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Shire of Kalamunda  
Audit Committee

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Minutes of 6 December 2010





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## **Minutes of Audit Committee Held in Committee Room 2 2 Railway Road, Kalamunda Monday 6 December 2010**

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### **1. OFFICIAL OPENING**

The Chairman opened the meeting at 4.50 pm.

### **2. APOLOGIES AND LEAVE OF ABSENCE**

#### **Present**

#### **Councillors**

Noreen Townsend	(CHAIRMAN) SOUTH WEST WARD
Donald McKechnie	(SHIRE PRESIDENT) NORTH WARD
Margaret Thomas	(Arrived at 4:58pm) NORTH WARD
Allan Morton	(DEPUTY SHIRE PRESIDENT) SOUTH WEST WARD
Carol Everett	SOUTH EAST WARD
Peter Heggie	NORTH WEST WARD

#### **Officials**

Steve Leeson	A/DIRECTOR CORPORATE SERVICES
Kevin O'Connor	DIRECTOR COMMUNITY DEVELOPMENT
Darrell Forrest	MANAGER GOVERNANCE
Peter Hayes	MANAGER BUSINESS AND STRATEGY
Donna McPherson	MINUTE SECRETARY

#### **Apology**

James Trail	CHIEF EXECUTIVE OFFICER
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### 3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

- 3.1 That the Minutes of the Audit Committee Meeting of the Shire of Kalamunda held on 8 November 2010 is confirmed as a true and correct record of the proceedings.

Moved: Cr Carol Everett

Seconded: Cr Donald McKechnie

**CARRIED (5/0)**

### 4. DISCLOSURE OF INTERESTS

#### Disclosure of Financial and Proximity Interests

- (a) Members must disclose the nature of their interest in matters to be discussed at the meeting. (Sections 5.60B and 5.65 of the Local Government Act 1995)
- (b) Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the Local Government Act 1995).

#### Disclosure of Interest Affecting Impartiality

- (a) Members and staff must disclose their interest in matters to be discussed at the meeting in respect of which the member or employee has given or will give advice.

- 4.1 Nil.

### 5. REPORT TO COUNCIL

*Declaration of financial/conflict of interests to be recorded prior to dealing with each item.*

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## 5. REPORTS

*Declaration of financial/conflict of interests to be recorded prior to dealing with each item.*

### 5.1 Annual Financial Report

#### PURPOSE

1. To receive the Annual Financial Statements for the year ended 30 June 2010.

#### BACKGROUND

2. A Local Government is to complete Annual Financial Statements in the format prescribed in the *Local Government (Financial Management) Regulations* and in accordance with Australian Accounting Standards. The Annual Financial Statements for the year ending 30 June 2010 are presented as **(Attachment 1)**.
3. At the 15 November 2010 Ordinary Council Meeting the Audit Committee Report was withdrawn and referred back to Audit Committee.

#### DETAILS

4. Tabled at the 8 November 2010 Audit Committee meeting were corrections to the Annual Financial Statements. These included;
  - a. Statement of Comprehensive Income by Program; 2008/2009 General Purpose Funding and Governance actual comparative amounts were reversed.
  - b. Note 2 (c); CVS Surplus Grant Funding Acquired (Ex KCC) comparative figure had been omitted.
  - c. Note 32 Financial Risk Management; The 2008/2009 comparative figures have been restated as per the 2008/2009 Annual Financial report.
5. Concern was later raised that these changes may not have been as per Macri Partners final version of the Shire of Kalamunda's audited financial statements for 2009/2010.
6. Shire staff met with Macri Partners to compare and confirm the Annual Financial Report.

#### STATUTORY AND LEGAL IMPLICATIONS

7. Part 7 Division 3 of the *Local Government Act 1995*.

#### POLICY IMPLICATIONS

8. Nil.

#### PUBLIC CONSULTATION/COMMUNICATION

9. Nil.

#### FINANCIAL IMPLICATIONS

10. Nil.

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**STRATEGIC AND SUSTAINABILITY IMPLICATIONS**

11. **Strategic Planning Implications**

Nil.

12. **Sustainability Implications**

**Social Implications**

- Nil.

**Economic Implications**

- Nil.

**Environmental Implications**

- Nil.

**OFFICER COMMENT**

13. The Annual Financial Report including the revised pages as presented in ***(Attachment 1)***, is consistent with Macri Partners final version upon which their Independent Auditor's Report was issued.

**COMMITTEE RECOMMENDATION TO COUNCIL**

**AC 13/2010**

1. That Council receive the Annual Financial Statements of the Shire of Kalamunda for the financial year ended 30 June 2010 as presented in ***(Attachment 1)***.

Moved: Cr Donald McKechnie

Seconded: Cr Carol Everett

**CARRIED UNANIMOUSLY (5/0)**

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**Cr Margaret Thomas joined the meeting at 4:58pm.**

*Declaration of financial/conflict of interests to be recorded prior to dealing with each item.*

**5.2 2010 Annual Report****PURPOSE**

1. To accept the 2010 Annual Report.

**BACKGROUND**

2. The *Local Government Act 1995* Section 5.53 requires a Local Government to prepare an Annual Report for each financial year and details what the Annual Report is to contain.
3. Section 5.54 of the *Local Government Act 1995* requires a Local Government to accept the Annual Report for a financial year no later than 31 December in the year after that financial year, subject to availability of the Auditor's Report.
4. Section 5.55 requires the Chief Executive Officer to give local public notice of the availability of the Annual Report as soon as practicable after the Report has been accepted by the Local Government.

**DETAILS**

5. The Draft Annual Report 2010 is presented as **(Attachment 1)** for the Council's acceptance.

**STATUTORY AND LEGAL IMPLICATIONS**

6. The Draft Annual Report 2010 is in compliance with Sections 5.53 and 5.54 of the *Local Government Act 1995*.

**POLICY IMPLICATIONS**

7. Nil.

**PUBLIC CONSULTATION/COMMUNICATION**

8. Although no public consultation is required in the preparation of the Annual Report, Section 5.55 of the *Local Government Act 1995* require that the CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has be accepted by the local government.

**FINANCIAL IMPLICATIONS**

9. The 2010/2011 Budget includes provision for the cost of producing the Annual Report for statutory and public distribution.

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**STRATEGIC AND SUSTAINABILITY IMPLICATIONS**10. **Strategic Planning Implications**

Nil.

11. **Sustainability Implications****Social Implications**

- Nil.

**Economic Implications**

- Nil.

**Environmental Implications**

- Nil.

**OFFICER COMMENT**

12. Whilst Section 5.53 of the *Local Government Act 1995* stipulates the content of the Annual Report which is to be accepted by Council, it is permissible to produce a revised version of the Report for general community distribution. This generally involves inclusion of an abridged version of the financial statements which will include Statement of Comprehensive Income by Nature and Type, Statement of Comprehensive Income by Program, Statement on Financial Position, Statement of Changes in Equity, Cash Flow Statement and Rate Setting Statement.

**COMMITTEE RECOMMENDATION TO COUNCIL AC 14/2010**

1. That Council pursuant to Section 5.54 of the *Local Government Act 1995* accepts the 2010 Annual Report as per ***(Attachment 1)***.
2. That Council endorses the production of a revised version of the 2010 Annual Report containing an abridged set of financial statements for general community distribution.

Moved: Cr Donald McKechnie

Seconded: Cr Margaret Thomas

**CARRIED UNANIMOUSLY/ABSOLUTE MAJORITY (6/0)**

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*Declaration of financial/conflict of interests to be recorded prior to dealing with each item.*

### **5.3 Kalamunda Home and Community Care (KHACC) – Financial Status and Recovery Strategy**

#### **PURPOSE**

1. To provide Council with an update of the financial status and recovery strategies for the Kalamunda Home And Community Care (KHACC) service.

#### **BACKGROUND**

2. At the October OCM, Council endorsed the 2009/2010 KHACC Annual Financial return and adopted the KHACC Funding Strategy.

The funding strategy comprised of Reserve Fund Transfers and the reallocation of corporate overheads plus the disposal of surplus vehicle assets to return a zero end of year position. The majority of these strategies have now been implemented or are in the final stages of completion.

At the same meeting (OCM 154/2010), Council resolved "that the Home and Community Care Services provided, be within the limits of the funding available and reviewed every quarter and reported to Council".

The reason for this resolution was due to the fact that the KHACC service had incurred both recurrent and capital over expenditure in the 2009/2010 financial year.

Several key strategies have now been incorporated into a Financial Recovery Plan to improve the short and long term viability of the KHACC service.

#### **DETAILS**

3. Listed below are several of the key strategies from the recovery plan and the current status of the actions required to implement these:
  1. Financial Strategies
    - a) Full analysis and re-forecasting of 2010/11 budget estimates to determine funding available against the service delivery.
    - b) Review the number of services delivered in each category of funding agreement and the cost of delivering them to determine ongoing affordability.
    - c) Report on the impacts of implementing and integrating the current Growth Funding Application, including the rationale for applying for these extra funds and service volumes.
    - d) Review the current HACC Business Plan and prepare a modified version focusing on the financial capacity of the HACC Business Unit to manage their service delivery within the funding levels available to them.

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Action Status:

*Work has commenced on all of the above strategies with sufficient organisational resources made available to complete tasks by the due date.*

2. Management Strategies

- a) Review the HACC management structure and support roles, including capacity and capability to deliver the terms of the HACC funding requirements and the business management requirements of the Shire
- b) Complete the capacity audit to determine roles and responsibilities and look for opportunities to increase effectiveness and efficiency to meet budget requirements.
- c) Ensure a change management approach including full consultation with staff to ensure procedural fairness and empathy in all dealings with staff and volunteers.

Action Status:

*A review of the current structure has commenced and the capacity audit has been completed. Staff have been involved and fully informed of the review process with workshops and further staff feedback received to date.*

3. Asset Management Strategies

- a) Review building development project and determine where cost blowouts occurred, what contributed to them and ensure future building projects have measures in place to prevent recurrence.

Action Status:

*Staff are obtaining the true cost of the building extension works and looking at whether any aspects of the remaining works can be deferred until next financial year.*

4. Service Delivery Strategies

- a) Review the current services being delivered in relation to uptake, effectiveness and efficiency of the use of resources and time management.
- b) Criteria is to be developed to determine capacity and capability to deliver the terms of the HACC funding requirements and the business management requirements of the Shire.

Action Status:

*Flow charts of all work processes and systems used to deliver the services have been prepared. Weekly meetings with the Manager HACC Service to improve his knowledge of corporate governance and business management functions of this role have commenced.*

## FINANCIAL IMPLICATIONS

4. The financial report attached (**Attachment 1**) is for the period ended 31 October 2010 and has been presented in the current Department of Health required format. This is consistent with the 2009/2010 annual financial report as presented to Audit Committee on the 11 October 2010.

5. In summary;

	Income Statement	Adjusted for income in advance	Adjusted for non cash items	Notes
Operating Revenue	1,363,189	(472,569)	(7,549)	increase in debtors
Operating Expenditure	(1,063,442)		8,231	depreciation
Net Operating Surplus/(Deficit)	299,747	(172,822)	300,429	Recurrent funding surplus
Non Operating Revenue	28,584			
Brought forward funding	257,000			
Non Operating Expenditure	(303,952)			
Net Non-Operating Surplus/(Deficit)	(18,368)		(18,368)	Non-recurrent funding surplus

6. Operating grants and client fees received have exceeded operating expenditure for the period ended 30 October 2010. This is a result of having received 55% of Department of Health annual recurrent funding. Adjusting grant income to be 33% inline with the proportion of the year elapsed, results in a deficit of \$172,822. This calculation is a crude estimate only as no consideration has been made of expenditure already incurred which may relate to the full year.

7. Non operating expenditure to 31 October 2010 has exceeded the brought forward funding and current year monies received by \$18,368. A further \$23,302 has been expended during November 2010. This will be partially offset by the 2010-2011 interest earnings on the HACC Trust of approximately \$7,752 received in November 2010.

8. Further works required to complete the Peter Anderton upgrade are detailed in (**Attachment 2**).

9. The HACC Funding Strategy previously presented to Audit Committee on 11 October 2010, detailed 10 items of financial consideration. Details on progress to date are; Items 1 to 5 were included within the 2009-2010 financial year.

Item 6 to be confirmed

Item 7 two vehicles were disposed of in November 2010 and are not included within the financial report for the period ended 31 October 2010 as attached.

Item 8 vehicle disposal to be arranged.

Item 9 Department of Health permission has been received for transferring the proceeds from asset disposals to the Shire of Kalamunda's Plant and Equipment Reserve.

Item 10 funding received in the 2010-2011 financial year towards the Sensory Garden project is reflected within the attached report, as non-recurrent capital grants received.

## **STRATEGIC AND SUSTAINABILITY IMPLICATIONS**

### **10. Strategic Planning Implications**

Shire of Kalamunda Strategic Plan 2009-2014

1.3.1 Expand home support and community care services so that remaining at home as independently as possible is a realistic option for most aged and disabled.

### **11. Sustainability Implications**

#### **Social Implications**

- Nil.

#### **Economic Implications**

- Nil.

#### **Environmental Implications**

- Nil.

## **OFFICER COMMENT**

12. The purpose of the recovery process is to address the risk factors and prevent further financial shortfalls if possible and to better understand why they are occurring and address them in the appropriate manner without compromising the integrity of the services to the frail aged community.
13. The budget review process will identify the likely year end position, identifying funding sources for further capital expenditure. Further financial analysis will support the recovery process currently being undertaken with the assistance of an external Risk Management specialist.

## **COMMITTEE RECOMMENDATION TO COUNCIL AC 15/2010**

1. That Council receives the Kalamunda Home and Community Care Financial Status report and notes the progress with the Financial Recovery Strategies.

Moved: Cr Allan Morton

Seconded: Cr Margaret  
Thomas  
Seconded:

**CARRIED UNANIMOUSLY (6/0)**

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*Declaration of financial/conflict of interests to be recorded prior to dealing with each item.*

## **5.4 Investment Report**

### **PURPOSE**

1. To receive a report on the Shire of Kalamunda's investments.

### **BACKGROUND**

2. At the Audit Committee Meeting of 9 June 2008 it was proposed to provide the Audit Committee meetings with a report detailing the Shire of Kalamunda's Investment Portfolio.

### **DETAILS**

3. The Shire of Kalamunda's investment portfolio continues to be in accordance with the policy, and is restricted to the placement of funds with licensed banks.
4. Details of the Shire of Kalamunda's Short Term Investments are provided as *(Attachment 1)*.

### **STATUTORY AND LEGAL IMPLICATIONS**

5. Nil.

### **POLICY IMPLICATIONS**

6. Policy Fin 7, short term investments.

### **PUBLIC CONSULTATION/COMMUNICATION**

7. Nil.

### **FINANCIAL IMPLICATIONS**

8. Nil.

### **STRATEGIC AND SUSTAINABILITY IMPLICATIONS**

9. **Strategic Planning Implications**  
Nil.
10. **Sustainability Implications**  
**Social Implications**
  - Nil.

**Economic Implications**

- Nil.

**Environmental Implications**

- Nil.

**OFFICER COMMENT**

14. Cash at Bank balances as at 24 November 2010 were \$6,378,248.70 of which \$4,252,516.96 are municipal funds. Monies not required to meet unrepresented cheques are held in interest bearing accounts.
15. Interest bearing term deposits represent the bulk of all monies currently held, with \$21,424,614.09 currently spread across ten banks.
16. Funds received for Cash in Lieu of Public Open Space are being treated as Trust in accordance with s.154 of the *Planning and Development Act 2005*.

**COMMITTEE RECOMMENDATION TO COUNCIL****AC 16/2010**

1. That the report on Investments held by the Shire of Kalamunda be received.

Moved: Cr Donald McKechnie

Seconded: Cr Allan Morton

**CARRIED UNANIMOUSLY (6/0)**

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*Declaration of financial/conflict of interests to be recorded prior to dealing with each item.*

## **5.5 Sundry Debtor write-off**

### **PURPOSE**

1. Further to the write off of debtors at the meeting of the Audit Committee of 21 September 2009 to provide details to Audit Committee of additional sundry debt write offs which have been identified, and current legal recovery in action.

### **BACKGROUND**

2. The Shire has in place a debt collection procedure for sundry debtors, involving follow up reminders, phone calls and ultimately referral to Austral Mercantile for an initial free reminder service before commencing formal proceedings. This is shown as *(Attachment 1)*.

### **DETAILS**

3. The current provision for doubtful debts is \$54,649.41
4. Sundry debtors totalling \$0 are requested to be written off. No sundry debts, Library and KHACC (including Meals on Wheels) debts are currently considered non-recoverable.
5. Formal discussions are in progress with Kalamunda Wet'n'Wild over the \$29,793.64 currently owed for lease charges and recoverable building maintenance and insurance.
6. As reported to 8 November GSM, there remains \$100,953 in disputed building maintenance invoices which remain in the 90+ days unpaid. These are reported as Attachment 2. The bulk of this debt is with Forrestfield United Soccer Club owing \$32,336 including an outstanding loan payment for \$11,847.94 Shire Staff have made contact with other committee members regarding the outstanding debt.
7. There has been public consultation for the proposed policy on Lease and Licence Terms and Conditions of Council Owned or Controlled Properties. Following a decision by council user group forums are intended to discuss and address building maintenance costs.
8. Formal legal proceedings are currently in progress against two debtors, details of which are contained in *(Attachment 2)*.

### **STATUTORY AND LEGAL IMPLICATIONS**

9. Nil.

**POLICY IMPLICATIONS**

10. Nil

**PUBLIC CONSULTATION/COMMUNICATION**

11. Nil.

**FINANCIAL IMPLICATIONS**

12. Nil.

**STRATEGIC AND SUSTAINABILITY IMPLICATIONS****13. Strategic Planning Implications**

As these debtors are not related to rates or service charges the provisions section 6.47 of the Local Government Act 1995 requiring Council's adoption by Absolute Majority do not apply.

**14. Sustainability Implications****Social Implications**

- Nil.

**Economic Implications**

- Nil.

**Environmental Implications**

- Nil.

**OFFICER COMMENT**

15. The Shire of Kalamunda's available provision for such doubtful debts is \$54,649.41. As this is a balance sheet provision no impact on operating expenditure would result from the writing off sundry debt.

**COMMITTEE RECOMMENDATION TO COUNCIL****AC 17/2010**

1. That the Audit Committee receives details on formal recovery proceedings in progress.

Formal Recovery Proceedings currently in place

Debtor	Amount	Nature of Debt	Details of Recovery	Legal Fees to date
Kalamunda Youth Theatre Company	\$1,561.25	Hall Hire	Shire staff have followed existing procedure and have referred the debt to Austral Mercantile for collection. The debtor is currently avoiding	\$240.65

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			being served a summons.	
Townend	\$45,996.36	Public Open Space Contributions	As reported previously, the subdivision applicant has disputed the valuation undertaken by the Valuer General upon which their required contributions towards Cash in Lieu of Public Open Space is based upon. The Shire's legal representative, McLeods Lawyers, have been pursuing this matter. Settlement offers have been rejected by both parties (Shire \$30,000, Townend \$20,000). The matter is now proceeding to arbitration.	\$1564.20

Moved: Cr Margaret Thomas

Seconded: Cr Allan Morton

**CARRIED UNANIMOUSLY (6/0)**



**6. CLOSURE**

There being no further business the Chairman declared the meeting closed at 5:03 pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed ..... Chairman

Dated this                      day of                      2010

