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MINUTES OF THE AUDIT COMMITTEE MEETING HELD IN THE COUNCIL CHAMBERS, 6 PATERSON STREET, MUNDIJONG ON WEDNESDAY, 5 DECEMBER 2012. THE SHIRE PRESIDENT DECLARED THE MEETING OPEN AT 4.11PM AND WELCOMED COUNCILLORS AND STAFF.

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### 1. NOMINATION OF PRESIDING MEMBER:

There is no need for a new nomination as presiding member nominated at previous meeting.

### 2. ATTENDANCES AND APOLOGIES (INCLUDING LEAVE OF ABSENCE):

#### IN ATTENDANCE

COUNCILLORS: B Moore ..... Presiding Member  
D Atwell  
J Kirkpatrick  
G Wilson

OFFICERS: Mr R Gorbunow..... Acting Chief Executive Officer  
Mr A Hart..... Director Corporate Services  
Mr B Gleeson ..... Director Development Services  
Mr U Striepe..... Acting Director Engineering  
Mrs D Bridson ..... Agendas and Minutes Officer

APOLOGIES: Cr M Harris  
Ms S Van Aswegen..... Director Strategic Community Planning

OBSERVERS: Mr Greg Godwin ..... Auditor

Members of the Public - 0

Members of the Press - 0

### 3. PUBLIC QUESTION TIME:

Nil.

### 4. PUBLIC STATEMENT TIME:

Nil.

### 5. PETITIONS AND DEPUTATIONS:

Nil.

### 6. PRESIDING MEMBER'S REPORT:

Nil.

### 7. DECLARATIONS OF COUNCILLORS AND OFFICERS' INTEREST:

Nil.

## 8. MOTIONS OF WHICH NOTICE HAS BEEN GIVEN:

AC002/12/12	2011/2012 FINANCIAL STATEMENTS AND AUDIT (A1212)
Author:	Casey Mihovilovich - Executive Manager Finance Services
Senior Officers:	Alan Hart - Director Corporate Services
Disclosure of Officers Interest:	No officer involved in the preparation of this report is required to declare an interest in accordance with the provisions of the Local Government Act.

### EXECUTIVE SUMMARY

Pursuant to Sections 7.2, 7.3 and 7.9 of the *Local Government Act 1995*, local governments are required each year, to have the accounts and the annual financial report of the Council audited by an auditor appointed by the local government.

Council's Auditor, UHY Haines Norton, has provided Council with the Audit report and Management Report for the financial year ended 30 June 2012.

### RELEVANT PREVIOUS DECISIONS OF COUNCIL

There is no previous Council decision relating to the current return.

### COMMUNITY / STAKEHOLDER CONSULTATION

No community consultation was required.

### REPORT

At the completion of the audit, UHY Haines Norton advised that there were two non-compliance issues that were identified and they were as follows:

#### 1. Minimum Payment (Rate)

In relation to the UV Conservation and Mining Tenement rate categories, Council did not ensure the number of properties on which the minimum payments imposed were less than 50% of the number of separately rated properties as required by Section 6.35(4) of the *Local Government Act* (as amended).

Comment: The Shire received approval from the Minister of Local Government to raise minimum rates on more than 50% of the rate categories of Conservation and Mining Tenement for the 2011/2012 financial year. Upon the Department of Local Government conducting a review of all Local Governments, the Shire received written confirmation that as a result of Council acting on the Minister of Local Government approval that no further action was required. In 2012/2013 the Shire has elected to simplify rates and the rate categories of Conservation and Mining Tenement no longer exist, and compliance with Section 6.35(4) has been maintained.

#### 2. Unauthorised Emergency Expenditure

Emergency expenditure was incurred without advance authorisation by the President as required by Section 6.8(1)(c) of the *Local Government Act 1995* (as amended) and the emergency expenditure was not reported to the next ordinary meeting of Council as required by Section 6.8(2)(b) of the *Local Government Act 1995* (as amended).

Comment: Due to widespread storm damage during the 2011/2012 financial year, the Council incurred expenditure to ensure safety was restored after these events. Shire officers have now included in the monthly financial report a section whereby if any

expenditure has been incurred, that it will be brought to Councils attention to comply with the Act. The Fire and Emergency Services Team will also endeavour to contact the Shire President in an emergency if they need to incur expenditure.

UHY Haines Norton has advised that there were two management issues in their Management Report for the financial year ended 30 June 2011. The points brought to Councils attention are below;

#### 1. Acceptance of the Annual Report

The annual report for 30 June 2011 was accepted by Council on 17 January 2012 following the auditor's report becoming available on 9 November 2011. Section 5.54(1) of the *Local Government Act* requires Council to accept the annual report by 31 December in any given year unless the auditor's report is not available in time for the annual report to be accepted by that date.

Comment: Shire officers will endeavour to ensure compliance with the Act.

#### 2. Compliance Audit Return

The Compliance Audit Return for 2011 was not completed by 31 March 2012.

Comment: Responsible officers are aware and will endeavour to ensure compliance with the Act.

#### 3. Delegations Register

Delegations register was not reviewed during the 2011/12 financial year.

Comment: Responsible officers are aware and will endeavour to ensure compliance with the Act.

#### 4. Tender Register

Three tenders were not recorded in the tender register and in three instances the tender register was not updated with the name of the successful tenderer and the amount of consideration sought.

Comment: Responsible officers are aware and will endeavour to ensure compliance with the Act.

#### 5. Comments on Ratios

Outstanding Rates ratio is not within the industry benchmark of 0.05.

Comment: There were a number of properties that were sold towards the end of the financial year and settlement did not occur until July. Payment of outstanding rates occurs on these properties at settlement. The Shire also has two owners in administration and until the properties are sold no legal action can occur. As a result without these balances the outstanding rates would be 0.058 which is a positive trend from the previous financial year.

The financial performance of the Shire has improved from previous years. Below is a table of the 2011/2012 and previous financial years for comparisons. As detailed below the net result, reserve balance, and cash and cash equivalents are improving in performance and there is a positive trend. Rates raised, operating and capital expenditure, operating and non operating (capital) income, loan borrowing balance are also increasing and this is a result of growth in the Shire.

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Rates Raised	4,957,695	5,673,220	6,605,973	7,836,850	8,946,043	10,220,714	11,527,614
Operating Expenditure	11,556,759	13,086,686	15,664,215	16,934,642	17,490,523	19,064,617	21,524,499
Operating Revenue	9,861,319	11,237,024	12,817,460	15,119,671	17,220,430	18,593,130	21,498,379
Non Operating Revenue	1,353,105	1,483,723	2,746,383	4,394,758	3,246,791	3,501,419	4,893,664
Actual Net Result	(342,335)	(369,127)	(100,372)	2,579,787	2,976,698	3,009,932	4,867,544
Capital Expenditure	2,850,093	2,107,597	4,159,367	2,661,691	6,123,534	3,289,577	5,098,768
Loan Borrowing Balance	3,701,368	3,465,745	3,363,064	4,599,606	5,704,816	4,411,103	4,486,292
Reserve Balance	1,270,285	1,341,566	1,214,305	1,250,596	1,661,942	1,949,015	2,101,206
Cash & Cash Equivalents Balance (excluding restricted & reserve cash)	197,217	684,390	(78,368)	557,428	748,225	713,018	2,841,460

## ATTACHMENTS

- [AC002.1/12/12](#) - Independent Audit Report (IN12/19466)
- [AC002.2/12/12](#) - Independent Concise Audit Report (IN12/19467)
- [AC002.3/12/12](#) - Management Audit Report (IN12/19468)
- [AC002.4/12/12](#) - 2011/2012 Annual Financial Report (E12/8286)
- [AC002.5/12/12](#) - 2011/2012 Annual Concise Financial Report (E12/8287)

## ALIGNMENT WITH OUR PLAN FOR THE FUTURE

The annual financial report focuses on the Success and Sustainability, Knowledge and Information, and Process Management, Improvement and Innovation focus areas of the Our Council at Work vision category of the Plan for the Future. By obtaining an external audit of the Annual Financial Report it ensures that we are satisfying our statutory obligations.

## STATUTORY ENVIRONMENT

Section 7.2 of the *Local Government Act 1995* states that “the accounts and financial statements of a local government for each financial year are to be audited by an auditor appointed by the local government.”

Section 7.3 of the *Local Government Act 1995* states ‘A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint a person, on the recommendation of the audit committee, to be its auditor’.

Section 7.9 (1) of the *Local Government Act 1995* states “An auditor is required to examine the accounts and annual financial report submitted for audit and, by 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of the report to:

- The Mayor or President,
- The CEO of the local government, and
- The Minister.”

## FINANCIAL IMPLICATIONS

A budget provision has been included in the 2012/2013 budget to accommodate the expenses associated with carrying out an audit.

**VOTING REQUIREMENTS ABSOLUTE MAJORITY**

**AC002/12/12 COUNCIL DECISION / Officer Recommendation**

Moved Cr Kirkpatrick, seconded Cr Wilson  
That the Audit Committee:

1. Adopt the Independent Audit Report and the Concise Independent Audit Report from UHY Haines Norton for the financial year ended 30 June 2012.
2. Receive the Management Report.
3. Receive the Audited Financial Report and the Concise Audited Financial Report for the Shire of Serpentine Jarrahdale for the financial year ended 30 June 2012.
4. Adopt that the Annual Report will include the Concise Financial Report and that the full Financial Report will be available to the public, in person, or via the website.

**CARRIED BY ABSOLUTE MAJORITY 4/0**

**COUNCIL DECISION**

Moved Cr Kirkpatrick, seconded Cr Wilson  
That standing orders 9.5, 9.6, 10.7 and 10.13 be suspended at 4.13pm.  
**CARRIED 4/0**

**COUNCIL DECISION**

Moved Cr Kirkpatrick, seconded Cr Wilson  
That standing orders 9.5, 9.6, 10.7 and 10.13 be reinstated at 4.33pm.  
**CARRIED 4/0**

**9. URGENT BUSINESS:**

Nil.

**10. COUNCILLORS QUESTIONS OF WHICH NOTICE HAS BEEN GIVEN:**

Nil.

**11. CLOSURE:**

There being no further business the meeting closed at 4.34pm.

I certify that these minutes were confirmed at the  
Special Council Meeting held on  
Monday 10 December 2012

.....  
Presiding Member

.....  
Date