

SHIRE OF WEST ARTHUR

MINUTES – for the Audit Committee Meeting to be held on 16 March 2021 at the Shire of West Arthur Council Chambers, commencing at 5:16pm.

1. **Declaration of Opening/Announcement of Visitors**
2. **Record of Attendance and Apologies**

Committee Members

Cr Kevin King
Cr Julie McFall
Cr Adam Squires
Cr Graeme Peirce

Staff

Nicole Wasmann

3. **Question Time**
Nil

4. **Previous Minutes**

A copy of the minutes of the last meeting held on 30 October 2020 have been distributed.

Moved: Cr Julie McFall

Seconded: Cr Adam Squires

That the minutes of the meeting held on 30 October 2020, be confirmed as a true and correct record.

CARRIED 4/0

6. **Reports**

ITEM 6.1.1 – ADOPTION OF COMPLIANCE AUDIT RETURN 2020

LOCATION/ADDRESS:	N/A
NAME OF APPLICANT:	N/A
FILE REFERENCE:	2.21.1
DISCLOSURE OF INTEREST:	N/A
DATE OF REPORT:	15 March 2021

SUMMARY:

The Committee to consider recommending to Council the adoption of the West Arthur Compliance Audit Return 2020, as presented, as the official return for the Council for the period 1 January 2020 to 31 December 2020.

BACKGROUND:

Each year, the local government is required to carry out a compliance audit for the period 1 January to 31 December of the previous year. 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.

CONSULTATION:

The Department's advice is that the return contains 92 questions (89 for regional councils) relating to the prescribed statutory requirements in regulation 13 of the Local Government (Audit) Regulations 1996. There are 10 optional questions.

The local government's audit committee is required to review the completed 2020 Compliance Audit Return and report the results to council prior to its adoption by council. It must then be submitted to the department by 31 March 2021.

Non-compliance reported in the 2020 Compliance Audit Return should be a reminder for local government officers to engage with council members via the audit committee, providing advice on what action has or will be taken to address it.

STATUTORY ENVIRONMENT:

It is a requirement that this return is included in the agenda papers and considered by Council in the February or March meeting of council following the year under review.

POLICY IMPLICATIONS:

Nil.

FINANCIAL IMPLICATIONS:

Nil.

STRATEGIC IMPLICATIONS:

Nil.

VOTING REQUIREMENTS:

Simple majority

COMMITTEE DECISION (OFFICER RECOMMENDATION) – ITEM 6.1.1

Moved: Cr Kevin King

Seconded: Cr Adam Squires

That the West Arthur Compliance Audit Return 2020, as presented subject to the change to question 7 on page 6 to yes, be recommended to Council for adoption as the official return for the Council for the period 01 January 2020 to 31 December 2020.

ATTACHMENT

- Local Government Compliance Audit Return 2020



Department of
**Local Government, Sport
 and Cultural Industries**

West Arthur - Compliance Audit Return 2020

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of the relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A	The Shire had no major trading undertakings in 2020.	Nicole Wasmann
2	s3.59(2)(b) F&G Regs 7,8,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2020?	N/A		Nicole Wasmann
3	s3.59(2)(c) F&G Regs 7,8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2020?	N/A	The Shire did not enter into any land transactions in 2020.	Nicole Wasmann
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2020?	N/A		Nicole Wasmann
5	s3.59(5)	During 2020, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Nicole Wasmann



Department of
**Local Government, Sport
and Cultural Industries**

Delegation of Power/Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16	Were all delegations to committees resolved by absolute majority?	N/A	No delegations made to Committee in 2020.	Nicole Wasmann
2	s5.16	Were all delegations to committees in writing?	N/A		Nicole Wasmann
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	N/A		Nicole Wasmann
4	s5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Nicole Wasmann
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	No	Council has one delegation to the Audit Committee, to meet with the auditor. This was not reviewed in 2020. It will be reviewed in April 2021.	Nicole Wasmann
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		Nicole Wasmann
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Nicole Wasmann
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Nicole Wasmann
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Nicole Wasmann
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	N/A	There were no decisions to amend or revoke a delegation in 2020.	Nicole Wasmann
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Nicole Wasmann
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?	No	Council delegations to the CEO were not reviewed in 2020. They will be reviewed in April or May 2021. Delegations to employees from the CEO were reviewed in June 2020.	Nicole Wasmann
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		Nicole Wasmann

Disclosure of Interest

No	Reference	Question	Response	Comments	Respondent
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**Local Government, Sport
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No	Reference	Question	Response	Comments	Respondent
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes		Nicole Wasmann
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	N/A	There were no decisions for participation approval.	Nicole Wasmann
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes		Nicole Wasmann
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		Nicole Wasmann
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2020?	Yes		Nicole Wasmann
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Nicole Wasmann
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Nicole Wasmann
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		Nicole Wasmann
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Nicole Wasmann
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes		Nicole Wasmann
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes		Nicole Wasmann
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Nicole Wasmann



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	Yes		Nicole Wasmann
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes		Nicole Wasmann
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?	Yes		Nicole Wasmann
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11 (2) was the nature of the interest recorded in the minutes?	Yes		Nicole Wasmann
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Nicole Wasmann
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A		Nicole Wasmann
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A		Nicole Wasmann
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?	Yes		Nicole Wasmann
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Nicole Wasmann



Disposal of Property						
No	Reference	Question	Response	Comments	Respondent	
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	N/A	There were no disposals of property other than by public auction.	Nicole Wasmann	
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	N/A		Nicole Wasmann	

Elections						
No	Reference	Question	Response	Comments	Respondent	
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes		Nicole Wasmann	
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	N/A	There were no gift forms to remove.	Nicole Wasmann	
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	Yes		Nicole Wasmann	

Finance						
No	Reference	Question	Response	Comments	Respondent	
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes		Nicole Wasmann	
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	Yes		Nicole Wasmann	
3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	N/A	The auditor general is responsible for the audit.	Nicole Wasmann	



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No	Reference	Question	Response	Comments	Respondent
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	N/A		Nicole Wasmann
5	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2020?	Yes		Nicole Wasmann
6	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	N/A		Nicole Wasmann
7	s7.12A(4)(a)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?	Changed to yes from N/A		Nicole Wasmann
8	s7.12A(4)(b)	Where the local government was required to prepare a report under s.7.12A(4)(a), was a copy of the report given to the Minister within three months of the audit report being received by the local government?	No	Received 5/12/19 Emailed minister 25/3/20	Nicole Wasmann
9	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	Yes	This related to the 2018/19 Annual Financial Report in regards to Significant Adverse Trend Ratios. The same will need to be done for 2019/20 Annual Financial Report.	Nicole Wasmann
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	Yes		Nicole Wasmann
11	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	Yes		Nicole Wasmann



Integrated Planning and Reporting						
No	Reference	Question	Response	Comments	Respondent	
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	The Strategic Community Plan on was adopted on 27 June 2017 and the most recent review was adopted by Council on 19 May 2020.	Nicole Wasmann	
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	The 2020/21-23/24 Plan was adopted on 28 July 2020.	Nicole Wasmann	
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Nicole Wasmann	

Local Government Employees						
No	Reference	Question	Response	Comments	Respondent	
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A	The position of CEO was not vacant during 2020.	Nicole Wasmann	
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	N/A	There were no CEO or senior employee vacancies during 2020.	Nicole Wasmann	
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A		Nicole Wasmann	
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	N/A		Nicole Wasmann	
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A		Nicole Wasmann	
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A		Nicole Wasmann	



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Official Conduct						
No	Reference	Question	Response	Comments	Respondent	
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	Yes		Nicole Wasmann	
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)?	Yes		Nicole Wasmann	
3	s5.121(2)	Does the complaints register include all information required by section 5.121(2)?	Yes		Nicole Wasmann	
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes		Nicole Wasmann	

Optional Questions						
No	Reference	Question	Response	Comments	Respondent	
1	Financial Management Reg 5(2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	No	The last review was presented on 22 March 2017.	Nicole Wasmann	
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	No	The last review was presented on 5 December 2016.	Nicole Wasmann	
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	N/A	No disclosures have been received.	Nicole Wasmann	
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	N/A		Nicole Wasmann	
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	No	A policy will be considered by Council in April or May 2021.	Nicole Wasmann	



Department of
**Local Government, Sport
 and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	No		Nicole Wasmann
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	No	The majority of publication requirements from the changes to the regulations have been met. Some committee minutes are still to be added and polices are continuing to be added. Some policies will be reviewed by Council in April or May prior to being added to the website.	Nicole Wasmann
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	August 2020.	Nicole Wasmann
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	Yes		Nicole Wasmann
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes		Nicole Wasmann

Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Does the local government have a current purchasing policy that complies with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Nicole Wasmann
2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Nicole Wasmann
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	N/A	No tenders were invited.	Nicole Wasmann



Department of
**Local Government, Sport
and Cultural Industries**

No	Reference	Question	Response	Comments	Respondent
4	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	N/A		Nicole Wasmann
5	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	Yes		Nicole Wasmann
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	N/A		Nicole Wasmann
7	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	N/A		Nicole Wasmann
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	N/A		Nicole Wasmann
9	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	N/A		Nicole Wasmann
10	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	N/A		Nicole Wasmann
11	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	N/A		Nicole Wasmann
12	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	N/A	No expressions of interest were invited.	Nicole Wasmann
13	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A		Nicole Wasmann
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	N/A		Nicole Wasmann
15	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services as an acceptable tenderer?	N/A		Nicole Wasmann



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No	Reference	Question	Response	Comments	Respondent
16	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A		Nicole Wasmann
17	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A	The Shire did not invite applicants for a panel of pre-qualified suppliers.	Nicole Wasmann
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		Nicole Wasmann
19	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A		Nicole Wasmann
20	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A		Nicole Wasmann
21	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A		Nicole Wasmann
22	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A		Nicole Wasmann
23	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Nicole Wasmann
24	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	N/A		Nicole Wasmann



Department of
**Local Government, Sport
and Cultural Industries**

I certify this Compliance Audit Return has been adopted by council at its meeting on _____

Signed Mayor/President, West Arthur

Signed CEO, West Arthur

ITEM 6.1.2. – 2019-20 SIGNIFICANT ADVERSE TREND – OPERATING SURPLUS RATIO & ASSET SUSTAINABILITY RATIO

LOCATION/ADDRESS: ...
 NAME OF APPLICANT: ...
 FILE REFERENCE:
 DISCLOSURE OF INTEREST: Nil
 DATE OF REPORT: 16 March 2020

SUMMARY:

If a significant matter is reported in an audit report, section 7.12A of the Local Government Act 1995 requires a response from the local government and a report to be prepared stating what action has been taken or is intended to be taken in respect to matters raised within the audit report. The operating surplus ratio of the Shire of West Arthur has been below the required level for two consecutive years and therefore has been included in this year's audit report. The asset sustainability ratio has been below the recommended standard for two years and is also raised this year.

BACKGROUND:

In November 2017, proclamation of the *Local Government Amendment (Auditing) Act 2017* introduced a number of reforms to auditing laws. The legislation requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

The Auditor General's Independent Auditor's Report for 2019-20 identified a significant adverse trend in the financial position of the Shire (attached). Specifically, that the Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries ("the Department") standard for the past two years. This matter was also raised in the 2018/19 audit report. The 2019/20 audit report also recognised the Asset Sustainability Ratio has been below the DLGSCI standard for the past 2 years with the current year also being below the previous year.

Local governments must prepare a report addressing the significant matters identified in their audit report, which is to be considered by the local government's audit committee before being adopted by council.

Operating Surplus Ratio

Operating Surplus Ratio =
$$\frac{\text{(Operating Revenue MINUS Operating Expense)}}{\text{Own Source Operating Revenue}}$$

The purpose of 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. The Department has determined that a ratio below 0.01 (1%) is below the standard required. OAG standard is Zero.

The following table highlights the Shire's ratio as calculated for the last four financial years, including the figure for the 2019/20 financial year:

	2016/17	2017/18	2018/19	2019/20
Operating surplus ratio	0.06	-0.14	-0.73	-0.33

Own source operating revenue is made up of rates, fees and charges, interest income, profit on disposals of assets, reimbursements and recoveries, and other revenue. Small regional local governments are limited in their ability to increase own source revenue and are more reliant on grant funding for renewal of assets.

A significant expense recognised in operating expenditure and included in the ratio calculation is depreciation. The depreciation expense recognised in 2019/20 was \$2,093,849 (including \$499,841 bridge depreciation).

While the ratio recognises the depreciation on our fixed assets, the ratio does not recognise capital road or capital project funding and this income is specifically excluded from the ratio. Non-operating road grants from Roads to Recovery (Federal) and Regional Road Group (State) were \$853,361. These capital grants are used to fund asset renewal as recognised in the depreciation expense.

The ratio reflects a reliance on sources of funding other than Council’s own source funds such as rates, to be sustainable. To have an operating surplus ratio which does not meet the minimum requirements is typical of many local governments.

Council would need to increase income or decrease expenditure by a further \$768,000 to meet the recommended standard this year.

The ratio will also be affected by the timing of the Federal Assistance Grants. A substantial prepayment of the FAGS grants has been prepaid in recent years however if not consistently prepaid will influence the ratio.

Asset Sustainability Ratio

$$\text{Asset Sustainability Ratio} = \frac{\text{Capital Renewal and Replacement Expenditure}}{\text{Depreciation}}$$

The purpose of this ratio is to measure the extent to which assets are being renewed/replaced compared to the amount consumed (depreciation). The interpretation of this ratio is much improved if it is calculated as an average over time as this reduces skewing caused by large scale intermittent investment in major infrastructure (such as buildings and road upgrade)

The OAG has determined that a ratio of below 0.8 (80%) is below the standard required.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Asset sustainability ratio	1.65	1.13	1.24	0.84	1.09	0.84	0.74	0.33

The average ratio based on the past five years is 0.77. Average ratio over 8 years is 0.98.

The expenditure on new infrastructure/buildings as part of the annual capital program will influence this ratio. The 2019/20 included \$756,284 (49%) capital upgrade expenditure. Sealing a previously unsealed road is an example of an upgrade.

Bridge depreciation is recognised (\$499,841) and this is not expected to be offset by renewal expenditure on an annual basis unless funding is also received.

Budgeted capital expenditure for 2020/21 would meet the expected standard.

CONSULTATION:

The report has been prepared in consultation with other local governments. The majority of local governments cannot meet the recommended standard.

STATUTORY ENVIRONMENT:

In November 2017, proclamation of the *Local Government Amendment (Auditing) Act 2017* introduced a number of reforms to auditing laws. The legislation requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

POLICY IMPLICATIONS:

There are no policy implications.

FINANCIAL IMPLICATIONS:

The Operating Surplus Ratio is expected to be reported as having a significant adverse trend in the future. The ratio will continue to be monitored through the long term financial planning and budgeting process.

The Asset Sustainability ratio is also expected to be reported in some future years as having a significant adverse trend in the future however is dependent on the capital works program renewal/upgrade and grant funding for new capital projects received. This ratio will continue to be monitored through the long term financial planning and budgeting process.

STRATEGIC IMPLICATIONS:

This item aligns with the community's vision and aspirations as contained in the Shire of West Arthur Corporate Plan 2020 to 2024. Specifically, it relates to the following strategy(s):
5.2 Financial management and decision making will be transparent, accountable and in an accessible format for the public

VOTING REQUIREMENTS:

Simple majority

COMMITTEE DECISION (OFFICER RECOMMENDATION) – ITEM 6.1.2

Moved: Cr Kevin King

Seconded: Cr Adam Squires

That the Audit Committee recommends that Council:

1. Notes the significant adverse trends in the financial position of the Shire, as identified in the Auditor General's Independent Auditor's Report for 2019-20, stating that the Operating Surplus Ratio and the Asset Sustainability Ratio are below the Office of Auditor General and Department of Local Government, Sport and Cultural Industries standard and that the Shire of West Arthur monitor through the long term financial planning and budgeting process; and
2. Authorises a copy of this report to be forwarded to the Minister for Local Government and be published on the Shire's official website.



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of West Arthur

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of West Arthur which comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of West Arthur:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Notes 1 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the *Local Government (Financial Management) Regulations 1996* (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from *AASB 16 Leases* which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of the annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past three years.
 - b. The Asset Sustainability Ratio has been below the DLGSCI standard for the past 2 years with the current year also being below the previous year.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of West Arthur for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



KELLIE TONICH
SENIOR DIRECTOR FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
10 December 2020

7. **Other Urgent Business by Decision of Meeting**
8. **Tabling of Items for Next Meeting**
9. **Closure and Next Meeting**
Meeting closed 5.54pm, next meeting will be held in June 2021.

DISCLAIMER

The purpose of this council meeting is to discuss and, where possible, make resolutions about items appearing on the agenda.

Whilst Council has the power to resolve such items and may in fact, appear to have done so at the meeting, no person should rely on or act on basis of such decision or on any advice or information provided by a member or officer, or on the content of any discussion occurring, during the course of the meeting.

Persons should be aware that the provisions of the Local Government Act 1995 (section 5.25 (e)) establish procedures for revocation or rescission of a Council decision. No person should rely on the decisions made by Council until formal advice of the Council decision is received by that person.

The Shire of West Arthur expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any resolution of Council, or any advice or information provided by a member or officer, or the content of any discussion occurring, during the course of the Council meeting.

These Audit Meeting Minutes 16 March 2021 were confirmed:

Signed: 

Presiding Member at the meeting at which the Minutes were confirmed.