



MINUTES
AUDIT AND RISK MANAGEMENT
COMMITTEE

held on

Thursday, 11 March 2021



WESTERN AUSTRALIA'S
WILDFLOWER COUNTRY

DISCLAIMER

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Item 1 Opening of Meeting

The Presiding Member declared the meeting open at 5.30pm.

Item 2 Acknowledgement of Traditional Owners and Dignitaries

The Presiding Member acknowledges the traditional custodians, the Yamatji people, and recognises the contribution of Yamatji elders past, present and future, in working together for the future of Morawa.

'This meeting is being recorded on audio tape and to assist with minute taking purposes. The public is reminded that in accordance with Section 6.16 of the Shire of Morawa Meeting Procedures Local Law 2012 that nobody shall use any visual or vocal recording device or instrument to record the proceedings of Council without the written permission of the presiding member.'

Item 3 Recording of Attendance**3.1 Attendance****Committee Members**

President Councillor Karen Chappel (Presiding Member)
Deputy President Councillor Dean Carslake
Councillor Jane Coaker
Councillor Debbie Collins
Councillor Yvette Harris

Staff

Chief Executive Officer	Scott Wildgoose
Deputy Chief Executive Officer	Gavin Treasure
Executive Manager Works and Assets	Paul Buist
Executive Assistant	Rondah Toms

Members of the Public

Nil

3.2 Attendance by Telephone / Instantaneous Communications

In accordance with section 14 of the *Local Government (Administration) Regulations 1996* "Meetings held by electronic means in public health emergency or state of emergency (Act s. 5.25(1)(ba))", the President to declare that this Meeting may take place via instantaneous communication. All Councillors and staff are to be available either via telephone (teleconference) or in person.

3.3 Apologies

Councillor Ken Stokes
Councillor Shirley Katona

3.4 Approved Leave of Absence

Nil

3.5 Disclosure of Interests

Nil

Item 4 Applications for Leave of Absence

Nil

Item 5 Response to Previous Questions

Nil

Item 6 Questions from Members without Notice

Nil

Item 7 Announcements by Presiding Member without Discussion

Nil

Item 8 Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting

The Elected Members to declare that they had given due consideration to all matters contained in the agenda.

- President Councillor Karen Chappel
- Deputy President Councillor Dean Carslake
- Councillor Jane Coaker
- Councillor Debbie Collins
- Councillor Yvette Harris

Item 10 Reports of Officers**10.1 Report on Significant Matter raised in Annual Financial Report Audit Opinion**

Author: Chief Executive Officer

Authorising Officer: Chief Executive Officer

Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION/RESOLUTION

210302 Moved: Cr Harris

Seconded: Cr Collins

That the Audit Committee recommends that Council:

- 1. Endorses the report (as attached) addressing the matter identified as significant by the auditor in the audit report relating to the Shire's Annual Financial Report 2019-2020**
- 2. Endorses the CEO to distribute the report on the Shire website and to the Minister for Local Government in compliance with the Local Government Act.**

CARRIED BY SIMPLE MAJORITY 5/0

PURPOSE

To ensure compliance with Section 7.12A of the Local Government Act 1995 the Shire of Morawa is required to prepare a report addressing the matters identified as significant by the Office of the Auditor General when auditing the Shire Annual Financial Report 2019-2020.

DETAIL

The Audit Committee held the Audit Close meeting for the 2019-2020 Financial Report on the 17 December 2020, with the Audit Report being signed off by the Office of the Auditor General (OAG) on the 21 December 2020.

At the audit close meeting the audit committee raised concerns around the significant matter raised by the OAG, being the adverse trends in two of the Shire's ratios (Asset Sustainability and Operating Surplus). After this the Shire President also wrote to the Auditor General, Ms Caroline Spencer, noting the Shire's objection to the adverse trends being seen in two ratios constituting a significant finding and suggesting that the Shire actually had a strong financial position when other factors such as debt levels and reserve balances were considered.

To maintain compliance with the Local Government Act the Shire is required to prepare a report addressing any significant matters raised by auditors. This report is to be sent to the minister within 3 months of the audit opinion being received. As such the attached report has been prepared

addressing the significant matter raised by the OAG being the adverse trends in the Asset Sustainability and Operating Surplus Ratios.

The report essentially suggests four action areas in response to the findings:

1. Challenge the relevance/appropriateness of the Ratios
2. Undertake a review of the Shire's Long Term Financial Plan/Strategic Resource Plan including Asset Management Plans
3. Review operational expenditure
4. Review operating income

Challenge Relevance/Appropriateness of Ratios

This action is a continuation of the previous responses provided by the Shire in the audit close meeting and in the letter to the OAG. Whilst not stating a specific action to be undertaken by the Shire's administration it makes it clear to all that read the report that the Shire does not believe it has a significant adverse trend in its financial position and that the OAG having to raise a significant matter based on three years of non-compliance with the Department of Local Government, Sport and Cultural Industries pre-set ratios does not accurately reflect the work the Shire has done to manage its financial viability.

Essentially the Shire is unlikely to fix these ratios in the short term without drastic financial or organisational alterations and whether these changes are unlikely to be warranted based solely on ratio compliance.

The report highlights a few areas where the Shire of Morawa and other regional/remote areas will differ to metropolitan Councils and how having one size fits all ratios may not be appropriate. As such given this report is to be sent to the ministers office the report takes the opportunity to prompt the minister to work with key local government representatives to review the financial ratios and their relevance across the sector.

Undertake a review of the Shire's Long Term Financial Plan/Strategic Resource Plan including Asset Management Plans

The Shire has already established that it needs a review of its long term financial planning and Moore Australia have been contracted to develop a revised long term financial plan taking into account asset management and other resource requirements. Moore will also look at compliance with ratios as part of long term planning.

By undertaking a long term financial plan review the Shire is able to see what impacts current spending, rates and asset deterioration is likely to have on the financial position of the Shire 10 years into the future. If the Shire is suffering from an adverse trend or declining financial position it is expected that this round of long term planning will identify modifications to alleviate this decline.

Review Operating Expenditure and Income

Whilst these are two separate action areas they represent two sides of the same process. With the arrival of a new CEO and EMCCS the Shire is well positioned to review its operational practices and to try and identify any efficiency gains. There may also be income areas that can be improved, although these have yet to be identified.

In terms of costs, it is proposed that a move to using more renewable energy at Shire assets should see future operating cost reductions or at least minimise cost increase, as utility providers are increasing rates above CPI each year.

LEVEL OF SIGNIFICANCE

Medium – the non-completion of the attached report would represent non-compliance with the Act.

CONSULTATION

Shire President
Senior Management Team
Office of the Auditor General

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995
Local Government (Audit) Regulations 1996

FINANCIAL AND RESOURCES IMPLICATIONS

The review of the long term financial plan has already been budgeted and reviews of operational areas will cost the Shire staff time but it is expected that no contractors will be needed.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Shire of Morawa Community Strategic Plan 2018-2028 (Desktop Review June 2020)

Outcome 4.3 A local government that is respected, professional and accountable.

RISK MANAGEMENT CONSIDERATIONS

Medium – the attached report represents a compliance matter. The significant matter raised being the adverse trends, do not appear to raise a high risk to the Shire at this stage but need to be monitored moving forward.

CONCLUSION

The attached report will ensure compliance with the Local Government Act and the actions proposed are in line with the Shire's commitment to its financial sustainability.

ATTACHMENTS

Attachment 1 – 10.1 Report on Significant Matter (Section 7.12A(4a) of the Local Government Act 1995)

LEVEL OF SIGNIFICANCE

Medium – requirement under *Local Government Act 1995* administered by the Department.

CONSULTATION

- Chief Executive Officer
- Executive Managers
- Senior Staff

LEGISLATION AND POLICY CONSIDERATIONS

- *Local Government Act 1995*
- *Local Government (Administration) Regulations 1996*
- *Local Government (Rules of Conduct) Regulations 2007*
- *Local Government (Audit) Regulations 1996*

14. *Compliance audits by local governments*

- (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 subregulation (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 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]

15. *Compliance audit return, certified copy of etc. to be given to Executive Director*

- (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, 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.*

[Regulation 15 inserted in Gazette 23 Apr 1999 p. 1725.]

FINANCIAL AND RESOURCES IMPLICATIONS

Nil

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Shire of Morawa Community Strategic Plan 2018-2028

Outcome 1.1 A local government that is respected, professional and accountable.

Outcome 1.2 Long term financial viability.

RISK MANAGEMENT CONSIDERATIONS

Shire of Morawa Risk Management Governance Framework

Appropriate governance of risk management within the Shire of Morawa provides:

- Transparency of decision making
- Clear identification of the roles and responsibilities of the risk management functions
- An effective Governance Structure to support the risk framework

CONCLUSION

The Return was completed by the Acting Deputy Chief Executive Officer. There were several areas identified as non-compliant. These are indicated below:

- 1) S5.76, Admin Reg 23, Form 3 – Submission of Annual Returns
Although all Annual Returns were submitted by relevant persons, three were lodged after the 31st August 2020 due date.
Proposed action to rectify – **Seek timely lodgement of Annual Returns from all relevant persons (Councillors & officers) in 2021.**
- 2) S5.89A(6)&(7) – Maintenance of Gifts Register
Gift register records (entries) are still being kept for relevant persons (i.e. staff officers) who have since left the organisation.
Proposed action to rectify – **Remove from the Gift Register all records relating to those persons who have left the Shire and keep these records for a period of at least five years commencing from the date that person departed.**
- 3) Elect Regs 30G(1)(2)(3)(4)(5)(6) – Electoral Gift Register
There is no Shire specific Electoral Gift Register.
Proposed action to rectify – **Establish and maintain a Shire Electoral Gift Register, including publishing a copy of the same on the Shire website.**
- 4) Financial Management Reg 5(2)(c) – Review of Financial Management Systems & Procedures
Shire CEO must undertake a review of the appropriateness and effectiveness of the local government's financial management systems and procedures within 3 years prior to 31 December 2020. Last year's Compliance Audit Return indicated an intent to conduct this review in April 2020, but this has not eventuated.
Proposed action to rectify – **Undertake a review of the appropriateness and effectiveness of the local government's financial management systems and procedures during 2021.**

5) S5.127 – Councillor Training

Shire must prepare a report on the training completed by council members in the 2019/20 financial year and publish the report on the Shire website by 31 July 2020.

Proposed action to rectify – **Shire councillors to provide details on any training undertaken during 2019/20 for Shire officers to prepare a report to publish on Shire website.**

6) F&G Reg 17 – Tender Register

Shire must ensure that the Tender Register is available for public inspection and publish it on the official Shire website.

Proposed action to rectify – **Publish Shire Tender Register onto Shire website.**

ATTACHMENTS

Attachment 1 – 10.2 Compliance Audit Return 2020

Item 11 Motions of Which Previous Notice Has Been Given

Nil

Item 12 New Business of an Urgent Nature

Nil

Item 13 Closure

There being no further business, the Presiding Member declared the meeting closed at 5.33pm.


..... Presiding Member