

Minutes of an Audit & Risk Committee Meeting of Council held in the Council Chambers on Wednesday 16 March 2022 commencing at 12:55 pm

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

President Grant Robins declared the meeting open at 12:55 pm

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE

Attendance

G Robins	President	Central Ward
B Smoker	Deputy President	West Ward
T Gangell	Councillor	Town Ward
B West	Councillor	West Ward
R Bowey	Councillor	Town Ward
L Varone	Councillor	East Ward
M Lucchesi	Councillor	Central Ward
C Mullan	Councillor	Central Ward
J Noble	Councillor	Town Ward
G Yandle	Chief Executive Officer	
F Murphy	Acting DCEO	
F Jasper	Executive Support Officer	

Apologies

Nil

3. PUBLIC QUESTION TIME

4. APPLICATIONS FOR LEAVE OF ABSENCE

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

5.1 Audit and Risk Committee Meeting Minutes – 28 July 2021

5.2 Audit and Risk Committee Meeting Minutes – 24 February 2022

6. MATTERS REQUIRING DECISION

6.1 DLGSC Response Regarding 202-21 Financial Report

6.2 Compliance Audit Return 2021 - Adoption

6 ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

7 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING

8 INFORMATION BULLETIN ITEMS

9 DATE AND TIME OF NEXT MEETING

10 CLOSURE OF MEETING

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

5.1 Audit & Risk Committee Meeting Minutes – 28 July 2021

A1/0322

Moved Cr Gangell Seconded Cr West that the minutes of the Audit and Risk Committee Meeting held on 28 July 2021 be received.

Carried 9/0

5.2 Audit & Risk Committee Meeting Minutes – 24 February 2022

A2/0322

Moved Cr Smoker Seconded Cr Varone that the minutes of the Audit and Risk Committee Meeting held on 24 February 2022 be received.

Carried 9/0

6. MATTERS REQUIRING DECISION

6.1 DLGSC Response Regarding 2020-21 Financial Report

RESPONSIBLE OFFICER: CEO
FILE REFERENCE: 12.05 Audit Return and Review
AUTHOR: CEO
STRATEGIC REFERENCE/S: Corporate Business Plan, Civic Leadership 4.1.1 a; CEO KRA 3.3 Financial Management, 3.5 Integrated Planning
DISCLOSURE OF INTEREST: Nil

SUMMARY:

The audit of the 2020/21 Annual Financial Report was finalised by the Office of the Auditor General (OAG) on 23 February 2022. The Annual Report was presented to the Audit Committee at a Special Council Meeting held at 10:48am on Wednesday 24 February 2022. The audit opinion described significant adverse trends and matters of non-compliance with the Local Government (Financial Management) Regulations 1996. These matters are discussed in detail below.

BACKGROUND & COMMENT:

Operating Surplus Ratio

In the Local Government Operational Guidelines Number 18 the Department described the Operating Surplus Ratio as a financial performance ratio which is a key indicator of a local government's financial sustainability.

The Operating Surplus Ratio is calculated by:

$$\frac{(\text{Operating Revenue} - \text{Operating Expenditure})}{\text{Own Source Revenue}}$$

This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

Standard:

Basic Standard between 1% and 15% (0.01 and 0.15) Advanced Standard > 15% (>0.15).

Comment:

The depreciation expense posted each year has a significant impact on our operating result and we consistently post a loss based on this expense. As you can see in the table below, we were achieving the standard in 2015 prior to the first round of infrastructure valuations impacting depreciation.

	2021	2020	2019	2018	2017	2016	2015
Operating Surplus Ratio	(0.25)	(0.42)	(0.41)	(0.46)	(0.13)	(0.39)	0.051

Our infrastructure and property, plant and equipment assets were revalued on 30 June 2020. Depreciation rates were reviewed at this time and adjusted as necessary to ensure these were in line with the useful life of assets. It is a continual challenge meet this standard whilst depreciation of our infrastructure assets is included in the calculation.

Action:

We will continue to monitor depreciation rates to ensure the rates we are currently using are correct and to ensure that our depreciation isn't overstated.

Further to this, we will continue to review our larger outlays of maintenance type work which we expense during the year. From time to time, we make improvements to assets through a maintenance program and these expenditures are operating in nature rather than capital. When these expenditures are a genuine capital expense, they will be moved to the balance sheet rather than expensed through the operating statement. While this additional scrutiny (and any consequent change in expense classification) will have a positive impact on our net result, the impact will be minimal with regards to the Shire achieving the basic standard of this ratio.

STATUTORY ENVIRONMENT:

Nil

POLICY IMPLICATIONS:

Nil

FINANCIAL IMPLICATIONS:

Nil

COMMUNITY CONSULTATION:

Nil

WORKFORCE IMPLICATIONS:

Nil

AUDIT & RISK COMMITTEE RECOMMENDATION

That the Audit & Risk Committee recommend to Council that they accept the report of significant matters as presented in the Auditor's Report for the 2020/21 Annual Financial Report and authorising the CEO to prepare a letter to the Minister in response to the findings.

VOTING REQUIREMENTS:

Simple Majority.

A3/0322

Moved Cr Bowey Seconded Cr Varone that the Audit & Risk Committee recommend to Council that they accept the report of significant matters as presented in the Auditor's Report for the 2020/21 Annual Financial Report and authorising the CEO to prepare a letter to the Minister in response to the findings.

Carried 9/0

6.2 Compliance Audit Return 2021 – Adoption

NAME OF APPLICANT: CEO
RESPONSIBLE OFFICER: CEO
FILE REFERENCE: 04.02 Local Government Act & Returns
STRATEGIC REFERENCE/S: CBP 4.1 Civic Leadership, 4.1.8 Compliance methods
AUTHOR: CEO
DISCLOSURE OF INTEREST: NIL

SUMMARY:

To present the Compliance Audit Return to the Audit and Risk Committee who adopt the report and make recommendation to Council.

BACKGROUND:

Each year all local governments across the State are required by legislation to undertake a compliance audit for the period 1 January to 31 December. This audit is performed against the requirements of the

Compliance Audit Return prepared by the Department of Local Government covering the following business areas considered to be 'high risk':

- Commercial Enterprises by Local Government;
- Delegation of Power / Duty;
- Disclosure of Interest;
- Disposal of Property;
- Elections;
- Finance;
- Local Government Employees;
- Official Conduct; and
- Tendering for Providing Goods & Services

COMMENT:

The Audit and Risk Committee's consideration and endorsement of the Compliance Audit Return (addressing those areas identified as high risk) is required prior to the report being submitted to the Department of Local Government and Communities. A completed return for the year ended 31 December 2021 is due to the Department by the 31 March 2022.

Please note that the Risk and Audit Committee is required to review the completed CAR and report the results to the Council, prior to the CAR's adoption by Council and submission to the Department by 31 March 2022.

The Compliance Audit Return is attached for the Committee's and Council's consideration. Note the report was prepared by the CEO.

STATUTORY IMPLICATIONS:

Regulation 14 of the Local Government (Audit) Regulations 1996 provides:

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under sub-regulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

Regulation 15 provides that:

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit,
 - (c) is to be submitted to the Executive Director by 31 March next following the period to which the return relates.
- (2) In this regulation, certified in relation to a compliance audit return means signed by;
 - (a) the mayor or president; and
 - (b) the CEO.

FINANCIAL IMPLICATIONS:

Nil

POLICY IMPLICATIONS:

Nil

COMMUNITY STRATEGIC PLAN IMPLICATIONS:

Nil

That the Audit and Risk Committee consider the Officer's recommendation and make recommendation to the Council.

COMMITTEE RECOMMENDATION:

That the Audit and Risk Committee recommend to Council that;

1. Note the recommendations and comments of the Audit Committee as detailed;
2. Council adopt the Compliance Audit Return 2021, as presented;
3. The Chief Executive Officer and the Shire President be authorised to sign the Compliance Audit Return 2021;
4. Endorse the return for submission to the Department of Local Government, Sport and Cultural Industries by 31 March 2022.

VOTING REQUIREMENTS:

Absolute Majority Required

A4/0322

Moved Cr Noble Seconded Cr Smoker that Audit and Risk Committee recommend to Council that;

- 1. Note the recommendations and comments of the Audit Committee as detailed;**
- 2. Council adopt the Compliance Audit Return 2021, as presented;**
- 3. The Chief Executive Officer and the Shire President be authorised to sign the Compliance Audit Return 2021;**
- 4. Endorse the return for submission to the Department of Local Government, Sport and Cultural Industries by 31 March 2022.**

Carried 9/0

Next meeting date and time to be set.

CLOSURE OF MEETING

There being no further business the meeting was closed at 1:01pm