passes issued, and daily entry fees are recorded on weekly takings sheet. All takings are held by the swimming pool manager until receipted at the Shire office.

It is recommended that the Shire consider introducing a receipting process that accounts for all takings collected at the swimming pool, including daily admissions, to provide an adequate audit trail for collection of all monies from pool activities.

Further the shire needs to consider whether the use of the kiosk at the pool by the pool manager constitutes a disposal of property under section 3.58 of the Local Government Act 1995; and therefore the requirement to comply with the provisions of that section of the Act.

- (ii) The museum residency caretaker collects an admission fee from patrons visiting the museum and also for any sales of goods made, but no receipt is provided for monies collected. All takings are held by the caretaker until receipted at the Shire office.

It is recommended that the Shire consider introducing a receipting/reconciliation process for daily admissions and sale of goods to provide an adequate audit trail for collection of all monies from museum activities.

- (b) Money collected at the Shire's administration centre is banked daily at the local Bendigo Bank branch.

- (c) The Shire receives money via direct deposits through internet banking transfers. The operation of direct deposits involves the use of a unique identifier that appears on the Shire's bank statement, allowing for easy identification of the payers details for receipting purposes.
- (d) Surplus funds are invested in accordance with section 6.14 of the Local Government Act 1995 and Regulation 19 of the Local Government (Financial Management) Regulations 1996.

Regulation 19 requires the Shire to establish a policy and internal control procedures for employees to follow to ensure control over investments.

A copy of a draft sample policy has been included for your consideration at Attachment 8.

It is recommended that the Shire consider adopting a delegation which authorises the Chief Executive Officer to transfer surplus funds, not required by the Shire for immediate use, to an appropriate secured investment account/term deposit.

A copy of a draft sample delegation has been included for your consideration at Attachment 9.

- (e) The Shire's fidelity guarantee insurance policy provides cover for loss of money amount to \$100,000 in respect of any employee and \$100,000 in aggregate for all employees during any one period of insurance. The current policy expires on 30 June 2009.

3) Proper Maintenance and Security of the Shire's Financial Records

The Chief Executive Officer, pursuant to section 6.5 of the Local Government Act 1995, is to ensure that, accounts and records are kept in accordance with regulations, proper accounts and records of the transactions and affairs of the local government, and keep them up to date. Further, Regulation of the Local Government (Financial Management) Regulations 1996 requires that:

- *'No separate ward accounts are to be kept'*.

- (a) The Deputy CEO is responsible for the financial and accounting function of the Shire. Procedures have been implemented for the maintenance and security of financial records of the Council. Those procedures, the current internal controls and the engagement of the City of Canning to assist with the preparation of the annual financial statements and the annual budget, and PCS Computer Services to assist with information technology support services, have provided a sound foundation for the financial records to be maintained
- (b) The Shire's LAN Server network comprises the following:

- Hardware:
 - One print and mail server and one file and application server, networked with twenty two (22) workstations and associated peripherals.
 - Three (3) workstations are located at the depot, connected to the corporate network, for use by depot staff.
- Software:
 - SynergySoft software, the Shire's financial and accounting software comprising of rates, payroll, general ledger, works/job costing, plant costing, accounts receivable, accounts payable, receipting, assets, bank reconciliations, reserves, building, health, town planning, dogs, records, property, purchase orders and trust.
 - Microsoft Office 2003, for word processing and spreadsheets.

Security: - Staff all use the same login and password to access the Shires corporate network.

It is recommended that the Shire take steps to ensure that individual staff have unique logins and passwords that are changed on a monthly basis to ensure security and protection of data. This will also provide appropriate audit logs on any changes to financial data by staff by their unique login identifier.

The file and application server is the principal storage medium for all the financial records and all the accounting and financial data is maintained on the above-mentioned systems.

- (c) The Shire's financial data is backed up daily with the Council's Records Officer responsible for the loading and security of the back-up tapes. The back-up tapes are deposited at the local Bendigo Bank branch each day, with the previous day's tape picked up. An annual back-up tape is utilised and held indefinitely.

The Shire's membership of the Municipal Property Scheme provides, under section 4, electronic break down insurance cover, to a maximum of \$40,000 for any one event. Insurance cover of \$25,000 for any one event is provided for electronic data restoration (loss of information); and \$15,000 for any one event relating to increased costs of working (avoiding or diminishing interruption to the business). This provides a level of protection for the Shire should there be an instance where electronic data is lost and significant resources need to be engaged to recover or re-enter the lost data.

- (d) Council has a security system comprising of smoke alarms, movement sensors and key pad access. Rear door access is controlled by a single four digit access code and key pad utilised by all staff.
- (e) Hard copies of relevant reports produced by the SynergySoft system, annual budgets, annual financial statements and the plan for the future are retained and stored in the compactus. Original copies of annual financial statements, annual reports and annual budgets are held in the shire's corporate library.

4) Ensure Proper Accounting for all Incomes, Expenditures, Assets and Liabilities of the Municipal and Trust Funds

- (a) The current accounting procedures have been structured to ensure the Shire currently complies with the requirements of the Local Government Act 1995 and its Regulations and Australian Accounting Standards. Attachment 7 details the Australian Accounting Standards applicable to local government and the Shires compliance thereto.

Trust Fund bank accounts have been established to comply with statutory requirements.

- (b) The Deputy CEO monitors the operations of the Financial Software System on an ongoing basis along with IT consultants PCS, who are contracted to provide information technology support services to the Shire. This ensures that the Shire's financial management functions are being correctly carried out.
- (c) The Position Descriptions developed for all of the accounting positions provide clear directions for the maintenance of financial records. The Position Descriptions define the objectives and the key duties and responsibilities for each of these positions.

- (d) The Shire, through administrative policy 4.13, provides continuing professional development opportunities for staff by attendance at conferences, seminars and study courses. This is an important avenue for staff to further enhance their skills and knowledge in managing the Shire's financial records.
- (e) Flowcharts for accounts receivable, mail/cashiering, accounts payable and petty cash have been compiled – refer Attachments 1, 2, 3 and 4. The abovementioned flowcharts were test checked to the document trail, which confirmed the initiation, verification and certification processes.

5) Proper Authorisation for the Incurring of Liabilities and Making of Payments

- (a) The Shire, through Delegation DE1 has set the procedures for the authorisation of purchase orders and the making of payments, the reporting to Council of such payments and Electronic Funds Transfer payments. Regulations 11 and 12 of the Local Government (Financial Management) Regulations 1996 are observed. However, the delegation does not include the use of the corporate credit card by the Chief Executive Officer and Deputy Chief Executive Officer.

A copy of a draft sample delegations has been included for your consideration at Attachment 9.

- (b) The Council, pursuant to s5.42 of the Local Government Act 1995 and Delegation DE1, has delegated the responsibility for the signing of cheques for the payment of invoices to the Chief Executive Officer from the Municipal and Trust Funds. In accordance with section 5.44 of the Local Government Act 1995, the CEO has on-delegated that responsibility to the Deputy Chief Executive Officer and the Manager of Administration and Technical Services.

Whilst the Purchasing Policy adopted by Council on 19 March 2007 details purchasing thresholds, it does not deal with the authorisation of purchases and payments.

A draft sample policy has been included for your consideration at Attachment 8.

- (c) Regulation 11 of the Local Government (Financial Management) Regulations 1996 requires a local government to:

*“develop procedures for the authorisation of, and the payment of, accounts to ensure that there is effective security for, and properly authorised use of—
cheques, credit cards...”*

It is recommended that a Credit Card Policy be adopted to meet the requirements of Regulation 11 of the Local Government (Financial Management) Regulations 1996 and the Department of Local Government and Regional Development's operational guidelines relating to the use and issue of corporate credit cards.

A draft sample Credit Card Policy has been included for your consideration at Attachment 8.

- (d) Regulation 17 of the Local Government (Functions and General) Regulations 1996 requires local government to:

“..keep a ‘Tenders Register’ which is to include:

- (i) a brief description of the goods or services required;*
- (ii) particulars of the making of the decision to invite tenders;*
- (iii) particulars of -*
 - (A) any notice by which expressions of interest from prospective tenderers was sought;*
 - (B) any list of acceptable tenderers that was prepared under regulation 23(4);*
- (iv) a copy of the notice of the invitation to tender;*
- (v) the name of each tenderer whose tender has been opened; and*
- (vi) the name of any successful tenderer.”*

An inspection of the Tender Register revealed that the necessary tender documentation required by legislation was present.

- (e) The certification of invoices for payment on receipt of goods and services is the responsibility of the officer initiating the purchase order. The Deputy Chief Executive Officer certifies invoices prior to the signing of the cheques.
- (f) The Council has adopted a purchasing policy that meets the requirements of Functions and General Regulation 11A;
- (g) It is understood that officers initiating the purchase orders and certifying the invoices for payment are fully aware of the requirements of the Shire’s adopted purchasing policy, and of the Local Government Act 1995 requirements concerning the necessity to ensure provision has been made in the Shire’s annual budget before expenditure is incurred.
- (h) A flowchart for accounts payable has been compiled – refer Attachment 3, which indicates no internal control weaknesses.

6) Maintenance of Payroll, Stock Control and Costing Records

- (a) The Shire’s payroll system is integrated into the Synergy financial and accounting System, with works costing and plant costing completed at timecard entry level. Data is posted directly in batch form, into the Shire’s accounting system, updating the cost ledgers, payroll system and general ledger.
- (b) Fuel purchases have been subject to a tender process. It is recommended that invoices related to the purchase of fuel be periodically checked in relation to the price against the successful tender documents, which is based on the daily posted price list plus 1.1 cents (inc GST) for delivery. Verification of the fuel pricing was undertaken with the supplier, which indicates that the price for fuel being charged to the Shire is in accordance with the tender.
- (c) Fuel transaction sheets are reconciled weekly to the stock ledger account and transactions are then posted to the general ledger, cost ledger and stock system.
- (d) An End of Year stock-take is undertaken and reconciled to the stock ledger;
- (e) The Shire operates a subsidiary cost ledger within its financial and accounting software;

- (f) Plant utilisation is recorded on the daily time card prepared by staff and certified by the Works Supervisor. The data recorded on the timecard is entered into the SynergySoft via timecard entry and is posted directly to the Shires works costing and Plant costing ledgers, and then updated to the general ledger.
- (g) Flowcharts for stores and payroll have been compiled – refer attachments 5 and 6, which indicate no internal control weaknesses.

7) Preparation of Budget Accounts and Reports Required by the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.

- (a) The Shire has contracted the services of the City of Canning to assist in the preparation of annual budgets and annual financial statements. The Shire prepares a Plan for the Future which includes a 4 year capital expenditure plan and combined with its partnership with the City of Canning ensures the Shire meets its statutory legislative requirements.
- (b) The Shire has developed a Plan for the Future, a 10 year road infrastructure plan and a 15 year plant replacement program, which provides a framework for implementing Councils policies.
- (c) Systems and procedures have been established for reviews of fees and charges to be undertaken at least once in each financial year. This review is carried out during the annual budget preparation process and the basis of determining fees and charges takes into account the specific requirements of section 6.16 to 6.19 of the Local Government Act 1995.
- (d) The following reports are presented on a monthly basis to Council for consideration:
 - Warrant of payments detailing Invoice payments made or to be made by the Council;
 - Bank reconciliation;
 - Statement of Financial Activity;
 - Statement of Financial Position;
 - Reserve Fund Statement;
 - Corporate credit card & fuel card summary
 - Monthly Variation Analysis Report (actual to budget);

The financial reports presented to Council are in accordance with section 6.4 of the Local Government Act 1995 and Local Government (Financial Management) Regulation 34.

8) Registers

The Local Government Act and its regulations provides that the following registers relating to financial management matters be maintained:

▪ Tender Register	Section 3.57 of the Local Government Act 1995 and Regulation 17 of the Local Government (Functions and General) Regulations 1996.
▪ Financial Interest Register	Section 5.88(2) of the Local Government Act 1995 and Regulation 28 of the Local Government (Administration) Regulations 1996.
▪ Electoral Gifts Register	Section 4.59 of the Local Government Act 1995 and Regulation 30G of the Local Government (Election) Regulations 1997.
▪ Gifts Register (Code of Conduct)	Section 5.103(3) of the Local Government Act 1995 and Regulation 34B(3) of the Local Government (Administration) Regulations 1996.
▪ Annual Return	Section 5.76 of the Local Government Act 1995 and Regulation 23 of the Local Government (Administration) Regulations 1996.
▪ Primary Return	Section 5.75 of the Local Government Act 1995 and Regulation 22 of the Local Government (Administration) Regulations 1996.

A review undertaken revealed that all the abovementioned registers are maintained in accordance with the legislation by the Shire.

9) Other Matters

In order to undertake a review of the appropriateness and effectiveness of the Shire's Financial Management Systems and procedures it was necessary to carry out a review of the Shire's Delegations and Policies.

Attached please find sample administrative policies and delegations which are considered more specific for your consideration and adoption.

Opinion

The review of the Financial Management Systems and Procedures developed by the Shire York indicates that they are appropriate and effective for the particular operations and size of the Shire. In addition, the review has concluded that the Shire has observed the requirements of the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996.

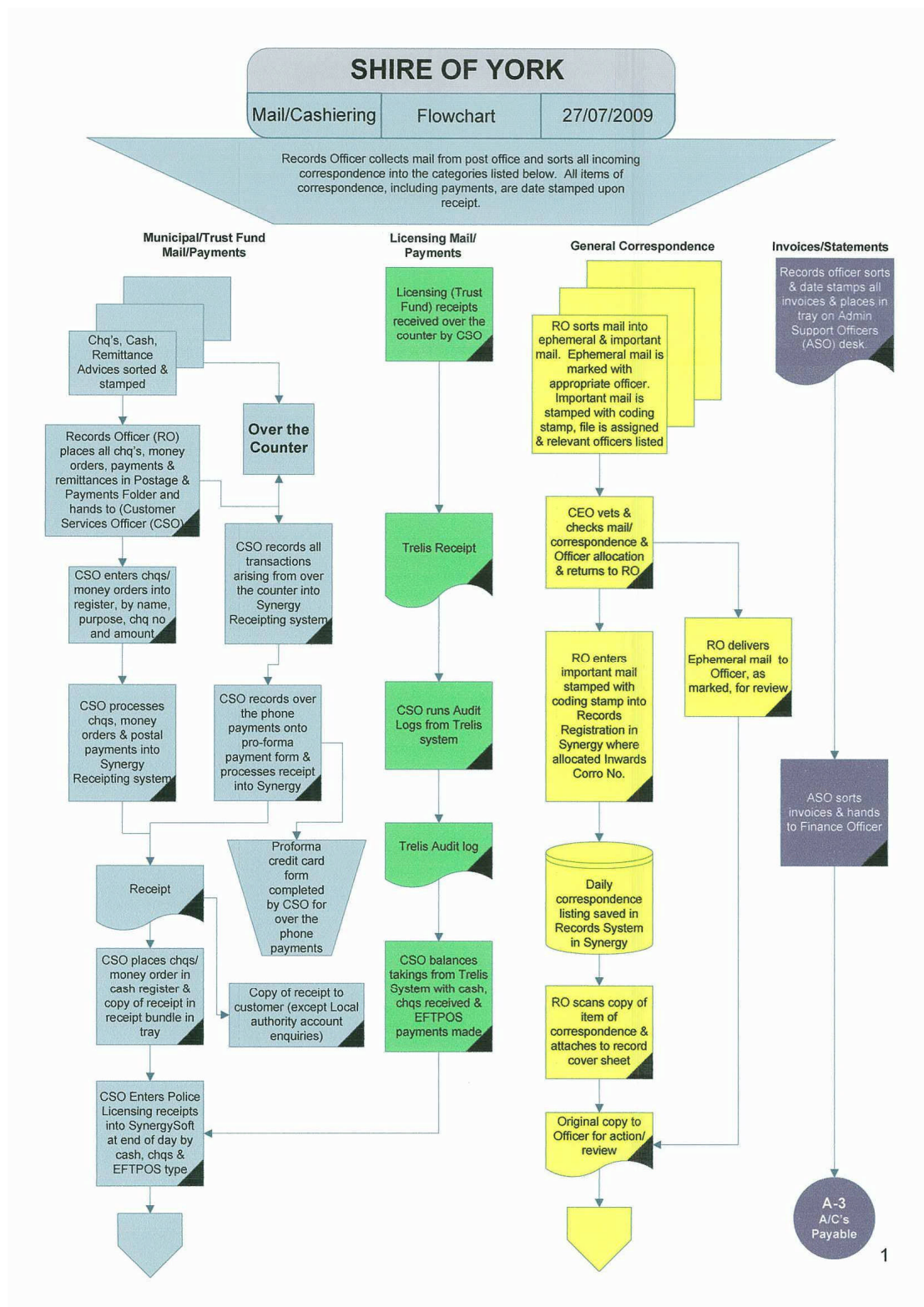
Yours sincerely,

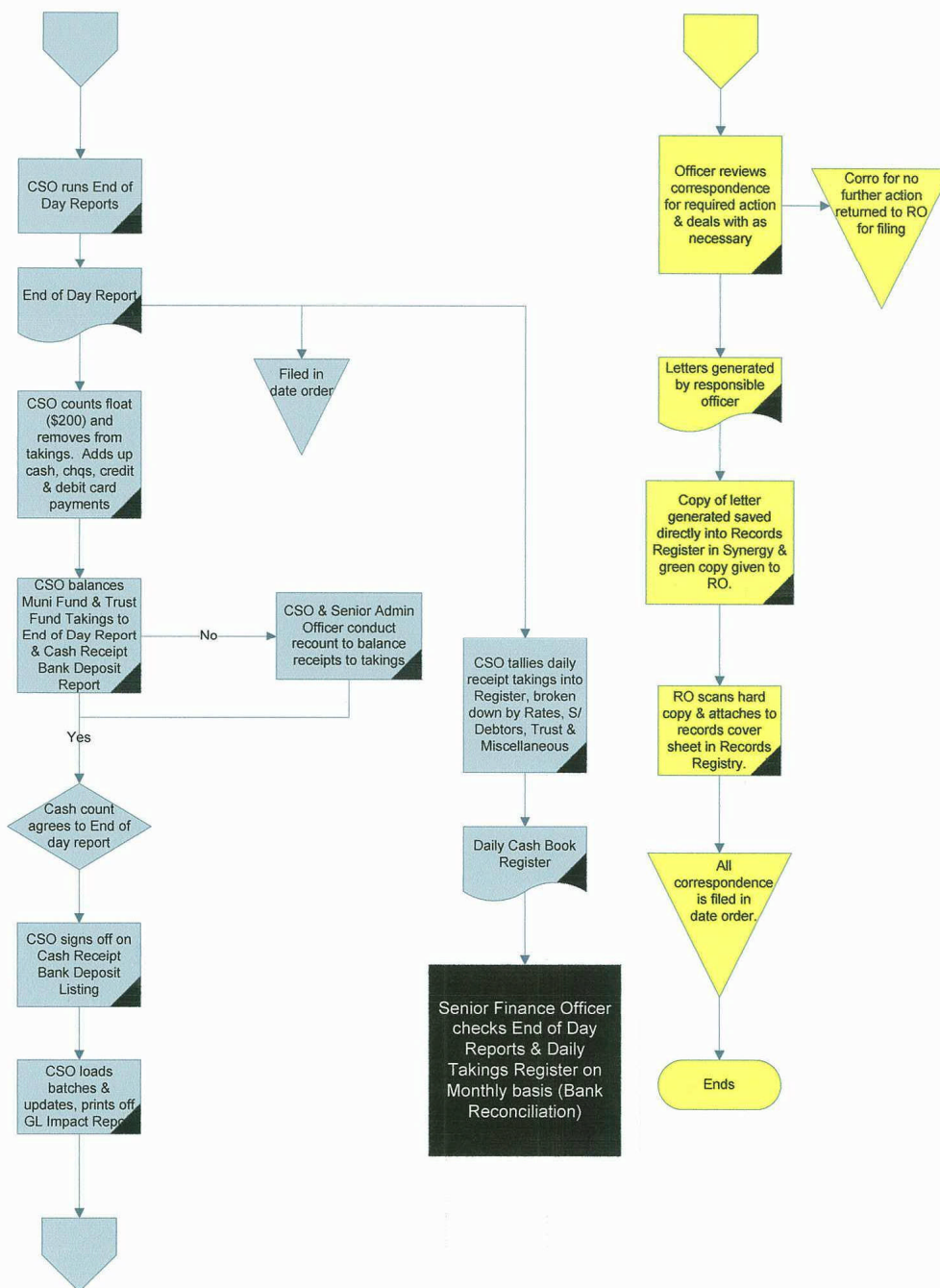


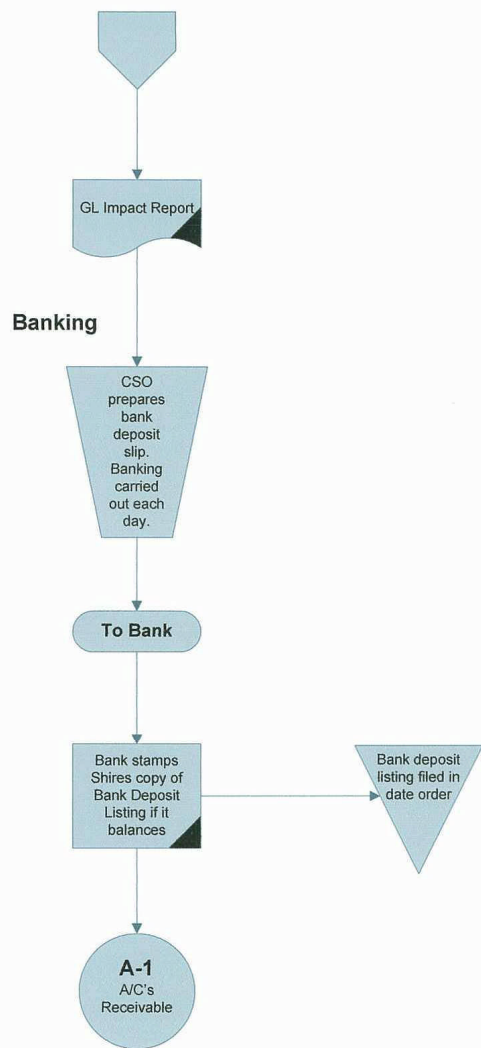
DOMINIC CARBONE
PRINCIPAL
DOMINIC CARBONE & ASSOCIATES

ATTACHMENT 1.

MAIL/CASHERING FLOWCHART



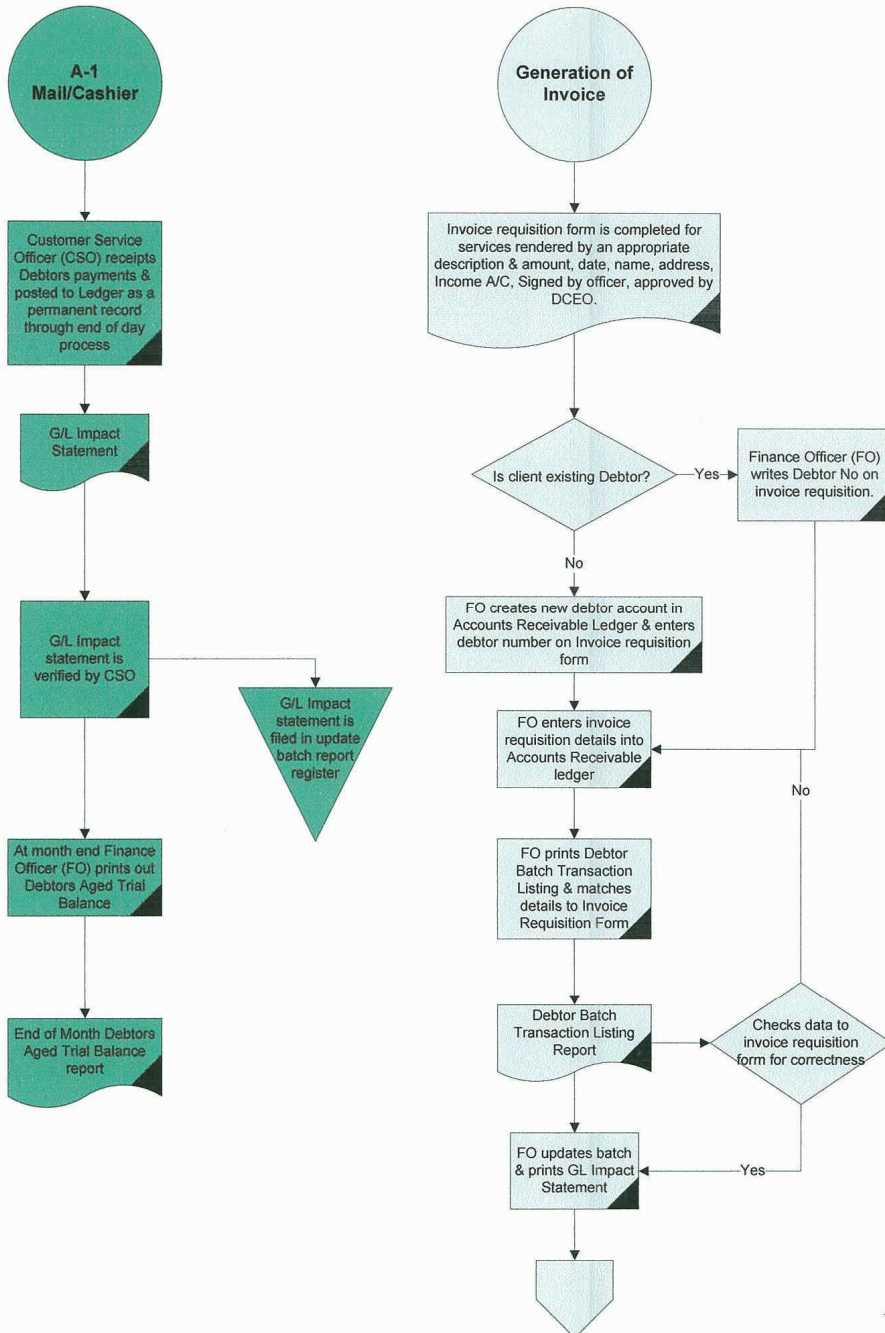




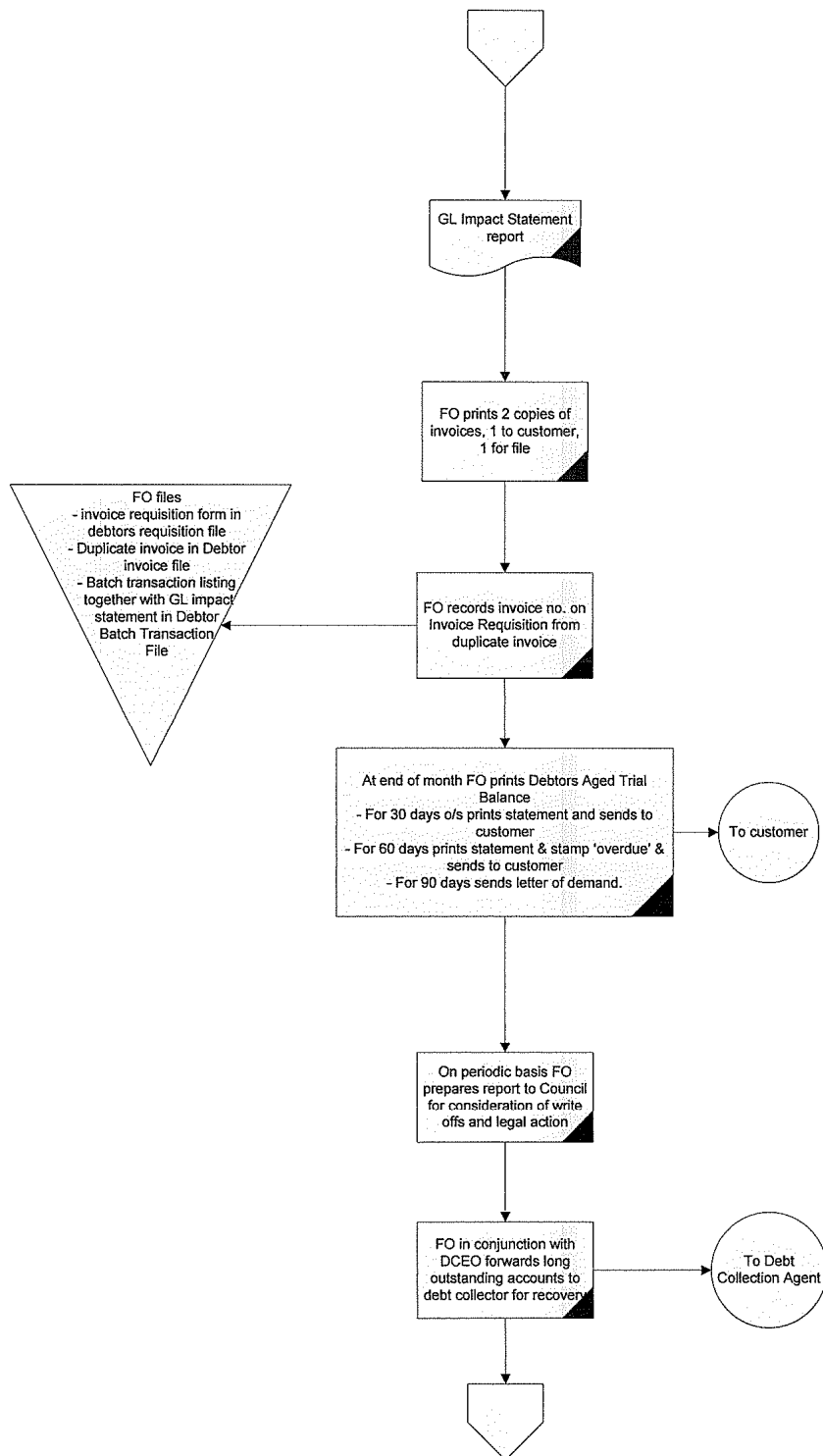
ATTACHMENT 2.

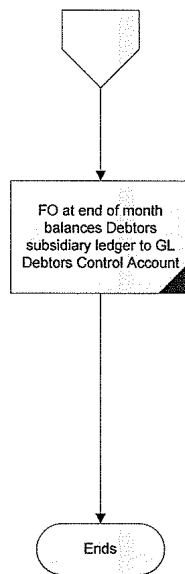
ACCOUNTS RECEIVABLE FLOWCHART

SHIRE OF YORK		
Accounts Receivable	Flowchart	28/07/2009



1

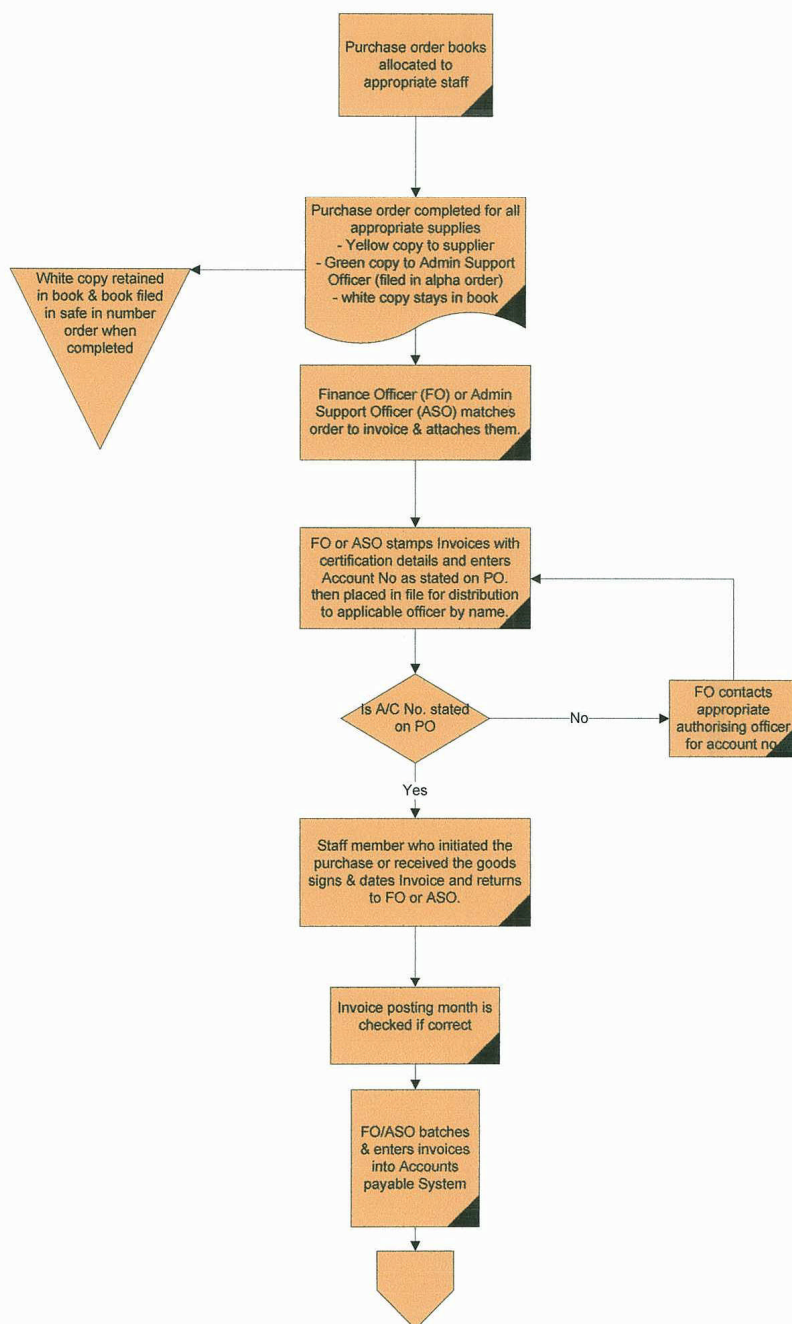


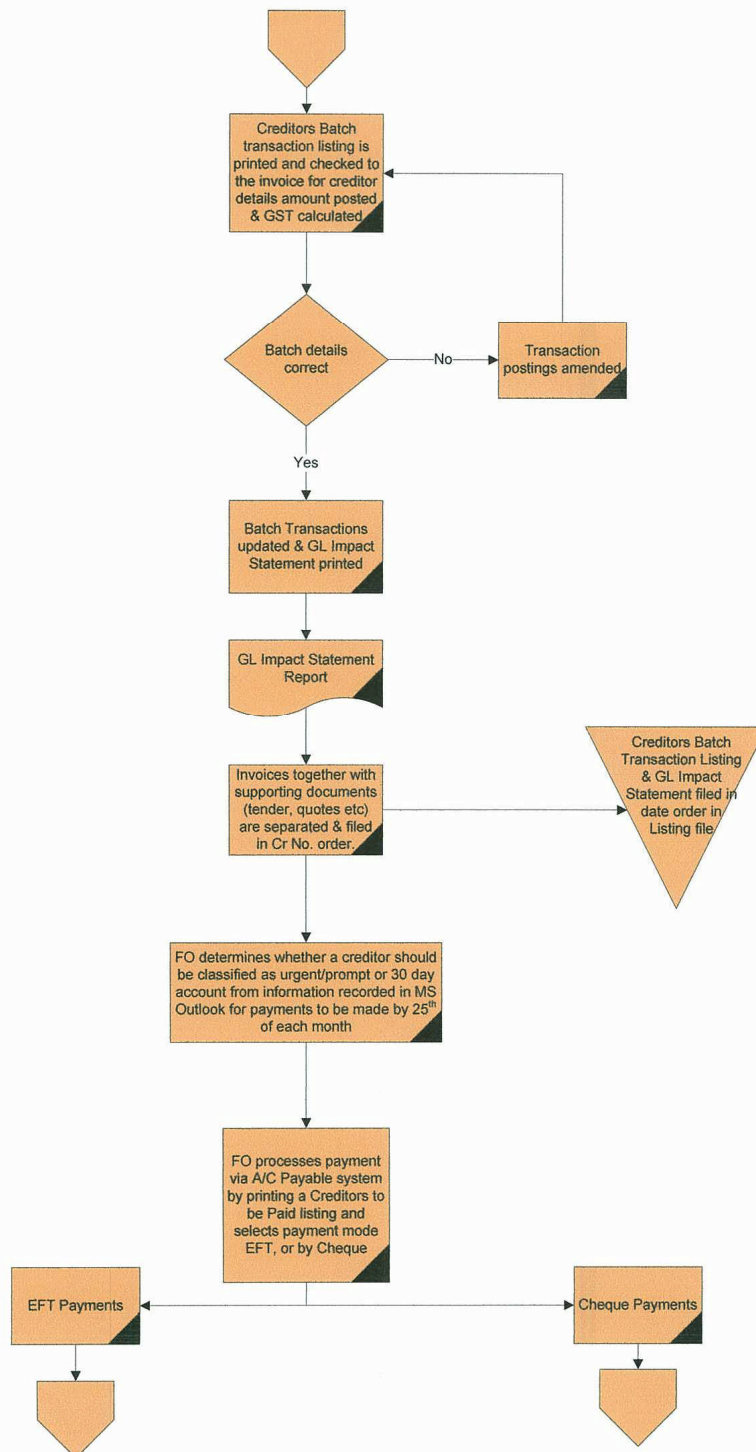


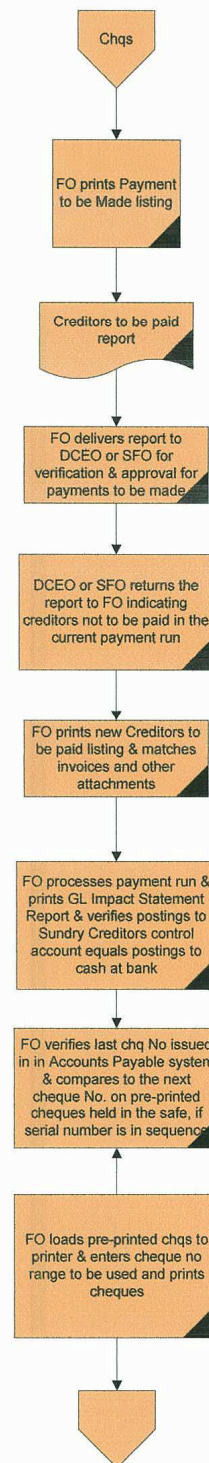
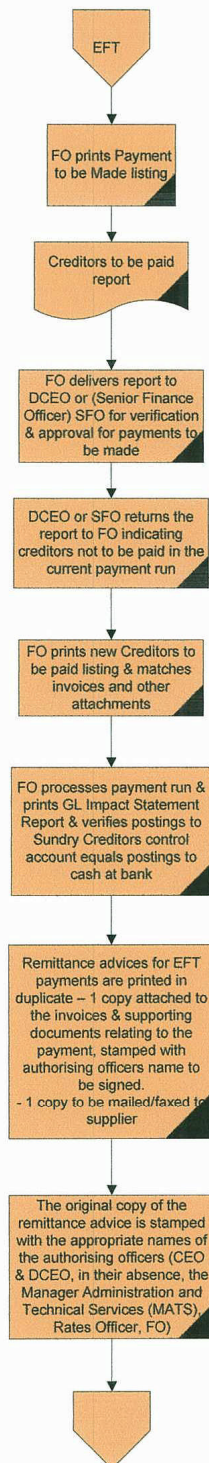
ATTACHMENT 3.

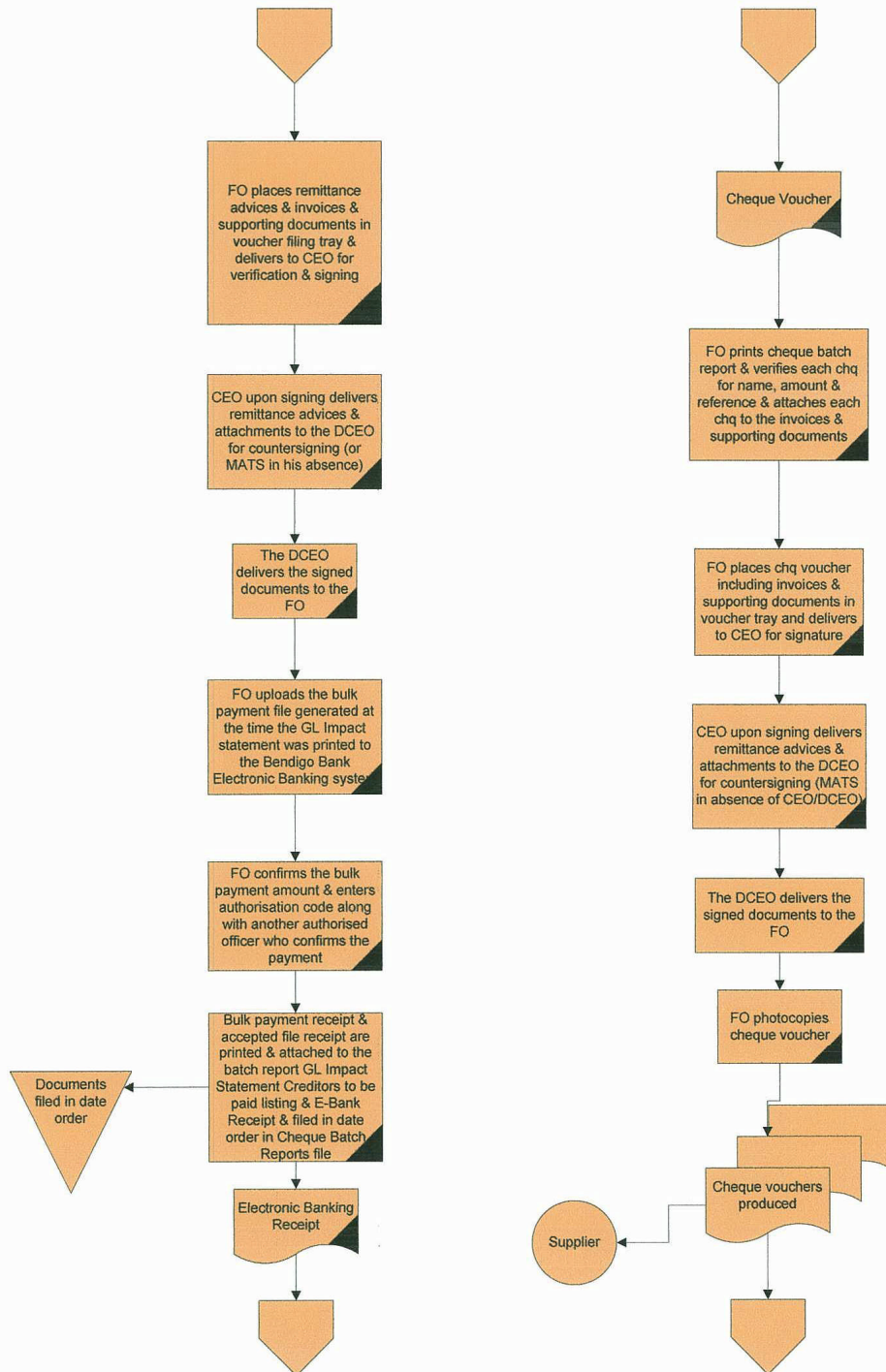
ACCOUNTS PAYABLE FLOWCHART

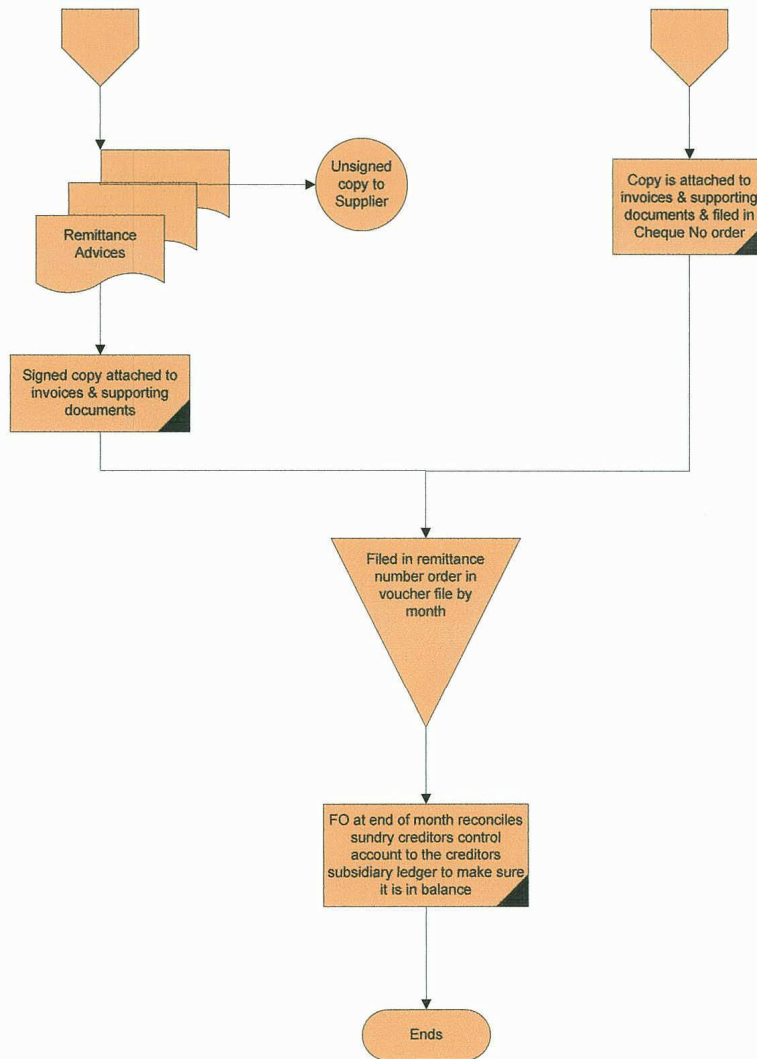
SHIRE OF YORK		
Accounts Payable	Flowchart	27/07/2009







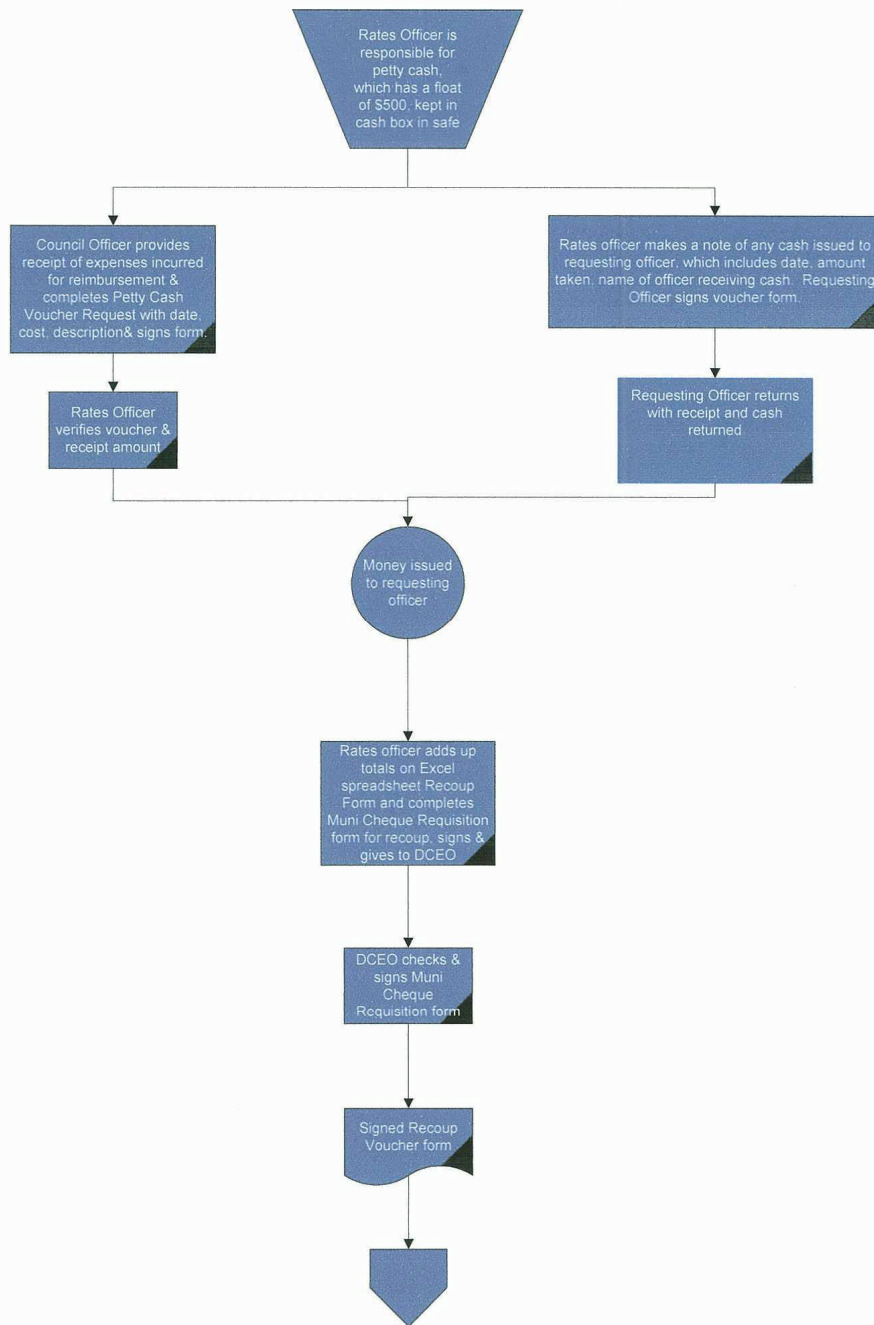


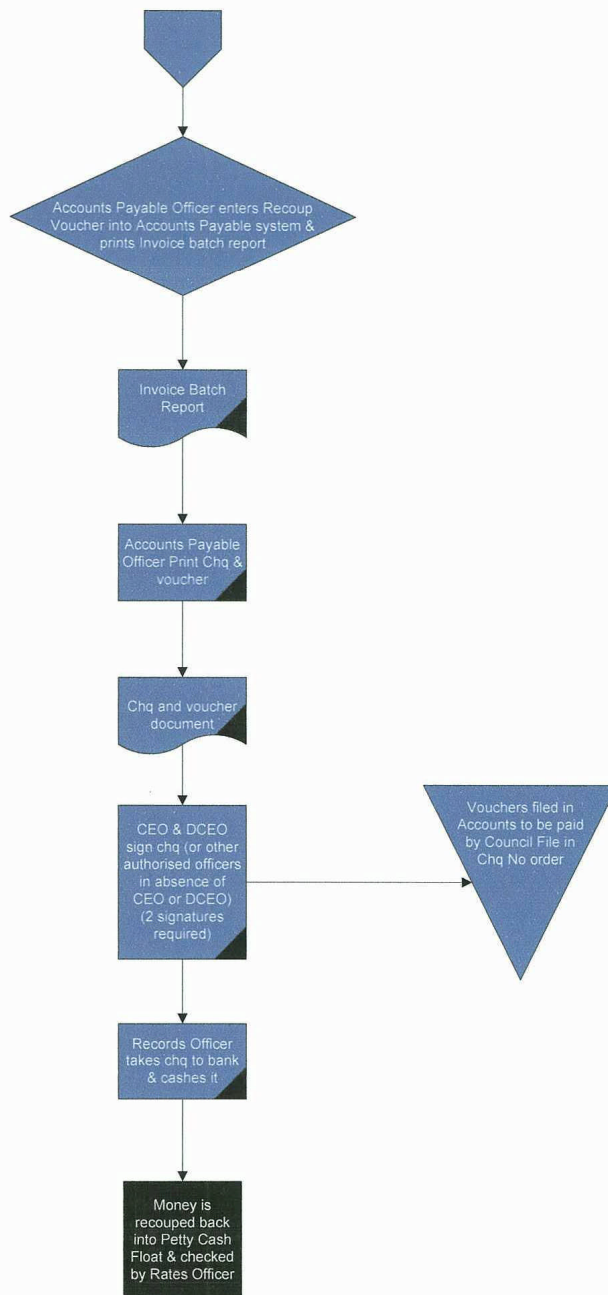


ATTACHMENT 4.

PETTY CASH IMPREST SYSTEM FLOWCHART

SHIRE OF YORK		
Petty Cash Imprest System	Flowchart	16/07/2009





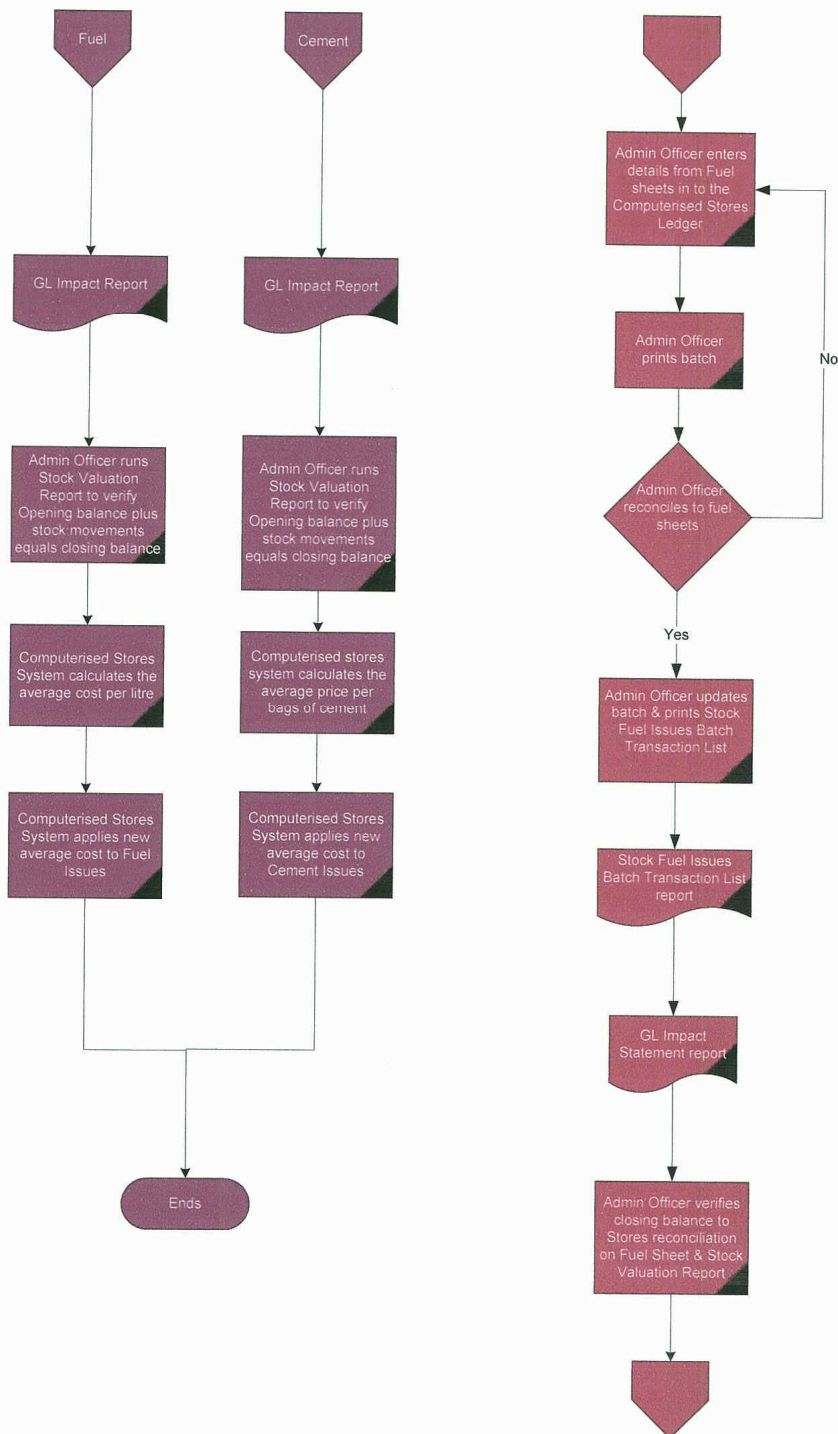
ATTACHMENT 5.

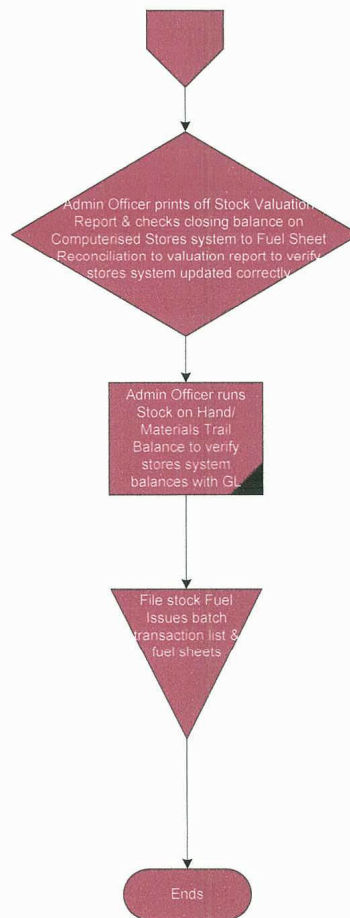
STORES/STOCK FLOWCHART

SHIRE OF YORK		
Stores/Stock	Flowchart	27/07/2009

All Shire purchases are related to Fuel & Cement



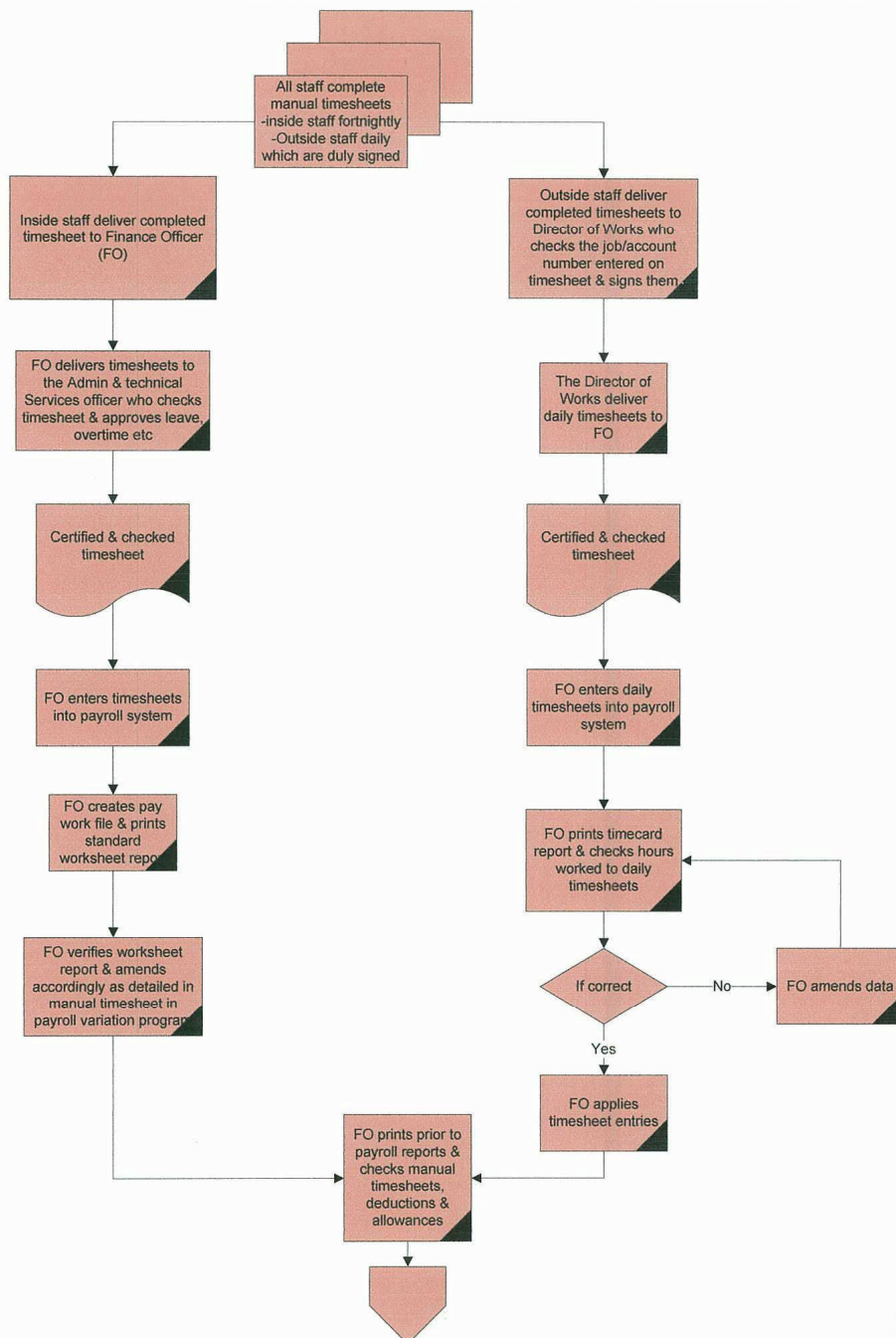


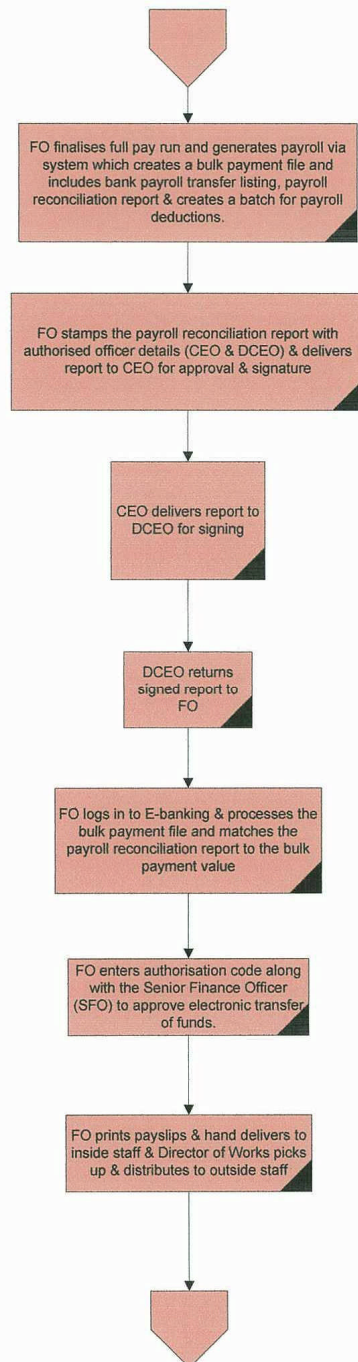


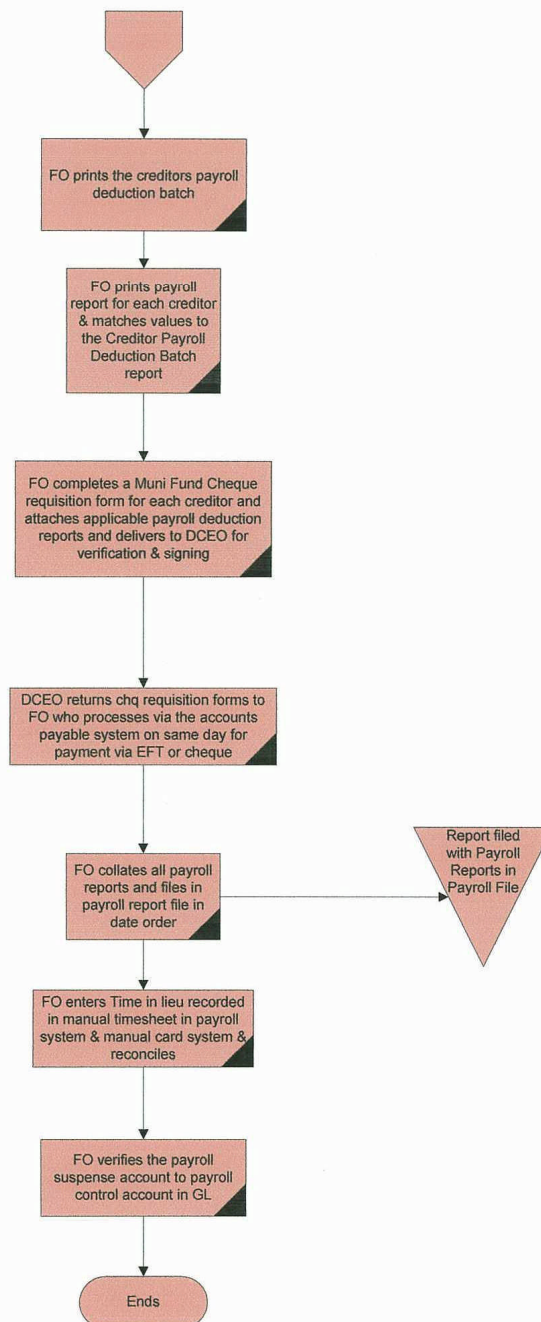
ATTACHMENT 6.

PAYROLL FLOWCHART

SHIRE OF YORK		
Payroll	Flowchart	27/07/2009







ATTACHMENT 7.

AUSTRALIAN ACCOUNTING STANDARDS APPLICABLE TO LOCAL GOVERNMENTS

SHIRE OF YORK

LIST OF AUSTRALIAN ACCOUNTING STANDARDS APPLICABLE TO LOCAL GOVERNMENTS AS AT 30 JUNE 2008

Standard	Standard Description	Annual Report/ Budget Compliance			Comment
		Yes	No	N/A	
AASB 1	First time adoption of Australian Equivalents to International Financial Reporting Standards	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 2	Share-based payment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no share based payment schemes
AASB 3	Business Combinations	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
AASB 4	Insurance Contracts	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
AASB 5	Non-current Assets held for Sale & Discontinued Operations	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
AASB 6	Exploration for and Evaluation of Mineral Resources	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no exploration activities
AASB 7	Financial Instruments: Disclosures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 8	Operating Segments	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Not applicable to not-for-profit entities
AASB-I 12	Service Concession Arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council is not party to any service concession arrangements
AASB-I 13	Customer Loyalty Programmes	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no customer loyalty programmes
AASB-I 14	The Limit on a Defined Benefit Asset	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council does not contribute to any defined benefit plans.
AASB 101 (Revised)	Presentation of Financial Statements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 102	Inventories	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 107	Cash Flow Statements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 108	Accounting Policies, Changes in Accounting Estimates & Errors	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 110	Events after the Balance Sheet Date	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 111	Construction Contracts	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 112	Income taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council is not subject to income tax
AASB 114	Segment Reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
AASB 116	Property, Plant & Equipment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 117	Leases	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 118	Revenue	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 119	Employee Benefits	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 120	Accounting for Government Grants & Disclosure of Government Assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Applicable to 'for-profit entities' only.
AASB 121	The Effects of Changes in Foreign Exchange Rates	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no transactions in foreign currencies.
AASB 123	Borrowing Costs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 124	Related Party Disclosures	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no related party transactions
AASB 127	Consolidated & Separated Financial Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no other trading entities requiring consolidation of financial statements.
AASB 128	Investments in Associates	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no investments in Associates.

SHIRE OF YORK

LIST OF AUSTRALIAN ACCOUNTING STANDARDS APPLICABLE TO LOCAL GOVERNMENTS AS AT 30 JUNE 2008

Standard	Standard Description	Annual Report/ Budget Compliance			Comment
		Yes	No	N/A	
AASB 129	Financial Reporting in Hyperinflationary Economies	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
AASB 131	Interest in Joint Ventures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Joint venture with Homeswest.
AASB 132	Financial Instruments: Disclosure & Presentation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 133	Earnings per Share	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council is not a publicly listed company.
AASB 134	Interim Financial Reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council is not a disclosing entity.
AASB 136	Impairment of Assets	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 137	Provisions, Contingent Liabilities & Contingent Assets	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 138	Intangible Assets	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no intangible assets
AASB 139	Financial Instruments: Recognition & Measurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 140	Investment Property	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no investment property
AASB 141	Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council has no agricultural activities
AASB 1004	Contributions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 1023	General Insurance Contracts	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council doesn't issue general insurance contracts
AASB 1031	Materiality	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 1038	Life Insurance Contracts	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Council doesn't issue life insurance contracts
AASB 1039	Concise Financial Reports	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Requirements dictated by Financial Management Regulations
AASB 1045	Land Under Roads: Amendments to AAS 27A, AAS29A & AAS 31	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 1048	Interpretation & Application of Standards	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 1049	Whole of Government & General Government Sector Financial Reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Not applicable to local government
AASB 1050	Administered Items	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Applies only to government departments
AASB 1051	Land Under Roads	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 1052	Disaggregated Disclosures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Not applicable to not-for-profit entities
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
AASB 2007-9	Amendments to Australian Accounting Standards arising from the Review of AAS's 27, 29 and 31	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

SAMPLE DRAFT POLICY	
Title:	FINANCIAL MANAGEMENT – SIGNIFICANT ACCOUNTING POLICIES
Objective:	To adopt Full Accrual Accounting and all other applicable Accounting Standards
Legal:	Local Government Act 1995 Local Government (Financial Management) Regulations 1996 Australian Accounting Standards
Date Adopted:	2009

The significant accounting policies which have been adopted by Council in the preparation of the financial report are:

1.0 Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), other mandatory professional reporting requirements and the Local Government Act 1995 (as amended) and accompanying regulations (as amended).

The report has also been prepared on the accrual basis under the convention of historical cost accounting as modified by the accounting treatment relating to the revaluation of financial assets and liabilities at fair value through profit and loss and certain classes of non-current assets.

Critical Accounting Estimates

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

2.0 The Local Government Reporting Entity

All Funds through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

In the process of reporting on the local government as a single unit, all transactions and balances between those funds (for example, loans and transfers between Funds) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements, but a separate statement of those monies appears as a Note on the financial report.

3.0 Goods and Services Tax

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST recoverable. Receivables and payables in the Balance Sheet are stated inclusive of applicable GST.

4.0 Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included as short-term borrowings in current liabilities on the balance sheet.

5.0 Trade and Other Receivables

Trade receivables, which generally have 30 – 90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any allowance for uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that they will not be collectible.

6.0 Inventories

6.1 General

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of Business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held from trading are classified as current even if not expected to be realised in the next 12 months.

6.2 Land Held for Resale

Land purchased for development and/or resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

Revenue arising from the sale of property is recognised in the Income Statement as at the time of signing a binding contract of sale.

Land held for resale is classified as current except where it is held as non-current based on Council's intention to release for sale.

7.0 Fixed Assets

7.1 Initial Recognition

All assets are initially recognised at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed includes the cost of all materials, direct labour and variable and fixed overheads.

7.2 Revaluation

Certain asset classes may be re-valued on a regular basis such that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on a basis to reflect the already consumed or expired future economic benefits.

Those assets carried at a re-valued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses, are to be re-valued with sufficient regularity to ensure the carrying amount does not differ significantly from that determined using fair value at reporting date.

The “Roman” Road Inventory System is the method used by Council to value its road network the class of asset is valued at replacement cost and depreciated after taking into account the condition of the roads. Physical inspections of the road network are continually undertaken.

7.3 Land under Roads

Land under roads acquired prior to 1st July 2008 is excluded from infrastructure in accordance with AAS 1051. Regulation 16 of the Local Government (Financial Management) Regulations provide that the Financial Report.

- (a) is not to include as an asset -
 - (i) Crown land that is a public thoroughfare, the responsibility for managing which is vested in the local government; or
 - (ii) land that is not owned by the local government but which is under the Control or management of the local government (whether that land is Crown land or is owned by another person, or not); and
- (b) is to include as an asset a structure or any other improvement placed by the local government on land referred to in paragraph (a).

8.0 Depreciation of Non-Current Assets

All non-current assets having a limited useful life are separately and systematically depreciated over their useful lives in a manner which reflects the consumption of the future economic benefits embodied in those assets.

Depreciation is recognised on a straight-line basis, using rates which are reviewed each reporting period. Major depreciation periods are:

Buildings	40 years
Furniture and Equipment	8 years
Plant and Equipment	8 years
Infrastructure	
Sealed Roads, Streets and Carparks	Condition Rated Annually
Unsealed Roads	Condition Rated Annually
Bridges, Drainage	1.30%
Concrete Footpaths, Cycleways, Walkways and Skate Park	50 Years
Brick Footpaths	25 Years
Effluent Systems	20 Years
Sewerage Parks	75 – 80 Years
Water Pipes and Hydrants	20 Years
Bush Shelters	20 Years
Parks Furniture and Equipment	5 – 20 Years

9.0 Investments and Other Financial Assets

9.1 Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at Initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

- (i) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired

principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

9.2 Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date-the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

9.3 Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when Council's right to receive payments is established. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

9.4 Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

10.0 Estimation of Fair Value

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quote market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

11.0 Impairment

In accordance with Australian Accounting Standards the Council's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136 *'Impairment of Assets'* and appropriate adjustments made.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

For non-cash generating assets such as roads, drains, public buildings and the like, value in use is represented by the depreciated replacement cost of the asset.

12.0 Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Municipality prior to the end of the financial year that are unpaid and arise when the Municipality becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

13.0 Employee Benefits

The provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are calculated as follows:

(i) *Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)*

The provision for employees benefits to wages, salaries, annual leave and long service leave expected to be settled within 12 months represents the amount the municipality has a present obligation to pay resulting from employees services provided to balance date. The provision has been calculated at nominal amounts based on remuneration rates the Council expects to pay and includes related on-costs.

(ii) *Long Service Leave (Long-term Benefits)*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match as closely as possible, the estimated future cash outflows. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

14.0 Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

9.2 Borrowing Costs

Borrowing costs are recognised as an expense when incurred except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

15.0 Provisions

Provisions are recognised when: The council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated,. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required for settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

16.0 Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to

the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

17.0 Joint Venture

The municipality's interest in a joint venture has been recognised in the financial statements by including its share of any assets, liabilities, revenues and expenses of the joint venture within the relevant items reported in the Balance Sheet and income Statement. Information about the joint venture is set out in a note in the Financial Report.

18.0 Rates, Grants, Donations and other Contributions

Rates, grants, donations and other contributions are recognised as revenues when the local government obtains control over the assets comprising the contributions. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in a note in the financial report. That note also discloses the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the local government's operation of the current reporting period.

19.0 Superannuation

The Shire contributes to the Local Government Superannuation Scheme and the Occupational Superannuation Fund. Both funds are defined contribution schemes.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

20.0 Rounding Off Figures

All figures shown in annual financial reports, other than a rate in the dollar, are rounded to the nearest dollar.

21.0 Comparative Figures

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

22.0 Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months except for land held for resale where it is held as non-current based on Council's intentions to release for sale.

SAMPLE DRAFT POLICY	
Title:	FINANCIAL MANAGEMENT – CORPORATE CREDIT CARDS
Objective:	To provide guidance for the use of Corporate Credit Cards
Legal:	Local Government Act 1995 Section 2.7 (2) (a) and (b), Section 6.5 (a) Local Government (Financial Management) Regulations 11 (1) (a)
Date Adopted:	2009

1.0 The use of Corporate Credit Cards shall only be approved if there is a demonstrated need and advantage to the Shire. These include:

- (i) Elimination or reducing time spent on paper based ordering and payments;
- (ii) Reduction of administrative costs;
- (iii) Reducing the number of payments per month;
- (iv) Provision of a useful resource in an emergency situation; and
- (v) Reducing the need to carry cash on the premises.

2.0 Applications for Corporate Credit Cards and Approval

All applications for a Corporate Credit Card shall be approved by the Chief Executive Officer.

In the case of the Chief Executive Officer, the Council shall approve the application and determine the conditions for use and maximum credit limit and credit limit for each individual transaction.

3.0 Register

A register shall be maintained by the Deputy Chief Executive Officer of all Credit Cards issued. The register shall include:

- (i) Date of approval by Chief Executive Officer;
- (ii) Name of card holder;
- (iii) Conditions of use of the card; and
- (iv) A review date for continuing use of the card, not exceeding 24 months.

4.0 Issuing of Corporate Credit Cards to Elected Members

4.1 The Local Government Act does not make provision for the issuing of credit cards to Elected Members. (A Local Government can only pay allowances or reimburse expenses to an Elected Member).

4.2 Elected Members shall not be issued with a Corporate Credit Card as there are no provisions within the Act which allow an Elected Member to incur a debt.

5.0 Policies and Procedures Governing the Use of Corporate Credit Cards

The following shall be complied with for controlling the use of Corporate Credit Cards:

General

5.1 An agreement shall be signed by the cardholder which sets out the cardholder's responsibilities and legal obligations when using the Credit Card;

- 5.2 A register by the Deputy Chief Executive Officer of all current cardholders should be kept which includes card number, expiry date of the Credit Card, credit limit and details of goods and services the cardholder has authority to purchase;
- 5.3 All new and existing cardholders shall be provided with a copy of the policies relating to the use of Credit Cards;
- 5.4 When an employee misplaces their Credit Card, they shall promptly report the matter to Deputy Chief Executive Officer who shall immediately cancel the card;
- 5.5 Credit Cards shall not be transferred to other users;
- 5.6 Use of the reward schemes, such as Fly Buys, will not be permitted for personal gain;
- 5.7 All surrendered Credit Cards shall be destroyed by the Deputy Chief Executive Officer in the presence of another employee;
- 5.8 In the event that a cardholder fails to comply with the policies requirements, the Chief Executive Officer shall withdraw the use of the Corporate Credit Card and take appropriate disciplinary action. All criminal/illegal acts of alleged misuse shall be reported to the Police and other relevant authorities; and
- 5.9 The use of Corporate Credit Cards for personal entertainment uses is prohibited.

6.0 Purchasing

- 6.1 Credit Cards shall only be used for purchasing goods and services on behalf of the Shire;
- 6.2 Personal expenditure is strictly prohibited;
- 6.3 A Credit Card shall not be used for cash withdrawals;
- 6.4 Maximum credit limit shall be based on the cardholder's need and approved by the Chief Executive Officer and the following will be used as a guide:

Maximum credit limit and transaction limit per card will be as follows:

Name	Credit Limit \$	Maximum Credit Limit per Transaction \$
Chief Executive Officer	5,000	5,000
Deputy Chief Executive Officer	5,000	5,000

- 6.5 Purchases by facsimile, telephone or over the internet shall be authorised by the person and all paperwork shall be kept and verified.

7.0 Payments

- 7.1 The cardholder shall provide appropriate and sufficient documentary evidence of all charges, as required, on a regular basis;
- 7.2 Time frames for all payment of accounts shall be monitored by Deputy Chief Executive Officer to ensure that credit charges are minimised and accounts are paid so as not incur a penalty or interest;

- 7.3 Cardholders cannot approve expenditure incurred on their own cards – these will be referred to the Chief Executive Officer for approval – the Chief Executive Officer shall refer any such instances to the Deputy Chief Executive Officer.

SAMPLE DRAFT POLICY	
Title:	FINANCIAL MANAGEMENT – INVESTMENTS
Objective:	To invest money, money held in Council Funds as may from time to time not be required for immediate use.
Legal:	Local Government Act 1995 – Section 6.2.4 and 6.15 Local Government (Financial Management) Regulations The Trustee Act 1962 Section 18 (1)
Date Adopted:	2009

- 1.0 Council funds may be invested in one or more of the following:

- 1.1 Fixed Term Deposits.
- 1.2 Commercial Bank Bills
- 1.3 Government Bonds.
- 1.4 Cash Management Funds

- 2.0 Council funds are to be invested with the following financial institutions:

- 2.1 Banking institutions holding a banking licence under Commonwealth Banking Legislation with a BBB rating or better, as set by Standard and Poor's. The Institution must be an Authorised Deposit-Taking Institution (ADI's) as defined under the Banking Act 1959.
- 2.2 Bonds issued by government and/or government authorities and utilities.

- 3.0 Credit Risk Management

- 3.1 Global Credit Framework

To control the credit quality on the entire portfolio, a global credit framework will apply to limit the percentage of the portfolio exposed to any particular rating category. The maximum available limits in each Standard & Poor's credit rating category are as follows:

Long Term Rating Asset Concentration	Direct Securities Maximum
AAA Category	100%
AA Category	100%
A Category	70%
BBB Category	50%

3.2 Term to Maturity Management

The Shire of Beverley portfolio will have the following structural constraints:

Category Description	Minimum	Maximum
Portfolio % < 1 Year	30%	100%
Portfolio % > 1 Year < 3 Years	0%	70%
Portfolio % > 3 Years < 5 Years	0%	50%
Portfolio % > 5 Years	0%	25%

To provide adequate liquidity all tradeable securities purchased will have, subject to market conditions, the ability to be liquidated within five working days.

1.1 Investment Reporting

A monthly investment report must be provided to Council after the end of that month. The report shall give results for the calendar month in question and year to date. The report shall be segregated into three segments for the following:

- General municipal funds;
- Reserve funds;
- Trust Funds

The following detail is to be provided for each segment:

- Total funds invested by institution and investment type;
- Credit ratings of the investments;
- Current interest rates of individual investments;
- Total investments earnings year to date against budget.

2.0 Investments when ever possible are to be placed with Local Banks.

3.0 Letters of Confirmation will be obtained from the financial institutions confirming details of investments held on Council's behalf at 30th June each year.

SAMPLE DRAFT POLICY	
Title:	AGED CARE HOUSING – ACCOMMODATION BOND LIQUIDITY STRATEGY
Objective:	To ensure that sufficient funds are held to guarantee the repayment of Accommodation Bonds to Residents of Aged Care Accommodation, in accordance with their agreements.
Legal:	Local Government Act 1995 Section 2.7(2) Aged Care Act 1997
Date Adopted:	2009

- 1.0 The Shire has formulated this policy to ensure compliance with the statutory Prudential requirements applicable to Aged Care Providers.
- 2.0 The Shire aims to hold, in cash or investments, an amount equal to the total amount of Accommodation Bonds (less any retention amounts) that would be due to residents as at a particular date.
- 3.0 The Shire will hold these funds as part of its Municipal Fund to ensure that prompt refund of Accommodation Bonds when a Resident leaves.

SAMPLE DRAFT POLICY	
Title:	FINANCIAL MANAGEMENT – CASH ADVANCES
Objective:	To Provide a Cash Advance to Pay Authorised Expenditure of a Minor Nature.
Legal:	Local Government Act 1995 – Section 6.10 Local Government (Financial Management) Regulation 11
Date Adopted:	2009

- 1.0 Sum advanced shall be limited to \$100.
- 2.0 Officers who have received an advance to use such funds to pay for authorised expenditure for each item shall be limited to \$100, excluding GST.
- 3.0 Expenditure for each advance shall be recouped by the imprest system.
- 4.0 Actual Audit of all cash advances be conducted.

SAMPLE DRAFT POLICY	
Title:	FINANCIAL MANAGEMENT – RECOVERY OF RATES AND SERVICE CHARGES
Objective:	Recovery of Outstanding Rates and Service Charges
Legal:	Local Government Act 1995 – Section 6.56
Date Adopted:	2009

1.0 Unpaid for at least three (3) years.

A report be presented to Council on an annual basis, detailing the amount of rates and services charges outstanding, by Assessment Number, and recommended action to be authorised by the Council. The Privacy Act prevents the property and owner's details from being published in a report to Council.

3.1 Unpaid for two (2) years.

3.2 The Chief Executive Officer be authorised to lodge caveats on land where rates and Service charges are in arrears and it is considered appropriate that the interest of the Council should be protected.

3.3 The Chief Executive Officer be authorised to withdraw caveats lodge on land where The owner has met his/her obligation to full in relation to the rates and service charges outstanding.

4.0 Unpaid for less than two (2) years.

4.1 The Chief Executive Officer be authorised to recover rates and service charges in a court of competent jurisdiction.

4.2 The Chief Executive Officer be authorised to recover rates and service charges by engaging the services of a debt collection agency firm.

SAMPLE DRAFT POLICY	
Title:	FINANCIAL MANAGEMENT – RECOVERY OF NON-RATES CHARGES
Objective:	Collection of outstanding debts and charging of interest in relation to debts other than rates debtors.
Legal:	Local Government Act 1995 – Section 6.13
Date Adopted:	2009

1.0 Debt Management

If the invoice is not paid by the due date then the following procedure will take place.

- 1.1 A letter or reminder notice will be issued advising the debtor that if there exists a dispute or query to contact administration otherwise payment is expected within two Weeks of the issue date of letter;
- 1.2 If no response is received from the debtor then following a review of the circumstances with the relevant staff members involved, a demand notice may be send to the debtor advising that if payment is not made within two weeks of the date of the notice, then further action may be taken to recover the debt which could involve legal action. The debtor will be advised that any fees incurred in recovering the debt will be passed on to the debtor.
- 1.3 Before any third party is engaged to recover an outstanding debt, the Deputy Chief Executive Officer involved will be consulted to ensure that this action is appropriate given due consideration to all issues which have led to the debt being overdue and not paid.
- 1.4 Once all reasonable attempts to either locate the Debtor or to obtain payment have failed, the staff member responsible for raising the debt will be asked to submit a written request for the invoice to be considered for write off.
- 1.5 Approval will be sought from the Chief Executive Officer and subsequently Council for approval for the debt to be written off. Once approval has been received, the appropriate entries will be made in the Accounts Receivable Ledger.

2.0 Debt Raised in Error or Debt Adjustment

If a debt has been raised in error or requires an adjustment then an explanation will be sought from the relevant staff members. Once this has been received a credit note request will be raised which is to be authorised by both the staff member who raised the initial invoice and the Deputy Chief Executive Officer.

3.0 Interest on Overdue Accounts

Interest can be calculated on the total outstanding debt once it has exceeded the due date of the invoice. The decision to impose interest is up to the discretion of the Deputy Chief Executive Officer. The rate of interest imposed is that as determined by Council as contained in the Annual Budget and in accordance with Section 6.13 of the Local Government Act.

SAMPLE DRAFT POLICY	
Title:	FINANCIAL MANAGEMENT – PAYMENT OF ACCOUNTS
Objective:	The General Management and Authorisation of Payments.
Legal:	Local Government Act 1995 – Section 3.57 and 6.10. Financial Management Regulation No's 11 and 11A. Function and General Regulations Part 4 Tenders for Provision of Goods and Services.
Date Adopted:	2009

1.0 Ethics and Integrity

- 1.1 All Officers and employees of the Shire shall observe the highest standards of ethics and integrity in undertaking purchasing activity, and act in an honest and professional manner that supports the standing of the Council.
- 1.2 The following principles, standards and behaviour, must be observed and enforced through all stages of the purchasing process, to ensure that fair and equitable treatment of all parties.
 - (i) Full accountability shall be taken for all purchasing decisions, and the efficient, effective and proper expenditure of public monies based on achieving value for money.
 - (ii) All purchasing practices shall comply with relevant legislation, regulations and requirements consistent with the Shire's Policies and Code of Conduct.
 - (iii) Purchasing is to be undertaken on a competitive basis, in which all potential suppliers are treated impartially, honestly and consistently.
 - (iv) All processes, evaluations and decisions shall be transparent, free from bias and fully documented in accordance with applicable procedures and audit requirements.
 - (v) Any actual or perceived conflicts of interest are to be identified, disclosed and appropriately managed.

2.0 Value for Money

- 2.1 Value for money is an important principle governing purchasing, that allows the best possible outcome to be achieved for the Shire. It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing and service benchmarks.
- 2.2 An assessment of the best value for money outcome for any purchasing should consider:
 - (i) All relevant whole of life costs, benefits of whole of life cycle costs (for goods), and whole of contract life costs (for services), including transaction costs associated with acquisition, delivery, distribution, as well as other costs such as, but not limited to, holding costs, consumables, deployment, maintenance and disposal.
 - (ii) The technical merits of the goods or services offered in terms of compliance with specifications, contractual terms and conditions, and any relevant methods of assuring quality.
 - (iii) Financial viability and capacity to supply without risk of default (competency of the prospective suppliers in terms of managerial and technical capabilities

and compliance history).

- (iv) A strong element of competition in the allocation of orders or the awarding of contracts. This is achieved by obtaining a sufficient number of competitive Quotations wherever practicable.

2.3 Where a higher price conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total prices, conforming offer.

3.0 Monetary thresholds for obtaining of quotations and tendering:

Amount of Purchase	Model Policy
Up to \$1,500	Direct purchase from suppliers. No quotation required.
\$1,501 to \$10,000	Obtain at least two verbal or written quotations, recommendation to Purchase, include on quotation form reason for choosing selected supplier, and that the official order for the goods and services be countersigned by the Officers designated in this Policy.
\$10,001 to \$50,000	Obtain at least three verbal or written quotations, recommendation to purchase, include on quotation form reason for choosing selected supplier, and that the official order for the goods and services be countersigned by the Officers designated in this Policy.
\$50,001 to 100,000	Obtain at least three written quotations containing price and specification of goods and services, recommendations to purchase be accompanied by a written evaluation against a pre determined criteria, and approved by the Chief Executive Officer.
\$100,001 and above	Conduct a public tender process, as prescribed under the Local Government (Functions and General) Regulations.

3.1 Quotations are not required to be obtained if the supply of the goods or services is to be obtained through the Council Purchasing services of the Western Australian Local Government Association (WALGA) or through a State Government supply contract (GEM).

4.0 Anti Avoidance

4.1 Council Officers are not to enter into two (2) or more contracts for the purchase of goods and services in order to avoid the requirements of the above monetary thresholds.

5.0 Recording and Retention of Written Information

5.1 Verbal quotations are required to be recorded on the Shire's Purchase Order. Written quotations are required to be issued by the supplier on their stationery.

5.2 All quotations are required to be retained and filed with a copy of the purchase order and cheque voucher issued to the supplier.

6.0 Authorisation for the Signing of Official Orders and Certification of Invoices

6.1 The signing of official orders and certification of invoices for the supply of goods and services can only be exercised by those Officers indicated in the following schedule, and only to the extent indicated.

OFFICER	THRESHOLD
Chief Executive Officer	Unlimited
Deputy Chief Executive Officer	Within the approved Budget Allocations
Engineer - Works Management	Within the approved Budget Allocations
Planner, Manager Environmental Health and Building Services	Up to \$10,000 (but within Budget Allocations)

7.0 Officers in acting capacity

- 7.1 Officers in acting capacity may sign official orders and authorise an invoice for payment of goods and services, as detailed within this Policy.
- 7.2 Acting capacity is defined when the Chief Executive Officer and/or the Deputy Chief Executive Officer is absent, on annual leave, long service leave, sick leave conferences, meetings or absent from office during the course of business.

8.0 All official orders for goods and services must be countersigned as follows:

- 8.1 All Purchases up to the designated value for public tenders to be called (being \$100,000 shall be countersigned by the officers designated in table 6.1.
- 8.2 Purchases above \$100,001 (excluding GST), conduct a public tender with a report to Council to award the contract.

9.0 Procedure for purchasing and certification of invoiced supplies:

- 9.1 Ensure compliance with Item 3.0 – Monetary Thresholds for Obtaining of Quotations and Tendering.
- 9.2 Evaluation of quotations received in accordance with this Policy.
- 9.3 Issue an official order to the supplier that has been authorised by the appropriate authorising Council Officer, as outlined within this Policy.
- 9.4 Authorise the supplies invoice on the certification and cost allocation form for payment once goods have been received and confirmed to match the order issued.
- 9.5 All documentation, being the quotation form, purchase order and certification and cost allocation form, must be completed and filed with the cheque voucher.

10.0 Where the Shire invites public tenders or requires three quotations for goods and services above \$50,000.

- 10.1 The Shire shall determine in writing the criteria for determining which tender or quotation should be accepted before tenders and quotations are publicly invited.
- 10.2 An evaluation panel shall be established prior to the advertising of a tender or calling for quotations and include a minimum of two (2) people with a mix of skills and experience relevant to the nature of the purchase.
- 10.3 Tenders are to be opened in the presence of two Council Officers.
- 10.4 The tenderer's offer form and price schedule from each tender shall be date stamped and initialled by the Council Officers present at the opening of tenders.

11.0 Tender Documentation – Recording and Retention of Written Information

- 11.1 Tender Documentation is to comprise of the following and be held in the Shire's Records.
 - (a) Copy of advertisement in the West Australian Newspaper inviting tenders for services.
 - (b) Extract from current Budget, disclosing provision being made to finance the cost of services being tendered under the proposed contract.
 - (c) Extract from Tender Register, Entry made for all submissions received by the Shire for the tendered services, including the names of the officers responsible to open the tenders.
 - (d) Copy of tender specifications containing conditions of tender and general conditions of proposed contract.
 - (e) The originals of all the tender documents and submissions received from the respective tenderers.
 - (f) Copy of the written evaluation, showing the extent to which each tender satisfies the criteria for deciding the tender considered to be most advantageous for the Shire to accept and signed by the Officers appointed to the Evaluation Panel.

- (g) Copy of the Council Minute appointing the successful tender.
- (h) Copy of correspondence to successful tenderer advising Council acceptance.
- (i) Copy of correspondence forwarded to all unsuccessful tenderers.
- (j) Send all collated documents, as listed above, to Records for registration.

SAMPLE DRAFT POLICY	
Title:	FINANCIAL MANAGEMENT – AUTHORITY TO SIGN TRUST AND MUNICIPAL FUND CHEQUES
Objective:	To provide signatories to Municipal and Trust Fund Cheques
Legal:	Local Government Act 1995 – Section 6.10 Local Government (Financial Management) Regulations 12 and 13 (2)
Date Adopted:	2009

- 1.0 In accordance with the Local Government (Financial Management) Regulations 12 and 13 (2), Chief Executive Officer and the Deputy Chief Executive Officer be authorised to sign cheques.
- 2.0 Other cheques drawn representing recoupment of expenditure investments and expenditure of the Trust Fund, Chief Executive Officer and the Deputy Chief Executive Officer be authorised to sign.
- 3.0 Electronic Fund Transfers (EFT) from the Trust and Municipal Fund be subject to the following conditions:
 - 3.1 The EFT payments relating to payroll be authorised by at least two officers.
 - 3.2 In relation to 3.1 above, one authorising officer must be either the Chief Executive Officer or the Deputy Chief Executive Officer.
 - 3.3 The EFT payments other than payroll be authorised by two officers, with at least one being a signatory to Council cheques as per 1.0 above.
 - 3.4 Authorisation of appropriate officers as per Delegation No.

SAMPLE DRAFT DELEGATION

Delegation No:		Investments	
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Date adopted:		Delegation Type:	To CEO
Date Last Reviewed		Assigned/Reassigned:	Yes

Legal (Parent): 1. Local Government Act 1995 (As Amended) - Section 5.42.	Legal (Subsidiary): 1. Local Government Act 1995 (As Amended) - Section 6.14, 6.15. 2. Local Government (Financial Management) Regulation 19.
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Council delegates its authority and power to the Chief Executive Officer, to invest money held in the Municipal or Trust funds, that is not required for the time being for any purpose in accordance with part 111 of the Trustees Act 1962 or in an investment approved by the Minister subject to the following conditions:

1. The establishment of documented internal control procedures to be followed to ensure control over the investments; and
2. Compliance with Regulation 19(2) Local Government (Financial Management) Regulations and Council Administrative Policy Financial Management Investments.

SAMPLE DRAFT DELEGATION

Delegation No:		Donations or Financial Assistance	
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Date adopted:		Delegation Type:	To CEO
Date Last Reviewed		Assigned/Reassigned:	Yes

Legal (Parent): 1. Local Government Act 1995 (As Amended) - Section 5.42.	Legal (Subsidiary): 1. Local Government Act 1995 (As Amended) - Section 6.10 and Regulation 13 Local Government (Financial Management) Regulations 1996.
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Council delegates to the Chief Executive Officer, authority and power to consider applications received for financial assistance and make the appropriate recommendation to Council subject to the following conditions:

1. A Report being prepared for Council consideration.

SAMPLE DRAFT DELEGATION

Delegation No:		Payment from Trust and Municipal Funds	
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Date adopted:		Delegation Type:	To CEO
Date Last Reviewed		Assigned/Reassigned:	Yes

Legal (Parent): 1. Local Government Act 1995 (As Amended) - Section 5.42.	Legal (Subsidiary): 1. Local Government Act 1995 (As Amended) - Section 6.10 2. Local Government (Financial Management) Regulation 13.
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Council delegates its authority and power to the Chief Executive Officer, to make payment by Cheque or Electronic Fund Transfer (EFT) from the Trust and Municipal Funds subject to the following conditions:

1. That an EFT payments relating to payroll be authorised by at least two officers, with one authorising officer, being either the Chief Executive Officer or Deputy Chief Executive Officer.
2. In relation to (1) above, one officer must be the Chief Executive Officer and Deputy Chief Executive Officer.
3. That EFT payments other than payroll, be authorised by two officers, with at least one being a signatory to Council cheques.

Refer to Local Government (Financial Management) Regulation 13 and Council Administrative Policy Financial Management – Authority to sign Trust and Municipal Fund cheques.

7.4 AUDITORS MANAGEMENT LETTER FOR THE AUDIT YEAR ENDED 30 JUNE 2009

FILE:	FI.FRP.4
COUNCIL DATE:	15 February 2010
REPORT DATE:	20 January 2010
LOCATION/ADDRESS:	N/A
ACTION OFFICER:	Tyhscha Cochrane, Acting DCEO
SENIOR OFFICER:	Ray Hooper, CEO
DISCLOSURE OF INTEREST:	No
APPENDICES:	Appendix A – Management Letter
DOCUMENTS TABLED:	Nil

Summary:

To receive the management letter from the Council's Auditors, Macri Partners for the Financial Year ended the 30 June 2009.

Background:

Pursuant to Council's Audit Specifications the Auditor has provided a Management Report for the Audit Committee's consideration.

Consultation:

Ray Hooper - Chief Executive Officer
Dominic Carbone – Consultant
Macri Partners

Statutory Environment:

Local Government Act 1995 (as amended)
Financial Management Regulations 1996

Policy Implications:

Nil.

Financial Implications:

Not applicable to this report.

Strategic Implications:

Nil.

Voting Requirements:

Absolute Majority Required: No

Site Inspection:

Site Inspection Undertaken: Not applicable

Triple bottom Line Assessment:

Economic Implications:

N/A

Social Implications:

Correspondence from Macri Partners showed that issues relating to the audit of the financial report were satisfactorily resolved and that there were no further issues to be reported to management, which may give the community confidence in the governance of the district.

Environmental Implications:

Not applicable.

Comment:

Not applicable

OFFICER RECOMMENDATION

Moved: Cr P Hooper

Seconded: Cr T Boyle

That the Management Letter provided by Macri Partners be received.

CARRIED (2/0)



Certified Practising Accountants

PARTNERS
Anthony Macri FCPA
Domenic Macri CPA
Connie De Felice CA

20 January 2010

The Chief Executive Officer
Shire of York
PO Box 22
YORK WA 6302

Dear Sir

RE: AUDIT – 30 JUNE 2009

We have completed the audit of the financial report of Shire of York for the year ended 30 June 2009. Our Independent Audit Report was dated 20 December 2009.

Any issues relating to the audit of the financial report were satisfactorily resolved and we advise that there are no other matters to be reported to management.

Yours faithfully

A handwritten signature in black ink, appearing to read "Anthony Macri".
MACRI PARTNERS

YORK01 AMsm



7.5 INTERIM AUDIT YEAR ENDED 30 JUNE 2009

FILE:	FI.FRP.4
COUNCIL DATE:	15 February 2010
REPORT DATE:	20 January 2010
LOCATION/ADDRESS:	N/A
ACTION OFFICER:	Tyhscha Cochrane, Acting DCEO
SENIOR OFFICER:	Ray Hooper, CEO
DISCLOSURE OF INTEREST:	No
APPENDICES:	Appendix A – INTERIM AUDIT
DOCUMENTS TABLED:	Nil

Summary:

To give consideration to the interim audit report received from Council's Auditors, Macri Partners as per attachment A for the Financial Year ending the 30th June 2010.

Background:

The Council Auditors Macri Partners conducted an interim audit of the Council's Financial Records in December 2009. They have now reported their findings accordingly.

Included in the interim report is the comments provided to the Auditors in relation to their findings by the Officers.

Consultation:

Ray Hooper - Chief Executive Officer
Dominic Carbone – Consultant
Macri Partners

Statutory Environment:

Local Government Act 1995 (as amended)
Financial Management Regulations 1996

Policy Implications:

Nil.

Financial Implications:

Nil.

Strategic Implications:

Nil.

Voting Requirements:

Absolute Majority Required: No

Site Inspection:

Site Inspection Undertaken: Not applicable

Triple bottom Line Assessment:

Economic Implications:

N/A

Social Implications:

N/A

Environmental Implications:

Not applicable.

Comment:

N/A

OFFICER RECOMMENDATION

Moved: Cr T Boyle

Seconded: Cr P Hooper

“That the Audit Committee:

- 1. receives the interim audit report for the financial year to the 30 June 2010 provided by Macri Partners; and***
- 2. advise Macri Partners that the Audit Committee has given consideration to the interim audit report.”***

CARRIED (2/0)

14 December 2009

Chief Executive Officer
Shire of York
PO Box 22
YORK WA 6302

SHIRE OF YORK	
FILE: F1 FCPA	
OFFICER	INITIALS
Macri	AK
21 DEC 2009	
1111720	
REFERRED TO COUNCIL	
DATE	INITIALS

Dear Sir

RE: INTERIM AUDIT VISIT FOR THE YEAR ENDED 30 JUNE 2009

We carried out an interim audit of the Council for the year ended 30 June 2009.

Our interim audit covered a review of the accounting and internal control procedures in operation, as well as testing of transactions, in the following areas:

- ☐ Purchases
- ☐ Payments and Creditors
- ☐ Rate Receipts and Rate Debtors
- ☐ Receipts and Sundry Debtors
- ☐ Payroll
- ☐ General Accounting and Computer Environment
- ☐ Registers (Tender Register and Register of Financial Interests)

Our review also covered an examination of some compliance matters, which are required under the Local Government Act 1995 (as amended) and Financial Management Regulations 1996.

Please note that our examination of internal controls was carried out for audit purposes designed primarily for the purpose of expressing an opinion on the financial statements of the Shire of York.

The following matters were noted and are brought to your attention.

1

28 Thorogood St, Burswood WA 6100 PO Box 398, Victoria Park WA 6979 P (08) 9470 4648 · (08) 9470 4849 E mail@macripartners.com.au W macripartners.com.au
Liability limited by a scheme approved under Professional Standards Legislation

8.

PURCHASING AND PAYMENTS

A number of payments were selected and testing performed to determine whether purchases of goods and services were in accordance with Council's purchasing policy.

- (i) In a number of instances, purchase orders did not contain quantity or price for purchase of goods/services.

As auditors, we are concerned about the legal liability to the Shire should any dispute arise over a supply of goods/services.

We recommend that purchase orders with all the details should be forwarded to the suppliers to confirm the contractual obligation between the Council and suppliers to supply goods/services at the agreed quantity, quoted price, etc and to avoid future disputes due to misunderstanding of supply details.

- (ii) There was a number of instances noted where quotes were referred to on the purchase order but no details were filed with the invoice, purchase order and payment voucher.

We recommend that written quotes be filed with the invoice, purchase order and payment voucher. We also recommend that verbal quote details be included on the purchase orders.

Management Comments:

Staff involved with the issuing of purchase orders have been instructed to include pricing details on all purchase orders or if this is not possible to include an indicative cost. This message has and will continue to be reinforced at staff meetings. Staff have also been instructed to attach to the internal copy of the purchase order, copies of quotes sought or an explanation as to why the requisite number of quotes as per Council's purchasing policy have not been obtained.

RATES

The Council's rating procedures were reviewed to ensure that they were in compliance with statutory requirements and that rates have been imposed correctly. This also included a review of the rate notice issued and the process of reconciliation of the Valuer General's reports to the Rates Ledger.

We checked a limited number of property assessments from the Rates Ledger to ensure that the rate calculations, raising and postings to the Rates and General Ledger were correctly performed.

The following matter was noted and brought to your attention:



i) We carried out a review of the rate debtors in arrears as at 2 June 2009. The outstanding rate debtors, excluding deferred rates, was \$ 315,821.82 and of these \$ 127,135.66 (approximately 40%) was in arrears of one year or greater.

Some of the long outstanding rates debtors are as follows :-

- a) York Racing Inc.
- b) Castletowers Pty Ltd
- c) Palmer Fred Estate
- d) Davis Geoffrey Wayne
- e) York Heritage Pty Ltd
- f) York Motor Museum Pty Ltd

We recommend that the overdue accounts be followed up and if required consider recovery process available through the courts or local government acts.

Management Comments:

The Shire of York has been in negotiations with York Racing for over 2 years regarding the future of the racecourse and the outstanding rates. The Council has agreed to write off the outstanding rates when the Shire's name has been added to the land titles for the racecourse.

All of the other rates debtors have been referred to Council's debt collectors and collection action with these debtors has been ongoing for many years. One of the two assessments in the name of York Heritage Pty Ltd has since been paid apart from a small amount of accrued interest.

Council's outstanding rates debtors are reviewed regularly by rates and finance staff and rates debtors who have not entered into repayment plans are referred to a Council's debt collection agency for collection.

SUNDRY DEBTORS

The sundry debtors system including raising of invoices was reviewed and testings conducted to ensure proper procedures have been followed.

The following matters are brought to your attention:

- (a) As part of our audit process, we carried out a review of the sundry debtors aged trial balance report as at 17 June 2009 which indicated that \$ 37,523 (approx 27%) of the total outstanding debts were in the 90 days and over category.

The large overdue accounts in the 90 days and over category which exist in the report are listed below:

Debtor Name	Amount \$
Arts Moneybox Australia	2,794.00
Department of Environment and Conservation	6,600.00
Hays Properties Pty Ltd	5,032.50
Lotterywest	13,750.00
Rosmill Pty Ltd	488.40



We understand that there is an ongoing review process by management of outstanding accounts. We will be pleased to receive response from management in respect of the above outstanding debts.

- b) We noted in a number of instances, sundry debtors invoice requisition forms were not authorised.

We recommend that all invoice requisition forms be authorised prior to entering in the system. This will provide accountability and ensure only authorised requests are raised in the system.

Management Comment

Lotterywest & Department of Environment invoices related to grants and payments were delayed due to issues regarding the acquittals. Payment in full of both invoices has since been received. Hay Properties Pty Ltd was paid in full on 25th September 2009. Rosmill Pty Ltd has been referred to Council's debt collectors. Arts Moneybox Australia paid \$1,839.20 of the outstanding debt on 17th August 2009. Negotiations are occurring over the remaining debt.

Council's debtors staff have been directed to ensure that all debtors invoice requests are properly authorised prior to data entry.

JOURNALS

- (i) We noted in a number of instances that there was no evidence that journals had been authorised by an authorised personnel prior to its entry into the accounting system.

We recommend that all journals be authorised prior to posting into the general ledger.

Management Comment

It appears that a new member of Council's finance staff has not always been following correct procedures and referring journals to an authorising officer prior to posting even though the journal forms contain an authorisation and signing clause. This employee has now been counselled regarding the need to have all journals correctly authorised by an appropriate senior officer and checks will be put in place to ensure that this happens.

COMPUTER ENVIRONMENT

We discussed with the IT Maintenance provider about the general controls operating at your computer installation.

The following matters were noted during our review:

- (i) We noted that all Finance staff use the same log-on and password. We also noted that passwords are not changed with sufficient regularity to maintain a secure system.



We recommend that the passwords be changed at frequent periodic intervals to prevent the possibility of unauthorised access.

Management Comment:

This issue has been raised with all administration and other staff who have computer access and Council's officer responsible for IT will be implementing a system where individual passwords are implemented and changed on a regular basis.

PAYROLL

We examined the payroll system of the council. In general the system in place appears to be operating satisfactorily.

However we noted there was an instance where one (1) staff member from a test of five (5) staff had not been paid any superannuation since the staff member had commenced employment.

We did not find any other instances of this breach however we recommend that an investigation into the matter be put forward and ensure that all employees are being paid correct superannuation amounts according to legislation.

Management Comment:

The instance was investigated. It was found that the error had occurred due to a part-time casual employee who had been earning less than the required threshold to be paid superannuation subsequently being promoted to a full-time position and his records not being changed to accrue superannuation. The employees superannuation entitlement was corrected and a procedure has now been adopted that requires all employment forms including superannuation application to be completed and lodged with the payroll officer prior to the employee being put on to the payroll system. All other employee records were checked and found to be correct.

We thank your staff for the assistance provided during the audit. Should you have any queries with respect to the above or any other matters please do not hesitate to contact our office.

Yours faithfully


MACRI PARTNERS
5 WOODSIDE ROAD ALBANY INTERIM AUDIT VISIT REPORT 2009



8. DISCUSSION ALLOWED BY PERMISSION OF PRESIDING MEMBER

9. NEXT MEETING

OFFICER RECOMMENDATION

Moved: Cr P Hooper

Seconded: Cr T Boyle

“That the Audit Committee:

*hold the next Audit Committee Meeting on **Thursday, 4th March 2010 at 3.30pm in the Council Chambers, York Town Hall.**”*

CARRIED (2/0)

10. CLOSURE

The meeting was declared closed at 11.50am.