



Shire of  
Serpentine  
Jarrahdale

# Special Audit, Risk and Governance Committee Meeting

## Confirmed Minutes

**Monday, 4 December 2023**

**5:30pm**

**Purpose:** Consideration of the following report:

- Annual Financial Statements and Audit Report 2022 – 2023.

---

### Contact Us

#### Enquiries

Call: (08) 9526 1111

Fax: (08) 9525 5441

Email: [info@sjshire.wa.gov.au](mailto:info@sjshire.wa.gov.au)

#### In Person

Shire of Serpentine Jarrahdale

6 Paterson Street, Mundijong WA 6123

Open Monday to Friday 8.30am-5pm (closed public holidays)



[www.sjshire.wa.gov.au](http://www.sjshire.wa.gov.au)



---

## Table of Contents

1. Attendances and apologies (including leave of absence): .....	3
2. Public Questions:.....	3
3. Deputations: .....	4
4. Declaration of Committee Members and Officers interest: .....	4
5. Receipt of minutes or reports and consideration of adoption of recommendations from Committee meetings held since the previous Council meetings: .....	4
6. Reports for consideration: .....	5
6.1 – Annual Financial Statements and Audit Report 2022 - 2023 .....	5
7. Motions of which notice has been given:.....	12
8. Urgent business:.....	12
9. Closure: .....	12



Minutes of the Special Audit, Risk and Governance Committee Meeting held in the Council Chambers, Civic Centre, 6 Paterson Street, Mundijong, on Monday, 4 December 2023.

The Presiding Member, Councillor Mack declared the meeting open at 5:35pm and welcomed Committee Members and staff and acknowledged that the meeting was being held on the traditional land of the Noongar People and paid his respects to the Traditional Owners, Elders Past, Present and Emerging.

The Presiding Member, Councillor Mack advised that the meeting is being audio recorded in accordance with Council Policy. No other visual or audio recording of this meeting by any other means is allowed.

---

## Minutes

### 1. Attendances and apologies (including leave of absence):

**Elected Members:** S Mack.....Presiding Member  
N Bishop  
M Byas (from 5:46pm)  
R Coales  
T Duggin  
R Jerrett (from 5:37pm)

**External Members:** Mr J Curulli

**Officers:** Mr P Martin.....Chief Executive Officer  
Mr R Najafzadeh.....Director Infrastructure Services  
Mr B Oliver.....Director Community Engagement  
Mr A Trosic .....Director Development Services  
Dr K Parker .....Manager Governance and Strategy  
Ms H Ross.....Manager Finance  
Ms M Gibson.....Governance Officer – Council and Committees  
(Minute Taker)

**Apologies:** Ms E Newby, External Member  
Mr F Sullivan, Director Corporate Services

**Observers:** Ms Maria Cavallo - Director - Audit – AMD (via electronic means)  
Mr Reagan Lau CA, Assistant Director | Financial Audit,  
Office of the Auditor General for Western Australia

### 2. Public Questions:

Nil, as there were no members of the public in the gallery and no questions were submitted in writing prior to the meeting.



---

### **3. Deputations:**

#### **Mr Reagan Lau CA, Assistant Director | Financial Audit, Office of the Auditor General for Western Australia**

Mr Lau welcomed questions by the Committee Members regarding the Audit of the Annual Financial Report.

#### **Ms Maria Cavallo - Director - Audit – AMD**

Ms Cavallo welcomed questions by the Committee Members regarding the Audit of the Annual Financial Report.

### **4. Declaration of Committee Members and Officers interest:**

Nil.

### **5. Receipt of minutes or reports and consideration of adoption of recommendations from Committee meetings held since the previous Council meetings:**

Nil.



## 6. Reports for consideration:

<b>6.1 – Annual Financial Statements and Audit Report 2022 - 2023</b>	
<b>Responsible Officer:</b>	Manager Finance
<b>Senior Officer:</b>	Director Corporate Services
<b>Disclosure of Officer's Interest:</b>	No Officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

### Authority / Discretion

Legislative	Includes adopting local laws, local planning schemes and policies.
-------------	--

### Report Purpose

The purpose of this report is to present the audited Annual Financial Report (**attachment 1**), Independent Audit Report (**attachment 2**) and Audit Management Report (**attachment 3**) for the period ended 30 June 2023. The Shire's Auditor and The Office of the Auditor General has provided the Independent Audit Report and Audit Management Report for the financial year ended 30 June 2023.

### Relevant Previous Decisions of Council

There are no previous Council decisions relating to this matter.

### Background

Pursuant to Sections 6.4, 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 Shire audited by an auditor appointed by the local government.

### Community / Stakeholder Consultation

Not applicable.

### Statutory Environment

Section 6.4 (1) of the *Local Government Act 1995* states that:

*“A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.”*

Section 7.2 of the *Local Government Act 1995* states that:

*“the accounts and annual financial report 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.”*

## Comment

### Audit Management Report

In their Audit Management Report for the financial year ended 30 June 2023 (**attachment 3**), the Office of the Auditor General identified the following matters:

INDEX OF FINDINGS	Potential impact on audit opinion	RATING			Prior year finding
		Significant	Moderate	Minor	
1. Excessive leave management	No		✓		✓
2. Late lodgement of budget with Department	No		✓		
3. Payroll deductions	No			✓	
4. Term deposit interest accruals	No			✓	

## KEY TO RATINGS

**Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.

**Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

**Minor** - Those findings that are not of primary concern but still warrant action being taken.



## 1. Excessive leave management

### Auditor Comment

During our testing on employee leave provisions, we noted that 17 employees (2022: 14 employees) have annual leave balances in excess of eight weeks (40 days) at year end.

This finding was first raised in 2021-22.

### Management Comment and Action

The Shire continues to experience high turnover rate of staff. In 2022 – 2023, 64 people terminated employment with the Shire which is approximately 34% of total staff. This results in consistently high workload for our remaining employees, making it difficult to take their allocated leave.

The Shire recognises the importance of managing excess leave to ensure it does not become a financial liability to the organisation and that employees take regular leave for their own wellbeing.

The Shire will continue to report on excessive leave and develop an agreed plan with the employee for the leave to be taken.

## 2. Late lodgement of budget with the Department

### Auditor Comment

The *Local Government (Financial Management) Regulations 1996* requires local government entities to lodge the Statutory Budget with the Department within 30 days of adoption by the Council.

The Shire's 2023 Statutory Budget was adopted on 26 July 2022 and lodged with the Department on 30 August 2022, four days after the required timeframe.

### Management Comment and Action

Finance acknowledges the late lodgement of the 2023 Statutory budget with the department and understands the importance of adhering to this required 30-day timeframe for submitting the budget following Council adoption.

Upon recognising this oversight, we have taken immediate action to rectify the situation and prevent future delays. We have added the task of submitting the budget to the department within the specified timeframes to our year-end task list.

## 3. Payroll deductions

### Auditor Comment

We identified one of 8 payslip samples tested during the interim audit did not have the appropriate authorised documentation for an amount to be deducted from an employee's pay.

### Management Comment and Action

The sample taken was in relation to a deduction form that was completed but not signed in 2016. Officers have since attained a sign deduction form and the employee has declared that they have given retrospective authority.



Officers feel that this sample does not reflect current practices within the payroll team, who now ensure that any deductions have appropriate authorised documentation. Further to this, the Payroll team are undergoing a process of reviewing all current deductions to ensure correct authorised documentation is held on file.

#### 4. Term deposit interest accruals

##### Auditor Comment

During our testing of accrued income balances, we have identified interest earning on current term deposits was not being brought to account at the end of each month and consequently interest earnings was understated by \$715,989 as at 30 June 2023.

##### Management Comment and Action

At the time of audit, it was identified that the Shire did not have a monthly procedure in place to accrue interest from Term Deposits. This matter was raised to the Shire's attention prior to the finalisation of the 2022/23 Annual report and an accrual was processed to correctly account for the Term deposit interest.

This process gap had not been identified previously due lower interest rates resulting in immaterial interest earnings in the past. The Shire have now implemented a process to ensure interest is accrued on a monthly basis and has included the activity on the month end checklist.

##### Summary of Overall Financial Performance 2022-2023

The year ended 30 June 2023 has seen the Shire continue to deal with the impacts of being a fast-growing local government. This is reflected in the Financial Health indicator (FHI) and ratio information presented below.

Description	OAG Benchmark	2023	2022	2021	2020	2019
Current Ratio	1.00	1.55	1.80	2.72	1.45	1.46
Asset Consumption Ratio	0.45	0.82	0.75	0.75	0.73	0.74
Asset Renewal Funding Ratio	0.6	1.04	0.71	1.02	0.93	0.70
Asset Sustainability Ratio	0.8	0.90	0.95	0.55	0.85	0.94
Debt Service Cover Ratio	1.9	6.04	6.21	5.92	10.61	9.94
Operating Surplus Ratio	0.00	(0.09)	(0.12)	(0.11)	(0.05)	(0.05)
Own Source Revenue Coverage Ratio	0.35	0.82	0.80	0.82	0.85	0.86
<b>Financial Health Indicator Score</b>	<b>40</b>	<b>75</b>	<b>73</b>	<b>69</b>	<b>72</b>	<b>73</b>





These ratios indicate a slight improvement to the Shire's financial sustainability in the 2022-23 financial year despite facing continued inflationary pressures. The 2022/23 year saw Perth experience an CPI increase of 4.9% year on year. Although this is considerably less than the prior 12 month with Perth CPI of 7.3% in June 2022, the combined impact of a 12.2% increase in a short period of 24 months has had a significant impact to the cost of delivering services to the community.

Despite continued economic pressures, through sound financial management the Shire has not only been successful in maintaining its financial health it has also been able to demonstrate a slight improvement.

The Shire has been able to do so by continuing to focus heavily on assets renewal programs whilst simultaneously keeping operational cost creep to a minimum.

The Shire needs to continue to focus on improving the Operating Surplus ratio, which reflects the amount of municipal funds used to fund Operational activities. With uncertainty around the continued inflationary pressures, costs associated with the undertaking of operational activities will potentially continue to increase. Any improvement to the Operating Surplus ratio will continue to be challenging.

## Options and Implications

### Option 1

That the Audit, Risk and Governance Committee RECOMMENDS that Council:

1. RECEIVES the 2022/23 Annual Financial Report as per **attachment 1** from the Office of the Auditor General, in accordance with section 7.2 of the *Local Government Act 1995*.
2. RECEIVES the Office of the Auditor General Independent Audit Report as per **attachment 2**.
3. RECEIVES the Office of the Auditor General Audit Management Report as per **attachment 3**.

### Option 2

That the Audit, Risk and Governance Committee RECOMMENDS that Council:

1. DOES NOT RECEIVE the 2022/2023 Annual Financial Report as per **attachment 1** from the Office of the Auditor General, in accordance with section 7.2 of the *Local Government Act 1995*,
2. DOES NOT RECEIVE the Office of the Auditor General Independent Audit Report as per **attachment 2**.
3. DOES NOT RECEIVE the Office of the Auditor General Audit Management Report as per **attachment 3**.

Option 1 is recommended.

## Conclusion

The 2022-23 Audit Report demonstrates the overall sound finance and governance controls that exist within the Shire. Officers believe that the Audit findings provide a strong basis for continual improvement and quality assurance.



**Attachments (available under separate cover)**

- **6.1 - attachment 1** – Annual Financial Report – 30 June 2023 (E23/15964)
- **6.1 - attachment 2** – Independent Audit Report – 30 June 2023 (E23/15965)
- **6.1 - attachment 3** – Audit Management Report – 30 June 2023 (E23/16429)

**Alignment with our Strategic Community Plan**

<b>Outcome 4.1</b>	A resilient, efficient and effective organisation
<b>Strategy 4.1.1</b>	Provide efficient, effective, innovative, professional management of Shire operations to deliver the best outcome for the community within allocated resources

**Financial Implications**

Budget provision has been included in the 2023/24 budget to accommodate the expenses associated with carrying out the external audit.

**Risk Implications**

Risk has been assessed on the Officer Options and Implications:

Officer Option	Risk Description	Controls	Principal Consequence Category	Risk Assessment			Risk Mitigation Strategies (to further lower the risk rating if required)
				Likelihood	Consequence	Risk Rating	
1	There is no significant risk with the Audit, Risk and Governance Committee receiving the 2022/23 Annual Financial Report.						
2	That the Audit, Risk and Governance Committee does not receive the 2022/2023 Annual Financial Report leading the Shire to not comply with Section 7.2 of the Local Government Act 1995.	Provision of sufficient information and records to support the recommendation	Financial	Unlikely	Insignificant	LOW	Accept Officer recommendation



**Voting Requirements:** Simple Majority

Officer Recommendation

That the Audit, Risk and Governance Committee RECOMMENDS that Council:

1. RECEIVES the 2022/23 Annual Financial Report as per attachment 1 from the Office of the Auditor General, in accordance with section 7.2 of the *Local Government Act 1995*.
2. RECEIVES the Office of the Auditor General Independent Audit Report as per attachment 2.
3. RECEIVES the Office of the Auditor General Audit Management Report as per attachment 3.

Alternative Officer Recommendation

That the Audit, Risk and Governance Committee RECOMMENDS that Council:

1. RECEIVES the 2022/23 Annual Financial Report as per attachment 1 from the Office of the Auditor General, in accordance with section 7.2 of the *Local Government Act 1995* as amended with a change to note 22b on page 36.
2. RECEIVES the Office of the Auditor General Independent Audit Report as per attachment 2.
3. RECEIVES the Office of the Auditor General Audit Management Report as per attachment 3.

**ARG023/12/23**

**AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION / Alternative Officer Recommendation**

**Moved President Coales, seconded Mr Curulli**

**That the Audit, Risk and Governance Committee RECOMMENDS that Council:**

1. **RECEIVES** the 2022/23 Annual Financial Report as per attachment 1 from the Office of the Auditor General, in accordance with section 7.2 of the *Local Government Act 1995* as amended with a change to note 22b on page 36.
2. **RECEIVES** the Office of the Auditor General Independent Audit Report as per attachment 2.
3. **RECEIVES** the Office of the Auditor General Audit Management Report as per attachment 3.

**CARRIED UNANIMOUSLY 6/0**

*Please note that the Audit, Risk and Governance Committee does not have delegated authority to make decisions. All recommendations of the Audit, Risk and Governance Committee are presented to Council for ratification.*



---

**7. Motions of which notice has been given:**

Nil.

**8. Urgent business:**


Nil.

**9. Closure:**

There being no further business, the Presiding Member declared the meeting closed at 5:46pm.

Officers assisting the meeting stopped the recording of the meeting.

I certify that these minutes were confirmed at the Audit, Risk and Governance Committee Meeting held on 26 February 2024.

  
.....Presiding Member – Councillor Mack  
18-3-24.....Date