



AUDIT COMMITTEE MEETING
MINUTES

6 DECEMBER 2011

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CITY OF GREATER GERALDTON
AUDIT COMMITTEE MEETING
ON TUESDAY 6 DECEMBER 2011 AT 9.00AM
IN THE CATHEDRAL AVENUE FUNCTION ROOM

MINUTES

1 DECLARATION OF OPENING

2 ATTENDANCE

Present:

Mayor I Carpenter
Cr T Thomas
Cr S Van Styn

Officers:

Tony Brun, Chief Executive Officer
Cheryl Wood, Director of Corporate Services
Kim Chua, Manager Financial Services

Others:

Patrick Warr, Grant Thornton, Accountants (via telephone)

Apologies:

Nil

Leave of Absence:

Nil

3 ELECTION OF CHAIR AND DEPUTY CHAIR

The CEO held an election to nominate a Chairperson and Deputy Chairperson for the tenure of the committee, expiring on 15 October 2013 or as determined by Council.

COMMITTEE DECISION:

Moved Mayor Carpenter, Seconded Cr Thomas
That Cr Van Styn be appointed Chair of the Audit Committee until
15 October 2013.

CARRIED 3/0

COMMITTEE DECISION:

Moved Mayor Carpenter, Seconded Cr Van Styn
That Cr Thomas be appointed Deputy Chair of the Audit Committee
until 15 October 2013.

CARRIED 3/0

Signed: _____

Dated: _____

4 CONFIRMATION OF PREVIOUS MINUTES

COMMITTEE DECISION:

Moved Mayor Carpenter, Seconded Cr Thomas

That the minutes of the City of Geraldton-Greenough Audit Committee meeting held on 29 June 2011, as attached be accepted as a true and correct record of proceedings.

CARRIED 3/0

Signed: _____

Dated: _____

5 A01 ANNUAL FINANCIAL REPORT AND AUDIT OPINION FOR 2010/2011 FOR THE SHIRE OF MULLEWA

AGENDA REFERENCE:	D-11-25263
AUTHOR:	K Chua, Manager Financial Services
EXECUTIVE:	C Wood, Director of Corporate Services
DATE OF REPORT:	23 November 2011
FILE REFERENCE:	FM/3/0003
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	Yes

SUMMARY:

The purpose of this report is to seek endorsement from the Audit Committee of the annual financial report and audit opinion for the financial period ending 30 June 2011 for the Shire of Mullewa.

PROPONENT:

City of Greater Geraldton

BACKGROUND:

There is a regulatory requirement for the Shire to have its financial affairs audited annually. This process has now concluded for the period ending 30 June 2011 and the Annual Financial Report including the audit opinion is attached for consideration.

The audit was conducted by UHY Haines Norton who has been undertaking the Shire's financial audit since 2006.

David Tomasi from UHY Haines Norton is available via a telephone conference to discuss the Annual Financial Report.

On a cash basis the result for the year is a small deficit of \$2,040. The result will reduce the amount to be carried forward to \$1,059,316 and as the budget for 2011/12 expected a result to be carried forward of \$1.4M, there will be a deficit of \$404,000 to this year's budget.

Key Financial Ratios of the Shires are as follows indicating the Shire is in a satisfactory financial position.

	Benchmark	Shire
Current Ratio	>1.0	3.4
Untied Cash to Unpaid Trade Creditors	>1.0	3.4
Debt Ratio	<1.0	.01
Debt Service Ratio	<10%	.016
Gross Debt to Revenue	<60%	*
Gross Debt to Realisable Assets	<30%	*
Rate Coverage	>40%	20.6%
Outstanding Rates	<5%	7.2%

* Shire of Mullewa has no debt outstanding as at 30 June 2011

Signed: _____

Dated: _____

Although the Shire collected 92.8% of its rate revenue in the 2010/11 financial year compared to the benchmark of at least achieving a 95% collection rate, all other ratios have indicated that the Shire is in a satisfactory financial position.

COMMUNITY CONSULTATION:

No community consultation was undertaken.

COUNCILLOR CONSULTATION:

No councillor consultation was undertaken.

STATUTORY IMPLICATIONS:

Section 5.53 of the Act states that the Shire is required to prepare an annual financial report for the local government.

Section 7.2 of the Act states that the accounts and the annual financial report is to be audited annually by an auditor appointed by the Shire. The auditors shall examine the accounts and report any findings to the President, CEO and the Minister as per section 7.9 of the Act.

The audit shall ensure that proper standards and practices have been adhered to in the reporting of financial information [Clause 9 of Local Government (Audit) Regulations 1996 (to be known as the "Audit Regulations")].

Clause 10 of the Audit Regulations states that at the conclusion of the audit, the auditor is required to provide an opinion as to the financial affairs of the Shire and a management report on any significant adverse trends in financial affairs, management practices or non-compliance within 30 days to the President, CEO and the Minister.

POLICY IMPLICATIONS:

Any recommended changes to the Shire's Accounting Policy will be presented as a separate report.

FINANCIAL AND BUDGET IMPLICATIONS:

Budget provision has been provided for the audit in the 2011/12 financial year.

STRATEGIC & REGIONAL OUTCOMES:

Strategic Community Plan Outcomes:

- | | |
|-----------------|--|
| Goal 5: | Leading the Opportunities |
| Outcome 5.1: | Leadership and good governance |
| Strategy 5.1.3: | Implement business, governance, legislative and compliance frameworks. |

Signed: _____

Dated: _____

Regional Outcomes:

There are no specific regional outcomes.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic issues.

Social:

There are no social issues.

Environmental:

There are now environmental issues.

Cultural & Heritage:

There are no cultural or heritage issues.

RELEVANT PRECEDENTS:

There are no relevant precedents.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Simple Majority is required.

OPTIONS:**Option 1:**

As per Executive Recommendation in this report.

Option 2:

That the Audit Committee by Simple Majority NOT ACCEPT the annual financial report for the financial period 30 June 2011 for the Shire of Mullewa.

Option 3:

That the Audit Committee DEFER the acceptance of the annual financial report and audit opinion pending further discussions with the Shire's auditors.

CONCLUSION:

The Shire's financial position and audit opinion to the 30 June 2011 has been recorded and audited by UHY Haines Norton, and are presented here for the Audit Committee's acceptance.

Signed: _____

Dated: _____

COMMITTEE DECISION:

Moved Mayor Carpenter, Seconded Cr Thomas

That the Audit Committee by Simple Majority ACCEPT the annual financial report and audit opinion for the financial period ending 30 June 2011 for the Shire of Mullewa.

CARRIED 3/0

Signed: _____

Dated: _____

6 A02 AUDIT MANAGEMENT REPORT FOR SHIRE OF MULLEWA FOR 2010-2011

AGENDA REFERENCE:	D-11-25282
AUTHOR:	K Chua, Manager Financial Services
EXECUTIVE:	C Wood, Director of Corporate Services
DATE OF REPORT:	30 November 2011
FILE REFERENCE:	FM/3/0003
APPLICANT / PROPONENT:	Nil
ATTACHMENTS:	Yes

SUMMARY

The purpose of this report is to seek endorsement from the Audit Committee of the audit management report for the financial period ending 30 June 2011 for the Shire of Mullewa.

PROPONENT:

City of Greater Geraldton

BACKGROUND:

UHY Haines Norton has completed the audit of the Shire's Annual Financial Report for the 2010/11 financial year.

Section 7.9 of the Local Government Act requires the auditors to present to the Mayor and CEO a management report which highlights any issues in relation to the management of the Shire's finances. The management report also provides staff with the opportunity to respond to the internal control observations that were raised during the audit process.

In the management report, the Auditors raise a single issue in relation to the revaluation of roads. Although no revaluation was conducted by the Shire during 2010/11, the Auditors have requested that this be considered in the first year following amalgamation.

Management recognise this as a deficiency in the Mullewa accounts and will undertake a revaluation of roads in Mullewa in 2011/12.

COMMUNITY CONSULTATION:

No community consultation was undertaken.

COUNCILLOR CONSULTATION:

No councillor consultation was undertaken.

STATUTORY IMPLICATIONS:

Annual financial audits are to be carried out as required under Part 7 of the Local Government Act 1995.

Signed: _____

Dated: _____

POLICY IMPLICATIONS:

There are various policy implications that need to be observed. Any relevant policy or procedure changes identified in the management report will be implemented prior to the close of the current financial year.

FINANCIAL AND BUDGET IMPLICATIONS:

There are no budget implications.

STRATEGIC & REGIONAL OUTCOMES:**Strategic Community Plan Outcomes:**

Goal 5: Leading the Opportunities

Outcome 5.1: Leadership and good governance

Strategy 5.1.3: Implement business, governance, legislative and compliance frameworks.

Regional Outcomes:

There are no specific regional outcomes.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic issues.

Social:

There are no social issues.

Environmental:

There are no environmental issues.

Cultural & Heritage:

There are no cultural or heritage issues.

RELEVANT PRECEDENTS:

There are no relevant precedents.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Simple Majority is required.

OPTIONS:**Option 1:**

As per Executive Recommendation in this report.

Signed: _____

Dated: _____

Option 2:

That the Audit Committee NOT RECEIVE the Management Report for the Shire of Mullewa as prepared by UHY Haines Norton.

Option 3:

That the Audit Committee DEFERS the acceptance of the Management Report for the Shire of Mullewa as prepared by UHY Haines Norton.

COMMITTEE DECISION:

Moved Cr Thomas, Seconded Mayor Carpenter

That the Audit Committee by Simple Majority RESOLVES to:

1. **RECEIVE** the Management Report for the Shire of Mullewa dated 20 October 2011 prepared by UHY Haines Norton; and
2. **ENDORSE** the actions taken by staff to resolve any items identified in the management report.

CARRIED 3/0

Signed: _____

Dated: _____

7 A03 ANNUAL FINANCIAL REPORT AND AUDIT OPINION FOR CITY OF GERALDTON-GREENOUGH FOR 2010 – 2011

AGENDA REFERENCE:	D-11-25377
AUTHOR:	K Chua, Manager Financial Services
EXECUTIVE:	C Wood, Director of Corporate Services
DATE OF REPORT:	23 November 2011
FILE REFERENCE:	FM/3/0003
APPLICANT / PROPONENT:	City of Greater Geraldton
ATTACHMENTS:	Yes

SUMMARY:

The purpose of this report is to seek endorsement from the Audit Committee of the annual financial report and audit opinion for the financial period ending 30 June 2011 for the City of Geraldton-Greenough.

PROponent:

City of Greater Geraldton

BACKGROUND:

There is a regulatory requirement for the City to have its financial affairs audited annually. This process has now concluded for the period ending 30 June 2011 and the Annual Financial Report including the audit opinion is attached for consideration.

The audit was conducted by Grant Thornton who has been undertaking the City's financial audit since 2008.

Patrick Warr from Grant Thornton is available via a telephone conference to discuss the Annual Financial Report.

The result for the year is \$643,561 which is \$15,593 more than expected and will reduce the City of Geraldton-Greenough deficit to \$1,429,516.

Key Financial Ratios of the City are as follows:

	Benchmark	City
Current Ratio	>1.0	0.75
Untied Cash to Unpaid Trade Creditors	>1.0	-2.8
Debt Ratio	<1.0	4.86%
Debt Service Ratio	<10%	6.4%
Gross Debt to Revenue	<60%	16.8%
Gross Debt to Realisable Assets	<30%	7.0%
Rate Coverage	>40%	46.5%
Outstanding Rates	<5%	2.94%

The above ratios show an improvement over last year.

COMMUNITY CONSULTATION:

No community consultation was undertaken.

Signed: _____

Dated: _____

COUNCILLOR CONSULTATION:

There has been no councillor consultation on this item.

STATUTORY IMPLICATIONS:

Section 5.53 of the Act states that the City is required to prepare an annual financial report for the local government.

Section 7.2 of the Act states that the accounts and the annual financial report is to be audited annually by an auditor appointed by the City. The auditors shall examine the accounts and report any findings to the Mayor, CEO and the Minister as per section 7.9 of the Act.

The audit shall ensure that proper standards and practices have been adhered to in the reporting of financial information [Clause 9 of Local Government (Audit) Regulations 1996 (to be known as the "Audit Regulations")].

Clause 10 of the Audit Regulations states that at the conclusion of the audit, the auditor is required to provide an opinion as to the financial affairs of the City and a management report on any significant adverse trends in financial affairs, management practices or non-compliance within 30 days to the Mayor, CEO and the Minister.

POLICY IMPLICATIONS:

Any recommended changes to the City's Accounting Policy will be presented as a separate report.

FINANCIAL AND BUDGET IMPLICATIONS:

Budget provision has been provided for the audit in the 2011/12 financial year.

STRATEGIC & REGIONAL OUTCOMES:**Strategic Community Plan Outcomes:**

Goal 5:	Leading the Opportunities
Outcome 5.1:	Leadership and good governance
Strategy 5.1.3:	Implement business, governance, legislative and compliance frameworks.

Regional Outcomes:

There are no specific regional outcomes.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic issues.

Signed: _____

Dated: _____

Social:

There are no social issues.

Environmental:

There are now environmental issues.

Cultural & Heritage:

There are no cultural or heritage issues.

RELEVANT PRECEDENTS:

There are no relevant precedents.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Simple Majority is required.

OPTIONS:**Option 1:**

As per Executive Recommendation in this report.

Option 2:

That the Audit Committee by Simple Majority NOT ACCEPT the annual financial report for the year ended 30 June 2011 for the City of Geraldton-Greenough.

Option 3:

That the Audit Committee DEFER the acceptance of the annual financial report and audit opinion pending further discussions with the City's auditors.

CONCLUSION:

The City's financial position and audit opinion to the 30 June 2011 has been recorded and audited by Grant Thornton and is presented here for the Audit Committee's acceptance.

Signed: _____

Dated: _____

COMMITTEE DECISION:**Moved Cr Thomas, Seconded Mayor Carpenter****That the Audit Committee, by Simple Majority RESOLVES TO:**

1. **ACCEPTS** the annual financial report **FOR THE YEAR ENDING 30 June 2011** for the City of Geraldton-Greenough, subject to the following amendments:
 - a. Page 25 correction to the word 'leans' to read 'loans'
 - b. Page 56 correction to the words 'Batavia Regional Organisation of Councils' to read 'Geraldton-Greenough Regional Council'; and
 - c. Note 24 correct definition of Specified Area Rate.
2. **NOTES** that the audit opinion for the year ending 30 June 2011 has not yet been received; and
3. **REQUESTS** that the car park expenditure graph be attached to the Audit Committee minutes for information.

CARRIED 3/0

Signed: _____

Dated: _____

8 A04 AUDIT MANAGEMENT REPORT FOR CITY OF GERALDTON-GREENOUGH FOR 2010 – 2011

AGENDA REFERENCE:	D-11-25794
AUTHOR:	K Chua, Manager Financial Services
EXECUTIVE:	C Wood, Director of Corporate Services
DATE OF REPORT:	5 December 2011
FILE REFERENCE:	FM/3/0003
APPLICANT / PROPONENT:	Nil
ATTACHMENTS:	Yes

SUMMARY

The purpose of this report is to seek endorsement from the Audit Committee of the audit management report for the financial period ending 30 June 2011 for the City of Geraldton-Greenough.

BACKGROUND:

Grant Thornton has completed the audit of the City's Annual Financial Report for the 2010/11 financial year.

Section 7.9 of the Local Government Act requires the auditors to present to the Mayor and CEO a management report which highlights any issues in relation to the management of the City's finances. The management report also provides staff with the opportunity to respond to the internal control observations that were raised during the audit process.

The management report is presented in the following format:

1. Audit overview
 2. Audit Focus Areas
 3. Specific reporting to those charged with governance
- Appendix A – Summary of audit differences
Appendix B – Internal Control Observations
Appendix C – Unresolved Prior Year Management Matters

Comments and strategies to address issues identified in the management report will address key areas identified in Appendix B - Internal control observations and Appendix C - Unresolved prior year management report matters

The management report substantiates the effort the staff of the City made to ensure financial process and procedures are in place for all key functions and any internal control matters are adequately dealt with in a timely manner. Where possible, all issues were resolved prior to the issue of the management report.

CONSULTATION:

Extensive consultation has occurred between the City's auditors and City staff.

Signed: _____

Dated: _____

STATUTORY IMPLICATIONS:

Annual financial audits are to be carried out as required under Part 7 of the Local Government Act 1995.

POLICY IMPLICATIONS:

There are various policy implications that need to be observed. Any relevant policy or procedure changes identified in the management report will be implemented prior to the close of the current financial year.

FINANCIAL AND BUDGET IMPLICATIONS:

There are no budget implications with the completion of the 2010/2011 audit process.

VOTING REQUIREMENTS:

Simple Majority is required.

OPTIONS:**Option 1:**

As per Executive Recommendation in this report.

Option 2:

That the Audit Committee NOT RECEIVE the Management Report for the City of Geraldton-Greenough as prepared by Grant Thornton.

Option 3:

That the Audit Committee DEFERS the acceptance of the Management Report for the City of Geraldton-Greenough as prepared by Grant Thornton.

COMMITTEE DECISION:

Moved Mayor Carpenter, Seconded Cr Thomas

That Audit Committee RESOLVES to:

- 1. RECEIVE the interim Management Report for the City of Geraldton-Greenough dated 2 December 2011 as prepared by Grant Thornton; and**
- 2. ENDORSES actions taken by staff to resolve any items identified in the management report.**

CARRIED 3/0

Signed: _____

Dated: _____

9 A05 CHANGES TO THE SIGNIFICANT ACCOUNTING POLICY

AGENDA REFERENCE:	D-11-25323
AUTHOR:	K Chua, Manager Financial Services
EXECUTIVE:	C Wood, Director of Corporate Services
DATE OF REPORT:	28 November 2011
FILE REFERENCE:	FM/3/0003
APPLICANT / PROPONENT:	CITY OF GREATER GERALDTON
ATTACHMENTS:	Yes

SUMMARY:

The purpose of this report is to seek endorsement from the Audit Committee of the review of CP009 Significant Accounting Policy which will be used in the preparation of various reports namely annual budgets, monthly financial reports and the annual financial statements.

PROPONENT:

City of Greater Geraldton

BACKGROUND:

The review is necessary following the amalgamation of the former City of Geraldton-Greenough and the Shire of Mullewa. This policy will result in a uniform accounting policies for the City of Greater Geraldton.

The major changes to the policy are:

- Uniform rate of depreciation for all infrastructure assets.
- The capitalisation threshold for Plant, Furniture and Equipment has been increased from \$500 to \$2,000 to bring it in line with the Western Australian Local Government Accounting Manual.

COMMUNITY CONSULTATION:

No community consultation was undertaken.

COUNCILLOR CONSULTATION:

No councillor consultation was undertaken.

STATUTORY IMPLICATIONS:

The policy complies with the Australian Accounting Standards Board 101 (AASB 101) in relation to Significant Accounting Policy and the Australian Accounting Standards Board 116 (AASB 116) in relation to Depreciation.

POLICY IMPLICATIONS:

This is a review of the previous significant accounting policies of the City of Geraldton-Greenough and Shire of Mullewa.

FINANCIAL AND BUDGET IMPLICATIONS:

There are no financial or budget implications.

Signed: _____

Dated: _____

STRATEGIC & REGIONAL OUTCOMES:**Strategic Community Plan Outcomes:**

- Goal 5: Leading the Opportunities
- Outcome 5.1: Leadership and good governance
- Strategy 5.1.3: Implement business, governance, legislative and compliance frameworks.

Regional Outcomes:

There are no specific regional outcomes.

ECONOMIC, SOCIAL, ENVIRONMENTAL & CULTURAL ISSUES:**Economic:**

There are no economic issues.

Social:

There are no social issues.

Environmental:

There are no environmental issues.

Cultural & Heritage:

There are no cultural or heritage issues.

RELEVANT PRECEDENTS:

There are no relevant precedents.

DELEGATED AUTHORITY:

There is no delegated authority.

VOTING REQUIREMENTS:

Simple Majority is required.

OPTIONS:**Option 1:**

As per Executive Recommendation in this report.

Option 2:

That the Audit Committee by Simple Majority NOT ENDORSE CP009 Significant Accounting Policy.

Option 3:

That the Audit Committee DEFER the receipt of CP009 Significant Accounting Policy pending further review.

Signed: _____

Dated: _____

CONCLUSION:

The City's Significant Accounting Policy has been reviewed and compared with other councils in Western Australia plus with a substantial reference to the Western Australia Local Government Accounting Manual.

COMMITTEE DECISION:

Moved Cr Thomas, Seconded Mayor Carpenter

That the Audit Committee by Simple Majority ENDORSES CP009 Significant Accounting Policy for the City of Greater Geraldton.

CARRIED 3/0

Signed: _____

Dated: _____

10 MEETING CLOSURE

With no further business, Cr Van Styn declared the meeting closed at 10.34am.

Signed: _____

Dated: _____