



AGENDA

AUDIT & RISK MANAGEMENT COMMITTEE

to be held on

Tuesday, 21 December 2021 at 5.00pm

at the

**Shire of Morawa Council Chambers,
26 Winfield Street, Morawa**



WESTERN AUSTRALIA'S
WILDFLOWER COUNTRY

'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.'

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Morawa for any act, omission, statement or intimation occurring during Council Meetings. The Shire of Morawa disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission, and statement of intimation occurring during Council Meetings.

Any person or legal entity that acts or fails to act in reliance upon any statement, act or omission occurring in a Council Meeting does so at their own risk. The Shire of Morawa advises that any person or legal entity should only rely on formal confirmation or notification of Council resolutions.

DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS

Local Government Act 1995 – Section 5.65, 5.70 and 5.71 Local Government (Administration) Regulation 34C

<i>This form is provided to enable members and officers to disclose an Interest in a matter in accordance with the regulations of Section 5.65, 5.70 and 5.71 of the Local Government Act and Local Government (Administration) Regulation 34C</i>			
Name of person declaring the interest			
Position			
Date of Meeting			
Type of Meeting (Please circle one)	Council Meeting/ Committee Meeting/ Special Council Meeting Workshop/ Public Agenda Briefing/ Confidential Briefing		
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality

Signature: _____

Date: _____

Important Note: Should you declare a **Financial** or **Proximity** Interest, in accordance with the Act and Regulations noted above, you are required to leave the room while the item is being considered. For an **Impartiality** Interest, you must state the following prior to the consideration of the item:

“With regard to agenda item (read item number and title), I disclose that I have an impartiality interest because (read your reason for interest). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly.”

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Item 1 Opening of Meeting

The Presiding Member to declare the meeting open.

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.

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

President Councillor Karen Chappel (Presiding Member)

Deputy President Councillor Ken Stokes

Councillor Dean Carslake

Councillor Jane Coaker

Councillor Debbie Collins

Councillor Yvette Harris

Councillor Shirley Katona

Staff

Chief Executive Officer

Executive Manager Corporate & Community Services

Executive Manager Works and Assets

Scott Wildgoose

Jackie Hawkins

Paul Buist

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**3.4 Approved Leave of Absence****3.5 Disclosure of Interests**

Item 4 Applications for Leave of Absence

Item 5 Response to Previous Questions

Item 6 Questions from Members without Notice

Item 7 Announcements by Presiding Member without Discussion

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.

Item 9 Confirmation of Minutes of Previous Meeting

OFFICER’S RECOMMENDATION

That the Audit Committee Meeting Minutes held on Thursday, 11 March 2021 are confirmed to be a true and correct record.

SIMPLE MAJORITY VOTE REQUIRED

Disclaimer

Members of the public are cautioned against taking any action on Council decisions, on items in this agenda in which they may have an interest, until formal notification in writing from the Shire has been received. Decisions made at this meeting can be revoked pursuant to the Local Government Act 1995.

Item 10 Reports of Officers**10.1 Acceptance of Annual Financial Statements and Audit Report**

Author:	Executive Manager Corporate and Community Services
Authorising Officer:	Acting 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

That the Audit Committee:

1. **Adopts the Shire of Morawa 2020-2021 Annual Financial Statements.**
2. **Receives the Auditor's Closing Report for the year ended 30 June 2021.**
3. **Endorses the actions and timeframes as per the Management Comments to address the findings identified in the Auditors Management Letter.**

ABSOLUTE MAJORITY VOTE REQUIRED

PURPOSE

The Audit Committee (Committee) is to report to Council and provide appropriate advice and recommendations regarding audit reporting.

This report presents to the Committee the audited Annual Financial Report, Closing Report, Audit Opinion and Management Letter for the Shire of Morawa for the year ended 30 June 2021.

DETAIL

It is a statutory requirement that all Local Governments conduct an independent audit of the accounts and financial statements of the entity at the completion of each financial year.

The Audit Committee must then consider this report and provide endorsement to the actions and strategies as determined by Staff in response to the report and/or management letter.

The 2020-2021 Audit report will be issued as an unqualified opinion but will have mention the items included in the Management Letter that is attached.

Performance Ratios

Performance ratios are used to monitor how a business is operating in various scenarios. The following tables/graphs detail how council has performed over the last 5 years.

Current Ratio

This ratio provides information on the ability of Council to meet its short-term financial obligations out of unrestricted current asset and refers to how quickly and cheaply an asset can be converted into cash.

The benchmark for this ratio is greater than 1:1 (100%).

	2017	2018	2019	2020	2021
Current Ratio	1.75	2.95	4.29	3.43	4.62
Meets Benchmark?	Yes	Yes	Yes	Yes	Yes

Council has a good cashflow and manages income and expenditure adequately ensuring that all debts can be paid as and when they fall due.

Debt Service Cover Ratio

This ratio is the measurement of a Council’s ability to produce enough cash to cover its loan and lease repayments.

The benchmark for this ratio is greater than or equal to 2.

	2017	2018	2019	2020	2021
Debt Service Cover Ratio	22.76	1.66	10.47	19.99	18.60
Meets Benchmark?	Yes	No	Yes	Yes	Yes

This ratio has dropped during 2020-2021 as Council obtained new borrowings of \$200,000 for the redevelopment of the netball courts. \$125,973 of these funds were unspent at 30 June but will be utilised for the drainage during 2021-2022. This ratio also shows that Council could afford to borrow for major projects in the future.

Operating Surplus Ratio

This ratio is a key indicator of Council’s ability to cover its operational costs and have revenue available for capital funding or other purposes.

The standard benchmark for this ratio is between 0.1 and 0.15 (1% and 15%) with the advanced standard of greater than 0.15 (>15%)

	2017	2018	2019	2020	2021
Operating Surplus Ratio	0.19	-0.54	-0.32	-0.51	-0.28
Meets Benchmark?	Yes	No	No	No	No

This ratio has been in the negative for the last four (4) years with an improvement showing between 2020 and 2021. The results of this ratio are affected by Council’s ability to raise own source revenue to cover its operational needs and shows that increases to rates and charges over time have not been adequate to cover the increases to expenditure. Covid-19 had a significant affect during the 2020 financial year as Council did not increase any of its fees or charges as the expected impact of the pandemic on the community was unknown.

Own Source Revenue Ratio

This ratio is an indicator of Council’s ability to cover its costs through its own taxing and revenue raising efforts. For local governments this is their rates, annual charges and fees and charges.

The standard benchmark for this ratio is between 0.4 and 0.6 (40% & 60%).

	2017	2018	2019	2020	2021
Own Source Revenue Ratio	0.34	0.42	0.35	0.45	0.48
Meets Benchmark?	No	Yes	No	Yes	Yes

This is always a tough ratio for regional councils to meet as the possible areas that would normally be available to raise own source income are not there (hire fees, property leases, development etc) and the ability to increase what fees we have enough to cover all expenditure is not possible and therefore are reliant on external funding.

LEVEL OF SIGNIFICANCE

High – provides a representation of the financial position of the Shire of Morawa at 30 June 2021.

CONSULTATION

Internal

- Shire President
- Senior Management Team
- Finance team

External

- Nexia
- Office of Auditor General

LEGISLATION AND POLICY CONSIDERATIONS

- Local Government Act 1995*
- Local Government (Financial Management) Regulations 2011*

FINANCIAL AND RESOURCES IMPLICATIONS

The costs associated with conducting the annual audit are included in the 2020-2021 Budget.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Shire of Morawa Community Strategic Plan 2018-2028

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

RISK MANAGEMENT CONSIDERATIONS

The Management Letter presented by Nexia identified five items, two deemed significant and three moderate. Staff have responded to these items and these responses can be seen in the

attached management letter for detail regarding risks identified by Nexia (***Attachment 2***). The Audit Report is to be accepted by Council no later than 31 December (Section 5.54 of the Local Government Act 1995). Not accepting the report by this time will be a breach of the Local Government Act.

CONCLUSION

The Annual Financial Report, Audit Closing Report, draft Audit Opinion and Management Letter are attached for the Audit Committee's review. The Shire of Morawa is continuously working towards improvements in the financial management area and while there has been progress in some areas further work is still required in creating stronger controls around purchasing, procurement and our rates debtors.

ATTACHMENTS

Attachment 1 – 10.1 Annual Report including the 2020-2021 Annual Financial Report

Attachment 2 – 10.1 Management Letter (*confidential*)

Item 11 Motions of Which Previous Notice Has Been Given

Item 12 New Business of an Urgent Nature

Item 13 Closure

There being no further business, the Presiding Member to declare the meeting closed.