



Shire of Pingelly

Minutes

Audit Committee Meeting
9 December 2015

SHIRE OF PINGELLY

Minutes of the Audit Committee Meeting of the Shire of Pingelly held in the Council Chambers, 17 Queen Street, Pingelly on 9 December 2015.

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MEMBERS PRESENT

Cr SJ Lange	President
Cr WV Mulroney	Deputy President
Cr RJ Marshall	
Cr DI Freebairn	
Cr LN Steel	
Cr AJ Morton	
Cr M Walton-Hassell	
Cr E Hodges	

STAFF IN ATTENDANCE

Mr G Pollock	Chief Executive Officer
Mr B Gibbs	Director Technical Services
Ms G French	Director Corporate & Community Services
Mrs L Boddy	Executive Assistant

APOLOGIES

OBSERVERS & VISITORS

Nil

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairman, Cr Shirley Lange, declared the meeting open at 10.01am.

Auditor Mr Tim Partridge from AMD joined the meeting via telephone at 10.10am.

1.1. ACKNOWLEDGEMENT OF COUNTRY

I respectfully acknowledge the past and present traditional owners of this land on which we are meeting, the Noongar people. It is a privilege to be standing on Noongar country. I also acknowledge the contributions of Aboriginal Australians and non-Aboriginal Australians to the security and wellbeing of all the people of this country where we live and that we share together – Australia.

2. RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

Cr Mulroney advised he has to leave the meeting in half an hour.

Cr Steel advised she would have to leave the meeting briefly to take a phone call.

Cr Morton advised he will be arriving late to the meeting.

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

The Presiding Person opened question time at 10.03am. As there were no members of the public present the Presiding Person closed question time at 10.04pm.

5. APPLICATIONS FOR LEAVE OF ABSENCE

6. DISCLOSURES OF INTEREST

7. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

7.1 Audit Committee Meeting – 10 December 2014

Statutory Environment:

Section 5.22 of the Local Government Act provides that minutes of all meeting to be kept and submitted to the next ordinary meeting of the council or the committee, as the case requires, for confirmation.

Voting Requirements:

Simple Majority

11910 - Moved: Cr Steel

Seconded: Cr Mulroney

Recommendation:

That the Minutes of the Audit Committee of the Shire of Pingelly held in the Council Chambers on 10 December 2014 be confirmed.

Carried 7:0

8. ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

9. PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

Nil

10. BUSINESS

10.1 Audit Management Report

File Reference: 00144
Location: N/A
Applicant: N/A
Author: Grace French, Director Corporate & Community Services
Date: 7 December 2015
Disclosure of Interest: Nil
Attachments: Audit Management Report

Summary:

Council is required to receive the Audit Management Report for the Financial Year ending 30th June 2015.

Background:

Section 7.9 of the *Local Government Act 1995* requires an audit to be undertaken and, on its completion, submitted to the Shire President and Chief Executive Officer of the Local Government, and to the Minister for Local Government.

It is a requirement that the Annual Audit be completed by 31 December following the close of the financial year. The audit was commenced on-site by AMD Chartered Accountants on 30th November and 1st December 2015. The Statutory Report and Management letter has been completed and received by the Chief Executive Officer and Director Corporate & Community Services. The Auditor's Management Report may be submitted to the Shire of Pingelly Audit Committee for further consideration.

Comment:

The Statutory Report for 2014/2015 has now been completed and is included as an attachment to this document. This Report will be available to the Public and Electors prior to the Annual Electors Meeting, subject to its acceptance by Council.

No statutory non-compliance matters were raised in the Auditor's Management Report to the Executive team of the Shire of Pingelly. AMD's auditors indicated that procedures and controls in respect to the Shire of Pingelly internal processes, procedures and financial reporting framework are adequately designed and have been maintained to adequate standards throughout the audit period subject to the comments and recommendations within the Management Review Report.

Consultation:

AMD Chartered Accountants
Chief Executive Officer
Beverley Webb – Jiriki Management
Bob Waddell – Local Government Consultant

Statutory Environment:

7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to —
 - (a) assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and
 - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.

- (3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to -
- (a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to -
- (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
 - (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.
- [Section 7.12A inserted by No. 49 of 2004 s. 8.]*

7.13. Regulations as to audits

- (1) Regulations may make provision —
- (aa) as to the functions of the CEO and the audit committee in relation to audits carried out under this Part and reports made on those audits;
 - (ab) as to the functions of audit committees, including the selection and recommendation of an auditor;
 - (ac) as to the procedure to be followed in selecting an auditor;
 - (ad) as to the contents of the annual report to be prepared by an audit committee;
 - (ae) as to monitoring action taken in respect of any matters raised in a report by an auditor;
 - (a) with respect to matters to be included in agreements between local governments and auditors;
 - (b) for notifications and reports to be given in relation to agreements between local governments and auditors, including any variations to, or termination of such agreements;
 - (ba) as to the copies of agreements between local governments and auditors being provided to the Department;
 - (c) as to the manner in which an application may be made to the Minister for approval as an auditor;
 - (d) in relation to approved auditors, for —
 - (i) reviews of, and reports on, the quality of audits conducted;
 - (ii) the withdrawal by the Minister of approval as an auditor;
 - (iii) applications to the State Administrative Tribunal for the review of decisions to withdraw approval;
 - (e) for the exercise or performance by auditors of their powers and duties under this Part;
 - (f) as to the matters to be addressed by auditors in their reports;
 - (g) requiring auditors to provide the Minister with such information as to audits carried out by them under this Part as is prescribed;
 - (h) prescribing the circumstances in which an auditor is to be considered to have a conflict of interest and requiring auditors to disclose in their reports such information as to a possible conflict of interest as is prescribed;
 - (i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are —
 - (i) of a financial nature or not; or
 - (ii) under this Act or another written law.

- (2) Regulations may also make any provision about audit committees that may be made under section 5.25 in relation to committees.

[Section 7.13 amended by No. 64 of 1998 s. 40; No. 49 of 2004 s. 9; No. 55 of 2004 s. 700.]

Local Government (Financial Management) Regulations 1996

51. Annual financial report to be signed etc. by CEO and given to Department

(1) After the annual financial report has been audited in accordance with the Act the CEO is to sign and append to the report a declaration in the form of Form 1.

(2) A copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

[Regulation 51 amended in Gazette 18 Jun 1999 p. 2639; 20 Jun 2008 p. 2726.]

Local Government (Administration) Regulations 1996

Part 3 — Electors' meetings

[Heading inserted in Gazette 26 Aug 2011 p. 3482.]

15. Matters to be discussed at general meeting (Act s. 5.27(3))

For the purposes of section 5.27(3), the matters to be discussed at a general electors' meeting are, firstly, the contents of the annual report for the previous financial year and then any other general business.

16. Request for special meeting, form of (Act s. 5.28(2))

A request for a special meeting of the electors of a district is to be in the form of Form 1.

17. Voting at meeting (Act s. 5.31)

(1) Each elector who is present at a general or special meeting of electors is entitled to one vote on each matter to be decided at the meeting but does not have to vote.

(2) All decisions at a general or special meeting of electors are to be made by a simple majority of votes.

(3) Voting at a general or special meeting of electors is to be conducted so that no voter's vote is secret.

18. Procedure at meeting (Act s. 5.31)

Subject to regulations 15 and 17, the procedure to be followed at a general or special meeting of electors is to be determined by the person presiding at the meeting.

In accordance with statutory requirements, Council must give a minimum of 14 days' notice in calling the Annual Electors Meeting following acceptance of the Annual Report. It is recommended that the Electors General Meeting be held on the evening of Tuesday 2 February 2016 in the Council Chambers, 17 Queen Street, Pingelly, commencing at 7:00 pm.

Policy Implications:

Nil

Financial Implications:

Nil

Strategic Implications:

While there are no direct strategic implications in receiving the Shire of Pingelly Statutory Report, the Auditors Management Report raises concerns regarding the Shire's financial ratios and financial sustainability.

These concerns need to be taken into account when reviewing the Shire's Integrated Planning Documents including Asset Management Plans, Corporate Business Plan and Long Term Financial Plan.

Voting Requirements:

Absolute Majority

Cr Mulroney left the meeting at 10.09am.

10.09am Tim Partridge from AMD spoke with Councillors and Staff via telephone regarding audit process and reports, and answered questions until 10.33am.

Grace French left the meeting at 10.12am and returned at 10.20am.

Cr Morton entered the meeting at 10.36am.

Cr Mulroney returned to the meeting at 10.49am.

11911 - Moved: Cr Hodges Seconded: Cr Steel

Recommendation:

That Council:

- 1. Receives the Shire of Pingelly Statutory Report for the Financial Year ended 30th June 2015;**
- 2. Holds its Annual Electors Meeting in the Council Chambers, 17 Queen Street, Pingelly to be held on Tuesday 2 February 2016 at 7:00pm**
- 3. Submits a copy of the Shire of Pingelly Statutory Annual Report to the Executive Director of the Department of Local Government and Communities as required by Local Government (Financial Management) Regulations clause 51(2).**

Carried: 8:0

10.2 Summary of Significant Accounting Policies (Fixed Assets) Depreciation – Note 1(f)

File Reference: 00023
Location: Shire of Pingelly
Applicant: Grace French, Director Corporate & Community Services
Author: Grace French, Director Corporate & Community Services
Date: 7 December 2015
Disclosure of Interest: Nil
Attachments: Previous Summary of Significant Accounting Policy – Fixed Assets (j) Note 1 at the end of this document

Summary:

For the Audit Committee to give consideration, review and endorse the new Fixed Assets Note 1 – Depreciation.

Background:

Fixed Asset is recognised by a Local Government when a past transaction creates a measurable resource resulting in a probable future economic benefits. A fixed asset is a non-current physical asset with a useful life of greater than 12 months. Depreciation amount of all fixed assets, including building but excluding freehold land, are depreciated on a straight-line basis over asset's useful life.

Comment:

The most common method of calculating depreciation is straight line and it is calculated as follows:

$$\text{Depreciation Amount} = \frac{\text{(Acquisition cost/fair value MINUS residual value)}}{\text{Expected useful life}}$$

$$\text{Depreciation Rate (\%)} = \frac{\text{(100 MINUS the residual value (\% of the original))}}{\text{Expected useful life (years)}}$$

When a non-current asset is over the materiality threshold (and available for use) it is classified and posted to the Statement of Financial Position. From this time forward the asset is depreciated and an expense recorded in the Statement of Comprehensive Income. Depreciation is therefore the journaling of a past cost (or variation) and is not a cash payment.

A comprehensive review of the Depreciation Rate, including the percentage component, was carried while in preparedness of this year's Annual Financial Report. Through this review the asset register has been componentised to allow for better depreciation percentage rates to be put against each component which insures assets are being depreciated at a reasonable level.

Consultation:

Chief Executive Officer
Director Corporate & Community Services
Beverly Webb (Jiriki Management)
AMD Chartered Accountants

Statutory Environment:

Mandatory requirement to revalue non-current assets

Effective from 1 July 2012, the Local Government (Financial Management) Regulations were amended and the measurement of non-current assets at Fair Value became mandatory. [FM Reg 17A].

The amendments allow for a phasing in of fair value in relation to fixed assets over three years as follows:

- (a) For the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
 - (b) For the financial year ending on 30 June 2014, the fair value of all of the assets of the local government –
 - (i) That are plant and equipment; and
 - (ii) That are –
 - (i) Land and building; or
 - (ii) Infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government. [FM Reg 17A (3)].

Thereafter, in accordance with the regulations, each asset class must be revalued at least every 3 years. [FM Reg 17A (4)]

Policy Implications:

Nil

Financial Implications:

Nil. This amendments is to reflect the Depreciated Rate method that is currently in use.

Strategic Implications:

Nil

Voting Requirements:

Absolute Majority

11912 - Moved: Cr Mulrone

Seconded: Cr Walton-Hassell

Recommendation:

That the Audit Committee:

Receives and endorse the recommendations contained in the Summary of Significant Accounting Policies – Fixed Assets – Depreciation – Note 1 (f), as presented.

Carried 8:0

11. CLOSURE OF MEETING

The Chairman declared the meeting closed at 10.56am.

These minutes were confirmed by Council at the
Audit Committee Meeting held on _____

Signed.....
Presiding Person at the meeting at which the minutes
were confirmed.