



City of Nedlands

Minutes

Audit and Risk Committee Meeting

7 April 2016

ATTENTION

These minutes are subject to confirmation

This is a committee which has only made recommendations to Council. No action should be taken on any recommendation contained in these Minutes. The Council resolution pertaining to an item will be made at the Ordinary Council Meeting next following this meeting.

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City of Nedlands

Minutes of a meeting of the Audit and Risk Committee held in the Council Meeting Room at 71 Stirling Hwy, Nedlands on 7 April 2016 at 6pm.

Declaration of Opening

The Presiding Member declared the meeting open at 6pm and draw attention to the disclaimer below.

Present and Apologies and Leave Of Absence (Previously Approved)

Committee Members

Councillor I S Argyle	(Presiding Member/ Dalkeith Ward)
His Worship the Mayor	R M Hipkins
Councillor L McManus	Coastal Districts Ward
Mr Paul Satchell	Community Member
Mr Ken Eastwood	Community Member

Staff

Mr G Trevaskis	Chief Executive Officer
Mr A Melville	Acting Director Corporate & Strategy
Mr K Chua	Manager Finance
Mrs S Gibson	Corporate & Strategy Administration Officer

Invited Nil.

Newspaper Nil.

Leave of Absence Nil.
(Previously Approved)

Apologies Councillor G Hay Coastal Districts Ward

Absent Mr R Senathirajah Community Member

Disclaimer

Members of the public who attend Council meetings should not act immediately on anything they hear at the meetings, without first seeking clarification of Council's position. For example by reference to the confirmed Minutes of Council meeting. Members of the public are also advised to wait for written advice from the Council prior to taking action on any matter that they may have before Council.

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1. Public Question Time

Nil.

2. Addresses by Members of the Public (only for items listed on the agenda)

Nil.

3. Disclosures of Financial Interest

The Presiding Member reminded Councillors and Staff of the requirements of Section 5.65 of the *Local Government Act* to disclose any interest during the meeting when the matter is discussed.

There were no disclosures of Financial Interest.

4. Disclosures of Interests Affecting Impartiality

The Presiding Member reminded Councillors and Staff of the requirements of Council's Code of Conduct in accordance with Section 5.103 of the *Local Government Act*.

There were no disclosures of interests Affecting Impartiality.

5. Declarations by Members That They Have Not Given Due Consideration to Papers

Nil.

6. Confirmation of Minutes

6.1 Audit and Risk Committee Meeting 3 March 2016

Moved –Mr K Eastwood
Seconded – Councillor Mayor Hipkins


That minutes of the Audit & Risk Committee held 3 March 2016 be confirmed.

CARRIED 4/1
(Abstained: Mr Setchell)

7. Items for Discussion

Note: Regulation 11(da) of the *Local Government (Administration) Regulations 1996* requires written reasons for each decision made at the meeting that is significantly different from the relevant written recommendation of a committee or an employee as defined in section 5.70, but not a decision to only note the matter or to return the recommendation for further consideration.

7.1 Appointment of Auditor

Applicant	City of Nedlands
Owner	City of Nedlands
Officer	Kim Chua – Manager Finance
Director	Andrew Melville – Acting Director Corporate & Strategy
Director Signature	
File ref.	FIN/008-24
Previous Item No's	Nil

Moved – Mayor Hipkins
 Seconded – Mr K Eastwood

Committee Recommendation / Recommendation to Committee

Council in accordance with the provisions of *Section 7.3 of the Local Government Act 1995*, appoints Macri Partners as the City's independent auditor for the 2015/16 financial year.

CARRIED UNANIMOUSLY 5/-

Purpose

The purpose of this report is for the Audit & Risk Committee to make a recommendation to Council for the reappointment of the City's Auditor for an interim period of 1 financial year ending 30 June 2016, to align with proposed changes to the Local Government Act.

Executive Summary

The Local Government Act 1995 Section 7.3 requires every local government to appoint a suitably qualified person, on the recommendation of its audit committee, to be its auditor. An auditor is eligible for re-appointment at the end of his term.

Macri Partners, the City auditor's initial appointment expired with the completion of the audit of the 2011/12 Annual Financial Statements and related acquittals. Macri Partners was re-appointed for a further 3 years on 21 February 2013 on the recommendation of the Audit and Risk Committee until 30 June 2015 and has on 16 February 2016 submitted a quotation for the services for the next 1 year ending 30 June 2016.

Macri Partners is one of the audit firms in WALGA's Preferred Supplier Panel for audit services. The City is thus not required to obtain other quotes if it is to appoint Macri Partners as its auditor for the 12 month transitional period.

In consultation with the Department of Local Government and Communities it was suggested that an extension of 1 year to the current auditor would be the most appropriate course of action.

Background

The Local Government Act 1995 Section 7.3 requires every local government to appoint a suitably qualified person, on the recommendation of its audit committee, to be its auditor. Section 7.6 of the same act states that the term of office of a local government auditor is not to exceed 5 financial years, but an auditor is eligible for re- appointment.

To be appointed as a local government auditor, a person has to be a registered company auditor.

The Audit & Risk Committee, at its meeting on 21 February 2013, noted that Macri Partners has been the City's auditor since 2004, thereafter again since 2011 and had a proven record in local government auditing, with 17 current local government clients.

The Council, at its meeting on 26 March 2013 accepted the recommendations of the Audit & Risk Committee and appointed Macri Partners as the City's auditor for a term of 3 years.

On 2 March 2016, the CEO received a notification from the Director General of the Department of Local Government and Communities that there are impending proposed changes to the Local government Act under which the Auditor General may contract out some of the financial audits, but all audits will be done under the supervision of the Auditor General and the Office of the Auditor General.

Discussion

Macri Partners is agreeable to continue as the City's auditor, and has submitted a quotation for the services for the financial years 2015/16 to 2017/18. The quoted price for the audit services for 2015/16 is \$18,500 and is considered to be reasonable. This is only \$1,500 more than for 2014/15. The price quoted compared very favourably with some of our neighbouring Councils. Please refer to attachment 1.

Macri Partners has stated that it is able to maintain the prices at very competitive levels due to their very good understanding of local government systems in general and specifically the City's operations and accounting structure.

The Local Government (Function and General) Regulations 1996 state that a local government is exempt from the need to tender for services and goods if these are obtained through WALGA purchasing services.

Macri Partners is one of WALGA's preferred suppliers for the provision of audit services. The City is thus not required to obtain other quotations if it re-appoints Macri Partners.

Strategic Plan

KFA 5: Governance

5.4 Monitor and review business processes, systems, structure and policies to ensure effective service delivery and organisational performance.

5.9 Identify, manage and seek to minimise risk.

Conclusion

Although Local Government Audit Reform is imminent, Macri Partners has in the meantime carried out the independent audits of the City's financial statements in a professional manner in the past plus the reasonable quote for the services for the next three years, it is recommended that Macri Partners be appointed as the City's independent auditor for the 2015/16 financial year.

Proposal Detail

It is proposed to appoint Macri Partners as the City's auditor for a further 1 year, ending 2015/16.

Consultation

Required by legislation:

Yes

No

Required by City of Nedlands policy:

Yes

No

Not applicable

Sections 7.2-7.8 of the Local Government Act 1995 deal with the appointment of auditors by local governments.

Section 3.57 of the Local Government Act 1995 and section 11 of the Local Government (Functions and General) Regulations deal with the need for tenders when procuring services or goods.

Budget/Financial Implications

Funding for the audit is included in the annual budget.

Attachments

1. Reappointment of Macri Partners as the City's External Auditors
2. Auditing of Local Governments by the Auditor General
3. Extract from Macri Quotation Document

Stacey Gibson

Subject: RE: Reappointment of MACRI Partners as the City's External Auditors

From: Kim Chua

Sent: Thursday, 25 February 2016 4:06 PM

To: Greg Trevaskis

Cc: Andrew Melville J.P. ; Vanaja Jayaraman ; Nana McIntosh

Subject: Reappointment of MACRI Partners as the City's External Auditors

Greg,

Macri has been our City's Auditor for a number of years. The appointment of the External Auditors is stipulated in Part 7, Division 2 of the Local Government Act under s7.3 – Appointment of auditors.

The current external Audit contract with Macri expires with the completion of the 2014/2015 Financial Year Audit (the one just past). Under s7.6 (1), an auditor is eligible for re-appointment and Macri has expressed its interest to be reappointed.

On 16 February 2016, Macri has forwarded the City a copy of its quote for the Provision of Audit Services for 3 further years from 2016 -2018, a copy of which is attached. ***It is our recommendation that this quote should be accepted*** based on the following: -

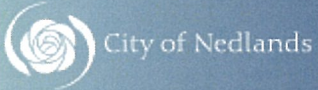
- MACRI Partners are suitably qualified under s7.3(3) of the LG Act 1995
- MACRI also has the following ticks against its name
 - has a wealth of LG Audit experience
 - is a WALGA preferred supplier
- Our Officers have a good continued professional relationship with its Audit staff
- MACRI's quoted price is very reasonable, the pricing structure gets the City 14 quality man days of Audit. The hourly rate of its Partner and Manager is \$320 and \$250 respectively which is highly competitive in the LG Audit industry.
- Finance has done some research on Audit fees of 4 other Councils in WA and these are as follows: -

Council	Auditor	Annual Budget Revenue	Fixed Assets	No of Rate Assessments	2014/15 Financial Audit Fee
City of Nedlands	Macri	\$31.4M	\$190m	8,903	\$19,030
Town of Cambridge	Grant Thornton	\$42M	\$285m	11,094	\$27,924
City of Vincent	Macri	\$55M	\$268m	17,271	\$22,560
City of Subiaco	Moore Stephens	\$43M	\$356m	9,779	\$48,703
City of South Perth	Macri	\$53M	\$614m	19,861	\$36,090

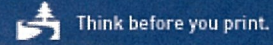
Should you need any other clarification or information, please let me know.

Kim Chua
Manager Finance

Administration Centre
71 Stirling Hwy Nedlands WA 6009
PO Box 9 Nedlands WA 6909
T 9273 3500



nedlands.wa.gov.au



SPLASH FEST! **Sunday 13 March 2016 2-5 pm** **WATER RIDES WATER SLIDES**
Swanbourne Reserve Swanbourne



Our Ref: 2689-15

TO: THE CHIEF EXECUTIVE OFFICER

Auditing of local governments by the Auditor General

I am writing to you regarding the State Government's proposal for amendments to be made to the *Local Government Act 1995*. The amendments will provide for the Auditor General to undertake financial and performance audits of the local government sector.

As you may be aware, the Department of Local Government and Communities has established, and consulted with, a working group comprising representatives from WALGA, LGMA and the Office of the Auditor General. The purpose of the working group is to provide advice on the proposed amendments and to assist in the understanding of processes. The Parliamentary Counsel's Office has commenced drafting the necessary amendments to the Act.

Under the proposed changes, the Auditor General may contract out some of the financial audits, but all audits will be done under the supervision of the Auditor General and the Office of the Auditor General.

To enable a smooth transition to the new regime, I seek your assistance in providing the Department with the date on which your current audit contract expires. This information will assist the Office of the Auditor General in understanding current arrangements to enable them to audit a cross section of local governments and to determine their resourcing requirements in the long term.

It would be appreciated if you could provide the information to the Department as soon as possible at legislation@dlgc.wa.gov.au. Please contact Ms Julie Knight, Senior Legislation and Strategy Officer on 6552 1595 if you require further information.

Yours sincerely

Jennifer Mathews
DIRECTOR GENERAL
DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITIES

Gordon Stephenson House
140 William Street Perth WA 6000
GPO Box R1250 Perth WA 6844

Tel: (08) 6551 8700 Fax: (08) 6552 1555 Freecall: 1800 620 511 (Country only)
Email: info@dlgc.wa.gov.au Website: www.dlgc.wa.gov.au

Attachment 8

Pricing (cont'd)

(A) AUDIT SERVICES: EXTERNAL (cont'd)

QUOTED PRICE:

We believe that the above hours would be required to undertake the audit of the Council. However, with our knowledge and experience in the industry we will be able to discount and quote the following fees, without reducing the hours, as below:

Years	Price Quoted (Ex-GST)	GST	Price Quoted (Inc-GST)
2015/2016	\$18,500	\$1,850	\$20,350
2016/2017	\$19,000	\$1,900	\$20,900
2017/2018	\$19,500	\$1,950	\$21,450

The fees quoted above are for external audit services for the audit of the Council's financial report.

8. General Business

8.1 Minutes from the previous meeting

The Minutes are to be done exactly like the minutes for the Committee and Council meetings, showing the original recommendation to Committee as well as any changes that were made at the meeting.

8.2 Meetings of the Audit and Risk Committee

Andrew Melville advised the Committee that the Audit and Risk Committee will meet four times a year; mid-March, mid-June, late August and late November to coincide with important financial dates.

9. Date of next meeting

To be advised.

10. Declaration of Closure

There being no further business, the Presiding Member declared the meeting closed at 6.25pm.