



MINUTES

AUDIT & RISK MANAGEMENT COMMITTEE

held on

Tuesday, 21 December 2021

at the

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



WESTERN AUSTRALIA'S
WILDFLOWER COUNTRY

DISCLAIMER

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Item 1 Opening of Meeting

The Presiding Member declared the meeting open at 5:00pm.

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 Ken Stokes

Councillor Dean Carslake (Via Video Conference) - Arrived at 5.11pm

Councillor Jane Coaker

Councillor Debbie Collins (Via Video Conference)

Councillor Yvette Harris

Staff

Chief Executive Officer

Scott Wildgoose

Executive Manager Corporate & Community Services

Jackie Hawkins

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 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 Ken Stokes
- Councillor Jane Coaker
- Councillor Debbie Collins
- Councillor Yvette Harris

Item 9 Confirmation of Minutes of Previous Meeting**OFFICER'S RECOMMENDATION/RESOLUTION**

211213

Moved: Cr Stokes

Seconded: Cr Coaker

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

CARRIED BY SIMPLE MAJORITY 5/0

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.

Cr Chappel moved to suspend standing orders at 5.06pm for the Office of the Auditor General and Nexia Perth to conduct the Audit Exit meeting for the year ended June 2021.

211214

Moved: Cr Coaker

Seconded: Cr Harris

CARRIED BY SIMPLE MAJORITY 5/0

Cr Carslake joined meeting via video conference at 5.11pm.

Cr Chappel moved to resume standing orders and the formalities of the meeting at 5.33pm

211215

Moved: Cr Coaker

Seconded: Cr Harris

CARRIED BY SIMPLE MAJORITY 6/0

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/RESOLUTION

211216

Moved: Cr Coaker

Seconded: Cr Stokes

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.**

CARRIED BY ABSOLUTE MAJORITY 6/0

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 Financial 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

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 5:36pm.