



MINUTES

Audit and Risk Committee Meeting Monday, 18 March 2019

Date: Monday, 18 March 2019

Time: 2.37pm

Location: Council Chambers, York Town Hall, York

Order Of Business

1	Opening	3
1.1	Declaration of Opening.....	3
1.2	Disclaimer	3
1.3	Standing Orders.....	3
1.4	Announcement of Visitors	3
1.5	Declarations of Interest that Might Cause a Conflict	3
1.6	Declaration of Financial Interests	3
1.7	Disclosure of Interests that May Affect Impartiality	3
2	Attendance	3
2.1	Members	3
2.2	Staff	4
2.3	Apologies	4
2.4	Leave of Absence Previously Approved	4
3	Applications For Leave of Absence	4
4	Presentations	4
5	Confirmation of Minutes of Previous Meetings	4
6	Announcements by Presiding Member Without Discussion	4
7	Officer's Reports	5
7.1	ANNUAL AUDIT - 2018/19 financial year - ENTRANCE MEETING.....	5
8	Questions from Members without Notice	13
9	Business of an Urgent Nature Introduced by Decision of the Meeting	13
10	Late Reports	13
11	Late Confidential Reports	13
12	Next Meeting	13
13	Closure	13

**MINUTES OF SHIRE OF YORK
AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, YORK TOWN HALL, YORK
ON MONDAY, 18 MARCH 2019 AT 2.37PM**

The York Shire Council acknowledges the traditional owners of the land on which this meeting will be held.

1 OPENING

1.1 Declaration of Opening

Cr David Wallace, Shire President, declared the meeting open at 2.37pm.

1.2 Disclaimer

The Shire President advised the following:

"I wish to draw attention to the Disclaimer Notice contained within the agenda document and advise members of the public that any decisions made at the meeting today, can be revoked, pursuant to the Local Government Act 1995.

Therefore members of the public should not rely on any decisions until formal notification in writing by Council has been received. Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material."

1.3 Standing Orders

Nil

1.4 Announcement of Visitors

Two Visitors from the Office of the Auditor General

1.5 Declarations of Interest that Might Cause a Conflict

Nil

1.6 Declaration of Financial Interests

Nil

1.7 Disclosure of Interests that May Affect Impartiality

Nil

2 ATTENDANCE

2.1 Members

Cr David Wallace, Shire President; Cr Jane Ferro; Cr Pam Heaton; Cr Heather Saint;
Cr Denese Smythe; Cr Kevin Trent, Deputy Shire President; Cr Denis Warnick

2.2 Staff

Paul Martin, Chief Executive Officer; Suzie Haslehurst, Executive Manager Corporate & Community Services; Darren Wallace, Executive Manager Infrastructure & Development Services; Tabitha Bateman, Finance Manager

2.3 Apologies

Nil

2.4 Leave of Absence Previously Approved

Nil

3 APPLICATIONS FOR LEAVE OF ABSENCE

Nil

4 PRESENTATIONS

Nil

5 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

COMMITTEE RECOMMENDATION

Moved: Cr Jane Ferro

Seconded: Cr Kevin Trent

That the minutes of the Audit and Risk Committee Meeting held on 5 March 2019 be confirmed.

CARRIED: 7/0

6 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

Nil

7 OFFICER'S REPORTS

7.1 ANNUAL AUDIT - 2018/19 FINANCIAL YEAR - ENTRANCE MEETING

File Number:	FI.FRP.4
Author:	Suzie Haslehurst, Executive Manager, Corporate & Community Services
Authoriser:	Suzie Haslehurst, Executive Manager, Corporate & Community Services
Previously before Council:	Not applicable
Appendices:	<ol style="list-style-type: none"> 1. Signed Agreement with the Office of the Auditor General 2. OAG Indicative Fee for 2018/19 Audit.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Executive

PURPOSE OF REPORT

This report presents an agreement with the Office of the Auditor-General and information regarding the Shire of York's annual financial audit for the 2018/19 financial year (Appendix 1).

BACKGROUND

Section 7.2 of the *Local Government Act 1995* requires that the accounts and annual financial report of the local government are audited by an auditor and Section 7.9 prescribes the conditions under which the audit is to be conducted.

In October 2017, the *Local Government Amendment (Auditing) Act 2017* was proclaimed, giving the Auditor General the mandate to audit local governments in Western Australia. This arrangement was set to be staged so that by the financial year 2020-21, all local governments will be audited by the Auditor General. As the Shire of York's audit contract with Moore Stephens expired following the 2016/17 financial year audit, the Auditor General took responsibility for the Shire's 2017/18 audit however, engaged Moore Stephens to undertake the audit field work and preliminary examination processes.

For the 2018/19 financial year, the Office of the Auditor-General (OAG) will be conducting the Shire's audit directly.

COMMENTS AND DETAILS

The OAG has advised the following process for the 2018/19 financial audit of the Shire of York;

18 Mar 2019	Entrance meeting with the Audit and Risk Committee, senior officers and the OAG
1 Apr 2019	OAG staff on-site at the Shire for 2-3 weeks to conduct an interim audit and subsequently raise any management concerns with the Chief Executive Officer
23 Sept 2019	OAG staff on-site at the Shire for 2-3 weeks to conduct the annual financial audit
31 Dec 2019	Audited financial statements to be received by the Shire by this date
TBC	Exit meeting with the Audit and Risk Committee, senior officers and the OAG

Officers have met via teleconference with the OAG to discuss the upcoming interim audit and to provide initial information to the OAG regarding the Shire's systems and processes. Officers were informed that as this is the first year of the financial audit being conducted by the OAG, a

comprehensive process will be undertaken and the audit work is expected to take longer than in subsequent years.

The purpose of the Entrance meeting is for the OAG to present the audit plan to 'those charged with governance' in accordance with Australian Auditing Standard ASA 260 *Communication With Those Charged With Governance*. Therefore, OAG staff will attend the Audit and Risk Committee meeting on 18 March to present the audit plan to the Audit and Risk Committee and have been included on the agenda for this meeting.

It is understood the OAG will present the Audit Plan at the Audit and Risk Committee meeting. At the time of writing this report, this had not been received from the OAG. Officers will forward this information under separate cover.

OPTIONS

Not applicable

IMPLICATIONS TO CONSIDER

Consultative

Office of the Auditor-General

Strategic

Strong and Effective Leadership

5.1 Effective and informed governance and decision-making

Policy Related

G4.8 Legislative Compliance

Financial

The cost of the 2017/18 audit undertaken by Moore Stephens on behalf of the Office of the Auditor-General was \$42,260 excl. GST compared with \$18,868 for the 2016/17 year and \$23,438 for 2015/16. The OAG has recently provided an indicative audit fee for the 2018/19 audit of \$41,000 excl. GST which is based on cost recovery as outlined in Appendix 2.

Legal and Statutory

Local Government (Audit) Regulations 1996

7. Agreements with auditors, contents of

An agreement between a local government and an auditor is to include —

- (a) the objectives of the audit; and*
- (b) the scope of the audit; and*
- (c) a plan for the audit; and*
- (d) details of the remuneration and expenses to be paid to the auditor; and*
- (e) the method to be used by the local government to communicate with, and supply information to, the auditor.*

9. Performance of audit

- (2) An auditor must carry out an audit in accordance with the Australian Auditing Standards made or formulated and amended from time to time by the Auditing and Assurance Standards Board established by the Australian Securities and Investments Commission Act 2001 (Commonwealth) section 227A.*

Auditing Standard ASA 260 – Communication With Those Charged With Governance

4. *This Auditing Standard focuses primarily on communications from the auditor to those charged with governance. Nevertheless, effective two-way communication is important in assisting:*
- (a) *The auditor and those charged with governance in understanding matters related to the audit in context, and in developing a constructive working relationship. This relationship is developed while maintaining the auditor's independence and objectivity;*
 - (b) *The auditor in obtaining from those charged with governance information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events; and*
 - (c) *Those charged with governance in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatement of the financial report.*

Risk Related

The Entrance Meeting with the OAG mitigates the Shire's risk of legislative non-compliance and reduces risk of service interruption or increased financial impacts.

Workforce

As this is the first year that the OAG had undertaken the Shire's audit directly, the process is anticipated to impact on the finance team more than in previous years. It is expected that this impact will be managed within existing resources.

VOTING REQUIREMENTS

Absolute Majority: No

COMMITTEE RECOMMENDATION

Moved: Cr Denese Smythe

Seconded: Cr Denis Warnick

That the Audit and Risk Committee recommends that Council:

- 1. Receives the Audit Plan presented by staff from the Office of the Auditor-General at the Entrance Meeting for the Shire of York 2018/19 Financial Audit held today 18 March 2019.**
- 2. Notes the signed Agreement between the Office of the Auditor-General and the Shire of York for the 2018/19 Financial Audit and the indicative fee for the 2018/19 audit provided by the Office of the Auditor-General,**

CARRIED: 7/0



Our Ref: 7972

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



Office of the Auditor General
Serving the Public Interest

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: (08) 6557 7500
Fax: (08) 6557 7600
Email: info@audit.wa.gov.au

Surge

SHIRE OF YORK	
FILE	INITIALS
<i>FL.FRP.A</i>	
OFFICER	
<i>Paul</i>	
<i>Tabitha</i>	
04 FEB 2019	
REFERRED TO COUNCIL	
DATE	INITIALS

Dear Mr Martin

ARRANGEMENTS FOR THE AUDIT OF THE ANNUAL FINANCIAL REPORT OF THE SHIRE OF YORK

I am writing to you to confirm arrangements for the annual audit of the Shire's annual financial report. This is an important part of the audit process because it helps to ensure that you are fully informed regarding our respective responsibilities under the engagement.

The responsibilities apply to audits for the current financial year, as well as to the audits for subsequent financial years, unless circumstances change, and are detailed in the Attachment.

It would be appreciated if you and the President, could confirm your acknowledgement of the responsibilities by signing and returning the Attachment.

Feel free to contact me on 6557 7525 if you would like to discuss this or any other matter in relation to the audit.

Yours faithfully

KELLIE TONICH
SENIOR DIRECTOR
FINANCIAL AUDIT
29 January 2019

Attached

Posted 27.2.19

Emailed 27.2.19.

W.

Attach

ATTACHMENT

COPY**RESPONSIBILITIES FOR THE AUDIT**

This document sets out the responsibilities for the audit of the annual financial report of the Shire of York.

Objective and Scope of the Audit

Under the *Local Government Act 1995*, the Auditor General is to audit the accounts and annual financial report of the Shire of York. The annual financial report comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Chief Executive Officer. As a part of the audit, we also report on matters as detailed under Other Legal and Regulatory Requirements in the Reporting section of this document.

The objective of the audit is to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the Auditor General's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Responsibilities of the Auditor General and the Office of the Auditor General (OAG)

The audit will be conducted in the manner determined by the Auditor General in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion.

ATTACHMENT

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed.

In carrying out the audit, the OAG will also adhere to the following principles and reporting obligations:

- the highest standards of ethical and personal behaviour are demonstrated
- the audit is approached in a fair and constructive way
- the audit is conducted and reported in an impartial manner
- matters of significance arising from the audit are collated and reported at a sector level to the Parliament.

Responsibilities of the Council and the Chief Executive Officer

We acknowledge that we are responsible for:

- (a) keeping proper accounts and records
- (b) the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards
- (c) such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error
- (d) providing you with:
 - (i) access to all information that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - (ii) additional information that you may request from us for the purpose of the audit; and
 - (iii) unrestricted access to persons within the Shire from whom you determine it necessary to obtain audit evidence.
- (e) the preparation of other information (i.e. financial or non-financial information (other than the financial report and the auditor's report thereon) included in the Shire's annual report) that is consistent with the financial report, and which does not contain any material misstatements.

As part of the audit process, we will also request, from the Chief Executive Officer and the finance manager, written confirmation concerning representations made to us in connection with the audit.

We look forward to the full cooperation from your staff during our audit.

Reporting*Annual Financial Report*

The Auditor General's auditor's report will be prepared in accordance with the *Local Government Act 1995*, *Local Government (Audit) Regulations 1996* and Australian Auditing Standards and include the audit opinion on the annual financial report.

Other Legal and Regulatory Requirements

The *Local Government (Audit) Regulations 1996* also require the auditor's report to include:

- a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government

ATTACHMENT

- b) any material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls in any other written law
- c) details of whether information and explanations were obtained by the auditor
- d) a report on the conduct of the audit
- e) the opinion of the auditor as to whether or not the asset consumption and asset renewal funding ratios in the annual financial report are supported by verifiable information and reasonable assumptions.

The form and content of the auditor's report may need to be amended in the light of our audit findings and future amendments (if any) to the *Local Government (Audit) Regulations 1996*.

The auditor's report will be sent to the CEO, President and the Minister for Local Government in accordance with the *Local Government Act 1995*.

Management Letter

Deficiencies in internal controls and other relevant matters identified during the audit will be included in a management letter sent to the CEO and President.

Audit Fee


The fee for the audit will be determined by the Auditor General in accordance with the *Local Government Act 1995*. We will provide you with an indicative audit fee in the first quarter of the calendar year. This indicative fee is an estimate based on full cost recovery and a number of assumptions. The fee may be increased if there are additional costs due to matters such as a poor quality financial report and supporting working papers, deficiencies in internal controls and delays in receiving information from Shire staff.

Publication of the Audited Annual Financial Report

The Shire is required by the *Local Government Act 1995* to publish its annual report, including the audited annual financial report and the Auditor General's auditor's report, on its official website. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by the Shire to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the Shire's web site is beyond the scope of our audit of the financial report. Responsibility for the electronic presentation of the financial report on the Shire's web site is that of the Council.

ACKNOWLEDGEMENT OF RESPONSIBILITIES FOR THE AUDIT

We acknowledge the responsibilities for the audit for the year ended 30 June 2019 and subsequent years as set out in this letter for the audit of the annual financial report, including our respective responsibilities as the President and the CEO.

(Signed) 

Name:
President

(Signed) 

Name:
Chief Executive Officer

25/2/19
Date



Our Ref: 7973

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

SHIRE OF YORK	
FILE	FLR-4
OFFICER	INITIALS
Paul	PM
Jessie	
Jessie	
13 MAR 2019	
172212	
REFERRED TO COUNCIL	
DATE	INITIALS



7th Floor, Albert Facey House
 469 Wellington Street, Perth

Mail to: Perth BC
 PO Box 8489
 PERTH WA 6849

Tel: (08) 6557 7500
 Fax: (08) 6557 7600

Email: info@audit.wa.gov.au

Dear Mr Martin

INDICATIVE AUDIT FEE 2019

This letter is to advise you that our indicative fee for the 2019 audit of your annual financial report is \$41,000 (excl. GST).

Our audit fees are based purely on cost recovery. They are calculated from an estimate of:

- the time required by our staff
- associated travel costs (where applicable)
- a portion of our costs to report the results to Parliament.

We continually search for ways to improve efficiency and reduce audit costs, within the constraints of legislative requirements and auditing standards. You can assist us to reduce the cost of your audit by ensuring your entity has well-prepared financial reports and working papers. Please note that additional costs requiring a supplementary fee can arise from significant accounting issues, breakdowns in internal controls, delays in providing information to audit staff, or your staff being unavailable to discuss issues with the audit team.

I am available on 6557 7714 if you require further information.

Yours sincerely

NAYNA RANIGA
 DIRECTOR FINANCIAL AUDIT
 8 March 2019

8 QUESTIONS FROM MEMBERS WITHOUT NOTICE

Nil

9 BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING

Nil

10 LATE REPORTS

Nil

11 LATE CONFIDENTIAL REPORTS

Nil

12 NEXT MEETING

To be advised.

13 CLOSURE

The Shire President thanked everyone for their attendance and closed the meeting at 3.42pm.