



Audit Committee Meeting Minutes

Thursday, 28 November 2013

Minutes of the Audit Committee Meeting held in the Council Chambers, 6 Paterson Street, Mundijong on Thursday, 28 November 2013. The Chief Executive Officer declared the meeting open at 5.04pm and welcomed those present.

1. Nomination of Presiding Member:

The Chief Executive Officer called for nominations for the position of Presiding Member of the Audit Committee until 17 October 2015. Cr Erren nominated Cr Ellis. There were no further nominations.

COUNCIL DECISION:

**Moved Cr Erren, seconded Cr Rossiter
That Cr Ellis be appointed as Presiding Member of the Audit Committee until
17 October 2015.**

CARRIED 5/0

2. Attendances and Apologies:

In Attendance:

Councillors: K Ellis Presiding Member
S Piipponen
J Erren
J Rossiter
B Urban

Officers: Mr R Gorbunow Chief Executive Officer
Mr B Gleeson..... Director Planning
Mrs C Mihovilovich..... Manager Finance and Customer Services
Ms L Jones Executive Assistant to Chief Executive Officer

Mr Greg Godwin UHY Haines Norton Chartered Accountants

Apologies: Mr A Hart (Annual Leave) Director Corporate and Community
Mr G Allan Director Engineering

Observer: Cr S Hawkins

Members of the Public - Nil

Members of the Press - Nil

3. Public Question Time:

Nil

4. Public Statement Time:

Nil

5. Petitions and Deputations:

Nil

6. President's Report:

Nil

7. Declarations of Councillors and Officers Interest:

Nil

8 Motion of which notice has been given:

The Presiding invited Council's Auditor, Mr Greg Godwin from UHY Haines Norton Chartered Accountants, to explicate on the Audit Report and Management Report for the financial year ended 30 June 2013.

AC001/11/13	2012/2013 Financial Statements and Audit
Author:	Megan Hodgson – Financial Accountant
Senior Officer:	Casey Mihovilovich – Manager Finance and Customer Services
Date of Report:	26 November 2013
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 <i>Local Government Act</i>

Introduction:

Council's Auditor, UHY Haines Norton, has provided Council with the Audit Report and Management Report for the financial year ended 30 June 2013.

Background:

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 annual financial report of the Council audited by an auditor appointed by the local government.

Relevant Previous Decisions of Council:

There is no previous Council decision relating to this matter.

Community / Stakeholder Consultation:

No community consultation was undertaken / required.

Comment:

At the completion of the audit, UHY Haines Norton advised that there were no non-compliance issues.

UHY Haines Norton has advised that there was one management issue in their Management Report for the financial year ended 30 June 2013. The point brought to Council's attention is below:

1. Debt Service Cover Ratio

The debt service cover ratio for the 2012/13 financial year is 3.24; however if the debt service cover ratio did not include the effect of the initial recognition of Land under the Shire's control as required by the *Local Government (Financial Management) Regulations 1996*, the debt service cover ratio would be 2.56, a deterioration from 2012 and below the industry benchmark of 5. In addition, it should be noted the full effect of the new loans drawn down during the 2012/13 financial year is not reflected in the debt service ratio for 2012/13 as the first principal and interest repayments on these loans are due in the 2013/14 financial year.

Comment: Council intends to repay the loans that were taken out from Developer Contribution projects in previous years when the Developer Contribution Plan is approved by the Minister and funds are reimbursed for administration costs in previous years. This will increase the Council's debt service ratio close to the industry benchmark. Shire officers are aware of the borrowing capacity of the Shire and will recommend to Council to limit borrowings in future years, to be in line with industry benchmarks.

The financial performance of the Shire has improved from previous years. Below is a table of the 2012/2013 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, and loan borrowing balance are also increasing and this is a result of growth in the Shire.

	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Rates Raised	5,673,220	6,605,973	7,836,850	8,946,043	10,220,714	11,527,614	12,976,751
Operating Expenditure	13,086,686	15,664,215	16,934,642	17,490,523	19,064,617	21,524,499	22,460,557
Operating Revenue	11,237,024	12,817,460	15,119,671	17,220,430	18,593,130	21,498,379	23,529,257
Non-Operating Revenue	1,483,723	2,746,383	4,394,758	3,246,791	3,501,419	4,893,664	3,967,341
Actual Net Result	(369,127)	(100,372)	2,579,787	2,976,698	3,009,932	4,867,544	5,036,041
Capital Expenditure	2,107,597	4,159,367	2,661,691	6,123,534	3,289,577	5,098,768	9,119,851
Loan Borrowing Balance	3,465,745	3,363,064	4,599,606	5,704,816	4,411,103	4,486,292	5,787,337
Reserve Balance	1,341,566	1,214,305	1,250,596	1,661,942	1,949,015	2,101,206	2,617,973
Cash & Cash Equivalents Balance (excluding restricted & reserve cash)	684,390	(78,368)	557,428	748,225	713,018	2,841,460	3,010,059

Attachments:

- [AC001.1/11/13](#) - Independent Audit Report (E13/4769)
- [AC001.2/11/13](#) - Independent Concise Audit Report (E13/4770)
- [AC001.3/11/13](#) - Management Audit Report (E13/4771)
- [AC001.4/11/13](#) - 2012/2013 Annual Financial Report (E13/4760)
- [AC001.5/11/13](#) - 2012/2013 Annual Concise Financial Report (E13/4759)

Alignment with our Strategic Community Plan:

Objective 2.1	Responsible Management
Key Action 2.1.1	This report is a tool for evaluating performance against service delivery to ensure efficiency, effectiveness and meets the needs of the community, elected members, management and staff.

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:

- a) The Mayor or President;
- b) The Chief Executive Officer of the local government; and
- c) The Minister.”

Financial Implications:

A budget provision has been included in the 2013/2014 budget to accommodate the expenses associated with carrying out an audit.

Voting Requirements: Absolute Majority

AC001/11/13 AUDIT COMMITTEE / Officer Recommendation:

Moved Cr Urban, seconded Cr Erren

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 2013.**
- 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 2013.**
- 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 5/0

9. Urgent Business:

Nil

10. Councillors' questions of which notice has been given:

Nil

11. Closure:

There being no further business the Presiding Member declared the meeting closed at 6.00pm.

I certify that these minutes were confirmed at the
Ordinary Council Meeting held on 9 December 2013.

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Presiding Member

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Date