



Shire of Ravensthorpe

MINUTES

Audit Committee Meeting

Held on Tuesday 16 July 2019

At 5.00 pm

In Council Chambers Ravensthorpe

AUDIT COMMITTEE MEETING

HELD IN THE COUNCIL CHAMBERS, RAVENSTHORPE.

TUESDAY 16 JULY 2019 AT 5.03 PM

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UNCONFIRMED

1. DECLARATION OF OPENING/ ANNOUNCEMENT OF VISITORS**2. ATTENDANCE/ APOLOGIES**

MEMBERS:

Cr Keith Dunlop (Shire President)
 Cr Julianne Belli (Deputy Shire President)
 Cr Tom Major
 Cr Kerry Dickinson
 Cr Ian Goldfinch
 Cr Graham Richardson

STAFF:

Gavin Pollock (Chief Executive Officer)
 Les Mainwaring (Director Corporate & Community Services)
 Simon Russell (A/Director Technical Services)
 Helen Coleman (Executive Assistant)

LEAVE OF ABSENCE:

Cr Peter Smith
 Graham Steel (Director Technical Services)

APOLOGIES:

Nil.

3. CONFIRMATION OF MINUTES – 1 FEBRUARY 2018

OFFICER RECOMMENDATION	ITEM 3
Moved: Cr Dickinson	Seconded: Cr Belli
	Res: 1/19
That the minutes of the Audit Committee meeting held on the 1 February 2018 be confirmed as a true and correct recording of proceedings.	
	Carried: 6/0

4. COMPLIANCE AUDIT RETURN - 2018

File Reference:	GR AU.1
Location:	Not Applicable
Applicant:	Not Applicable
Author:	Director Corporate & Community Services
Authorising Officer:	Chief Executive Officer
Date:	25 June 2019
Disclosure of Interest:	Nil
Attachments:	Ravensthorpe Compliance Audit Return 2018
Previous Reference:	Nil

Summary:

This report recommends the adoption of the Local Government Compliance Audit Return for the period 1 January 2018 to 31 December 2018.

Background:

Section 7.13(i) of the Local Government Act 1995 requires that each local government completes a Compliance Audit Return for each year for the period 1 January to 31 December.

The document is provided by the Department of Local Government, Sport and Cultural Industries (DLGSCI) in a prescribed manner and is designed to be a tool of self-assessment by local governments allowing identification of areas where compliance has been met or is not applicable for that particular year. It also provides guidance for improvement in instances of non-compliance.

Comment:

The Compliance Audit Return for 2018 includes 95 compliance questions (94 last year), which requires Yes or No answers, however where an item has not occurred during the calendar year a response of not applicable (N/A) is provided. The areas of compliance this year have focused on commercial enterprises by local governments, delegation of powers, disclosures of interest, disposal of property, finance, integrated planning and reporting, employees, official conduct and tenders for providing goods and services.

The 2018 return has been completed in good faith to the best of available records and the knowledge of senior officers, none of whom were shire employees during the 2018 period.

Instances of non-compliance have been detailed below;

Was the auditor's report for the financial year ended 30 June 2018 received by the local government by 31 December 2018 (Not completed in 2018)?

Has the Chief Executive Officer reviewed the appropriateness and effectiveness of local government's systems and procedures in accordance with regulation 17 of the local government (Audit) Regulations 1996 (Planned for 2019/2020).

Has the local government adopted a modification to the most recent Corporate Business Plan (Planned for 2019/2020)?

Has the local government adopted a modification to the most recent Strategic Community Plan (Planned for 2019/2020)?

After the Compliance Audit return has been presented to Council, a certified copy of the return, signed by the Shire President and Chief Executive Officer, along with the

relevant section of the minutes and any additional information detailing the contents of the return are to be submitted to the DLGSCI in normal circumstances by 31 March of each year.

Consultation:

Audit Committee and Executive Staff.

Statutory Environment:

Section 7.13 Local Government Act 1995.

Regulations 14 & 15 Local Government (Audit) Regulations 1996.

Policy Implications:

Nil.

Financial Implications:

Nil.

Strategic Implications:

Nil.

Sustainability Implications:

- **Environmental**
Nil.
- **Economic**
Nil.
- **Social**
Nil.

Risk Implications:

Risk	Low (2)
Risk Likelihood (based on history and with existing controls)	Low (2)
Risk Impact / Consequence	Low (2)
Risk Rating (Prior to Treatment or Control)	Low (2)
Principal Risk Theme	Low (2)
Risk Action Plan (Controls or Treatment Proposed)	Low (2)

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial,

service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 1 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Voting Requirements:

Simple Majority.

Moved: Cr Dickinson

Seconded: Cr Goldfinch

Res: 2/19

Recommendation:

That the Audit Committee recommend that Council endorse the Compliance Audit Return for the period 1 January 2018 to 31 December 2018 and that it be forwarded to the Department of Local Government, Sport and Cultural Industries after certification by the Shire President and Chief Executive Officer.

Carried: 6/0

UNCONFIRMED

Comment:

The OAG, in conjunction with contracted auditors, Lincolns, have completed the annual audit for the year ending 30 June 2018.

The Auditor has provided comments on Councils financial performance for the year, which is measured by the seven ratios prescribed in the Local Government (Financial Management) Regulations 1996. The ratios are reported at Note 32 (page 61) in the financial statements and for further details please refer to the auditors comments in the Attachment to the Management Letter attached to the end of the annual financial report.

The following table compares the financial ratios (Note 32) to the standards prescribed by the Local Government Regulations:

Ratio	Description	Result	Prescribed Standard
<i>Current Ratio</i>	<i>Indicates the Shire's ability to meet short term debt obligations.</i>	<i>1.41</i>	<i>The standard is met if the ratio is greater than 1.</i>
<i>Asset Sustainability Ratio</i>	<i>Indicates that the Shire is replacing or renewing existing non-financial assets at the same rate that its overall asset stock is wearing out.</i>	<i>0.57</i>	<i>The standard is met if the ratio is 0.9 or higher.</i>
<i>Debt Service Cover Ratio</i>	<i>Indicates the Shire's ability to repay its debt including lease payments.</i>	<i>6.80</i>	<i>A basic standard is met if the ratio is greater than or equal to 2. An advanced standard is met if the ratio is greater than 5.</i>
<i>Operating Surplus Ratio</i>	<i>Indicates the Shire's ability to cover its operational costs and have revenues available for capital funding or other purposes.</i>	<i>(0.19)</i>	<i>A basic standard is met between 0.01 and 0.15. An advanced standard is met if the ratio is greater than 0.15.</i>
<i>Own Source Revenue Coverage Ratio</i>	<i>Indicates the Shire's ability to cover its costs through its own revenue efforts.</i>	<i>0.25</i>	<i>A basic standard is met if the ratio is between 0.4 and 0.6. Intermediate standard is between 0.6 and 0.9. An advanced standard is met if the ratio is greater than 0.9.</i>
<i>Asset Consumption Ratio</i>	<i>Measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost</i>	<i>0.89</i>	<i>The standard is met if the ratio is 0.5 or greater. The standard is improving if the ratio is between 0.6 and 0.75.</i>
<i>Asset Renewal Funding Ratio</i>	<i>Measures the ability of the Shire to fund its projected asset renewal/replacements in the future.</i>	<i>0.56</i>	<i>The standard is met if the ratio is between 0.75 and 0.95. The standard is improving if the ratio is between 0.95 and 1.05.</i>

In relation to the Annual Report the Local Government Act 1995 section 5.53 states that the Annual Report must contain the following:

- A report from the President
- A report from the Chief Executive Officer
- An overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or continue in the next financial year
- The financial report for the financial year
- Such information as may be prescribed in relation to the payments made to employees
- The auditor's report for the financial year
- A matter on which a report must be made under section 29(2) of the Disability Services Act 1993
- details of entries made under section 5.121 during the financial year in the register of complaints, including —
 - the number of complaints recorded in the register of complaints; and
 - how the recorded complaints were dealt with; and
 - any other details that the regulations may require; and
- Such other information as may be prescribed.

In accordance with the Local government Act, the general meeting of electors is to be held on a day no later than 56 days after Council has adopted the Annual Report, therefore Council is required to hold the annual meeting of electors no later than Tuesday 10th September 2019.

The Audit Committee, which comprises all of Council, is to meet with the auditor during each financial year with such meetings able to be held via teleconference. The Chief Executive Officer arranged an audit exit interview for the audit committee with OAG and Lincolns on the 18 June 2019 via teleconference to discuss the 2017/18 audit findings.

Consultation:

All Councillors and Executive Staff.

Statutory Environment:

Local Government Act 1995 – Part 6 Financial Management; and Local Government (Financial Management) Regulations 1996

- Defines the processes and procedures that apply to the recording and reporting of financial matters.

Local Government Act 1995 – Part 7 Audit; and Local Government (Audit) Regulations 1996

- Defines the audit of the financial accounts of local governments, including the conduct of audits.

-

Local Government Act 1995

7.12A. Duties of local government with respect to audits

(3) A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to —

(a) determine if any matters raised by the report, or reports, require action to be taken by the local government; and

(b) ensure that appropriate action is taken in respect of those matters.

Policy Implications:

Nil.

Financial Implications:

Nil.

Strategic Implications:

Nil.

Sustainability Implications:**Environmental**

There are no known significant environmental considerations.

Economic

There are no known significant environmental considerations.

Social

There are no known significant environmental considerations.

Risk Implications:

Risk	Low (2)
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Voting Requirements:**Simple Majority.****Moved Cr Dickinson****Seconded Cr Belli****Res: 4/19****Recommendation:****That the Audit Committee receive;**

1. **The 2017/2018 Annual Report for the year ended 30 June 2018, including the annual financial statements and the auditor's report be accepted.**

That the Audit Committee request;

2. **Council setting the 2017/2018 Annual General Meeting of Electors within 56 days of the acceptance of the 2017/18 audit report by the Office of the Auditor General.**

Carried: 6/0

6. **CLOSURE OF MEETING 5.20 pm**