



## SHIRE OF BEVERLEY NOTICE OF MEETING

Dear Councillor,

Notice is hereby given that the next Audit and Risk Committee Meeting will be held in the Council Chambers, 136 Vincent Street Beverley, on Tuesday 11 February 2020.

### **Program**

9:00am – 10:00am	Audit & Risk Committee Meeting
10:00am – 10:15am	Morning Tea
10:20am – 11:00am	Informal Councillor Briefing to discuss Councillor Training, Community Grants and Councillor Photo's (no agenda)

A handwritten signature in black ink, appearing to read "S. Gollan", written over a horizontal line.

Stephen Gollan  
Chief Executive Officer

5 February 2020



**11 FEBRUARY 2020**

**AUDIT & RISK COMMITTEE  
MEETING**

**AGENDA**

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## **1. OPENING**

The Chairperson to declare the meeting open.

## **2. ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE**

### **2.1 Members Present**

Cr DC White	Chairperson
Cr DW Davis	President
Cr CJ Pepper	Deputy President
Cr DL Brown	
Cr P Gogol	
Cr CJ Lawlor	
Cr SW Martin	
Cr TF McLaughlin	
Cr TWT Seed	

### **2.2 Staff In Attendance**

Mr SP Gollan	Chief Executive Officer
Mr SK Marshall	Deputy Chief Executive Officer
Mrs A Lewis	Executive Assistant

### **2.3 Observers And Visitors**

### **2.4 Apologies and Approved Leave of Absence**

## **3. DECLARATIONS OF INTEREST**

#### **4. CONFIRMATION OF MINUTES**

##### **4.1 Minutes Audit and Risk Committee Meeting 31 October 2019**

###### **OFFICER'S RECOMMENDATION**

That the Minutes of the Audit and Risk Committee Meeting held 31 October 2019 be confirmed.

## **5. OFFICER REPORTS**

### **5.1 2019 Compliance Audit Return**

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**SUBMISSION TO:** Audit and Risk Committee Meeting 11 February 2020  
**REPORT DATE:** 24 January 2020  
**APPLICANT:** N/A  
**FILE REFERENCE:** ADM 0237  
**AUTHOR:** S.P. Gollan, Chief Executive Officer  
**ATTACHMENTS:** 2019 Compliance Audit Return  
(also under separate cover)

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#### **SUMMARY**

The *Local Government Act 1995* requires all Western Australian Local Authorities to complete a Compliance Audit Return (CAR), distributed by the Department of Local Government, in relation to activities undertaken by the local authority in the preceding calendar year.

#### **BACKGROUND**

In 2006, participation in the program was made compulsory for all local authorities. In 2007, the return for 2006 was required to be completed online. Changes were made in 2009 to the structure of some of the questions to provide more clarity. The CAR is restricted to those areas considered high risk.

#### **COMMENT**

Attached is a certified copy of the CAR for Committee's consideration. The Audit and Risk Committee must review the document before it can recommend that Council adopt and forward to the Minister for Local Government (no later than the 31<sup>st</sup> March each year).

#### **STATUTORY ENVIRONMENT**

*Local Government Act 1995* and Regulation 13 of the *Local Government Audit Regulations*, Clauses 14 and 15

#### **14. Compliance audit return to be prepared**

- (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.
- (3) A compliance audit return is to be
  - (a) presented to the council at a meeting of the council;
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

## **15. Completion of compliance audit**

(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 compliance audit return means signed by:

- (a) the mayor or president; and
- (b) The CEO

### **FINANCIAL IMPLICATIONS**

Nil

### **STRATEGIC IMPLICATIONS**

Goal 12 - Council leads the organisation and engages with the community in an accountable and professional manner.

### **POLICY IMPLICATIONS**

Nil

### **VOTING REQUIREMENTS**

Simple Majority

### **OFFICER'S RECOMMENDATION**

That the Audit and Risk Committee recommends to Council that:

1. the Compliance Audit Return 2019 be adopted; and
2. the Chief Executive Officer and Shire President be authorised to sign and forward the 2019 Compliance Audit Return to the Department of Local Government.

## Attachment 5.1

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

### Beverley - Compliance Audit Return 2019

#### 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 section of relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2019?	N/A	No major trading undertaken.	Stephen P Gollan
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2019?	N/A	No major land transaction undertaken.	Stephen P Gollan
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	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 2019?	N/A		Stephen P Gollan
4	s3.59(4)	Has the local government complied with public notice and publishing requirements of each proposal to commence a major trading undertaking or enter into a major land transaction for 2019?	N/A		Stephen P Gollan
5	s3.59(5)	Did the Council, during 2019, resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Stephen P Gollan



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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of  
**Local Government, Sport  
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<b>Delegation of Power / Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	N/A	No committee has any delegation of power.	Stephen P Gollan
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing?	N/A		Stephen P Gollan
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17?	N/A		Stephen P Gollan
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations?	N/A		Stephen P Gollan
5	s5.18	Has Council reviewed delegations to its committees in the 2018/2019 financial year?	Yes		Stephen P Gollan
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act?	Yes		Stephen P Gollan
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority?	Yes		Stephen P Gollan
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing?	Yes		Stephen P Gollan
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Stephen P Gollan
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes		Stephen P Gollan
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees?	Yes		Stephen P Gollan
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2018/2019 financial year?	Yes		Stephen P Gollan
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 as required?	Yes		Stephen P Gollan
<b>Disclosure of Interest</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68)?	Yes		Stephen P Gollan
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings?	Yes		Stephen P Gollan

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made?	Yes		Stephen P Gollan
4	s5.73	Where the CEO had an interest relating to a gift under section 5.71A(1), was written notice given to the Council?	N/A	No interests in relation to gifts.	Stephen P Gollan
5	s5.73	Where the CEO had an interest relating to a gift in a matter in respect of a report another employee is providing advice on under section 5.71A (3), was the nature of interest disclosed when the advice or report was provided?	N/A		Stephen P Gollan
6	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day?	Yes		Stephen P Gollan
7	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day?	N/A	No new designated employees	Stephen P Gollan
8	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2019?	Yes		Stephen P Gollan
9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Yes		Stephen P Gollan
10	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/ President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return?	Yes		Stephen P Gollan
11	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76?	Yes		Stephen P Gollan
12	s5.88(1)(2) 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 and 5.71, in the form prescribed in Administration Regulation 28?	Yes		Stephen P Gollan
13	s5.89A Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under section 5.71A, in the form prescribed in Administration Regulation 28A?	Yes		Stephen P Gollan
14	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76?	Yes		Stephen P Gollan
15	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee?	Yes		Stephen P Gollan

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

No	Reference	Question	Response	Comments	Respondent
16	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes?	Yes		Stephen P Gollan
17	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report?	Yes		Stephen P Gollan
18	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee?	Yes		Stephen P Gollan
19	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees?	Yes		Stephen P Gollan

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5))?	N/A	No property disposed	Stephen P Gollan
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		Stephen P Gollan

### Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 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 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 candidates?	Yes	No disclosure of gift forms received by any candidates.	Stephen P Gollan
2	Elect Reg 30G(3) & (4)	Did the CEO remove any 'disclosure of gifts' forms relating to an unsuccessful candidate or a successful candidate that completed the term of office from the electoral gift register, and retain those forms separately for a period of at least 2 years?	N/A	No disclosure of gift forms received by any candidates.	Stephen P Gollan

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of  
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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		Stephen P Gollan
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A	No powers delegated, only duties.	Stephen P Gollan
3	s7.3(1)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor, a registered company auditor?	Yes		Stephen P Gollan
4	s7.3(1), 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council?	Yes		Stephen P Gollan
5	Audit Reg 10	Was the Auditor's report(s) for the financial year(s) ended 30 June received by the local government within 30 days of completion of the audit?	Yes		Stephen P Gollan
6	s7.9(1)	Was the Auditor's report for the financial year ended 30 June 2019 received by the local government by 31 December 2019?	Yes		Stephen P Gollan
7	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?	Yes	Minor - staff entitlements have been reduced.	Stephen P Gollan
8	S7.12A (4)	Where the auditor identified matters as significant in the auditor's report (prepared under s7.9(1) of the Act), did the local government prepare a report stating what action had been taken or it intended to take with respect to each of the matters and give a copy to the Minister within 3 months after receipt of the audit report?	Yes		Stephen P Gollan
9	S7.12A (4)	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		Stephen P Gollan
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit?	Yes		Stephen P Gollan
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit?	Yes		Stephen P Gollan



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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of  
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No	Reference	Question	Response	Comments	Respondent
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit?	Yes		Stephen P Gollan
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor?	Yes		Stephen P Gollan
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor?	Yes		Stephen P Gollan

### Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	s5.56 Admin Reg 19DA (6)	Has the local government adopted a Corporate Business Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	25 February 2014	Stephen P Gollan
2	s5.56 Admin Reg 19DA (4)	Has the local government reviewed the Corporate Business Plan in the 2018-2019 Financial Year. If Yes, please provide date of Council meeting the review was adopted at?	No		Stephen P Gollan
3	s5.56 Admin Reg 19C	Has the local government adopted a Strategic Community Plan. If Yes, please provide adoption date of the most recent Plan in Comments?	Yes	22 May 2018	Stephen P Gollan
4	s5.56 Admin Reg 19C (4)	Has the local government reviewed the current Strategic Community Plan. If Yes, please provide date of most recent review by Council in Comments.  Note: If the current Strategic Community Plan was adopted after 1/1/2016, please respond N/A and provide adoption date in Comments?	N/A	22 May 2018	Stephen P Gollan
5	S5.56 Admin Reg 19DA (3)	Has the local government developed an Asset Management Plan(s) that covers all asset classes. If Yes, please provide the date of the most recent Plan adopted by Council in Comments?	Yes	21 February 2017  Plans are currently being updated but not yet adopted by Council.	Stephen P Gollan
6	S5.56 Admin Reg 19DA (3)	Has the local government developed a Long Term Financial Plan. If Yes, please provide the adoption date of the most recent Plan in Comments?	Yes	22 November 2019	Stephen P Gollan
7	S5.56 Admin Reg 19DA (3)	Has the local government developed a Workforce Plan. If Yes, please provide adoption date of the most recent Plan in comments?	Yes	25 June 2013	Stephen P Gollan

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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of  
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<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A		Stephen P Gollan
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A?	N/A		Stephen P Gollan
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4)?	N/A		Stephen P Gollan
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only)?	N/A		Stephen P Gollan
5	s5.37(2)	Did the CEO inform Council of each proposal to employ or dismiss a designated senior employee?	N/A		Stephen P Gollan

## Attachment 5.1

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of  
**Local Government, Sport  
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<b>Official Conduct</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer?	Yes		Stephen P Gollan
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c)?	Yes		Stephen P Gollan
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made?	Yes		Stephen P Gollan
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint?	Yes		Stephen P Gollan
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occurred?	Yes		Stephen P Gollan
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c)?	Yes		Stephen P Gollan

## Attachment 5.1

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Department of  
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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 Local Government (Financial Management) Regulation 5 (2)(c) within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	Completed 18 December 2019.  For Council consideration 25 February 2020.	Stephen P Gollan
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 Local Government (Audit) Regulation 17 within the 3 years prior to 31 December 2019? If yes, please provide date of Council resolution in comments?	Yes	17 December 2019 (for 2019) 26 February 2019 (for 2018) 27 February 2018 (for 2017)	Stephen P Gollan
3	Financial Management Reg 5A.	Did the local government provide AASB 124 related party information in its annual report(s) tabled at an electors meeting(s) during calendar year 2019?	Yes		Stephen P Gollan
4	S6.4(3)	Did the local government submit to its auditor by 30 September 2019 the balanced accounts and annual financial report for the year ending 30 June 2019?	Yes		Stephen P Gollan

Tenders for Providing Goods and Services					
No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into 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 Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2))?	Yes		Stephen P Gollan
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract?	N/A		Stephen P Gollan
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice?	Yes		Stephen P Gollan
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16?	Yes		Stephen P Gollan



## Attachment 5.1

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



Department of  
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No	Reference	Question	Response	Comments	Respondent
5	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	No variations	Stephen P Gollan
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16?	Yes		Stephen P Gollan
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender?	Yes		Stephen P Gollan
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria?	Yes		Stephen P Gollan
9	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?	Yes		Stephen P Gollan
10	F&G Reg 19	Did the CEO give each tenderer written notice advising particulars of the successful tender or advising that no tender was accepted?	Yes		Stephen P Gollan
11	F&G Reg 21 & 22	Did the local governments advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22?	N/A	No EOI sought.	Stephen P Gollan
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice?	N/A		Stephen P Gollan
13	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?	N/A		Stephen P Gollan
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest, a notice in writing in accordance with Functions & General Regulation 24?	N/A		Stephen P Gollan
15	F&G Reg 24AC (1) & (2)	Has the local government established a policy on procurement of goods and services from pre-qualified suppliers in accordance with the regulations?	Yes		Stephen P Gollan
16	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice?	No		Stephen P Gollan
17	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE?	N/A		Stephen P Gollan

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## Attachment 5.1

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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No	Reference	Question	Response	Comments	Respondent
18	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 panel application?	N/A		Stephen P Gollan
19	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, given notice of the variation?	N/A		Stephen P Gollan
20	F&G Reg 24AH(1)	Did the local government reject the 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		Stephen P Gollan
21	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application (s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria?	N/A		Stephen P Gollan
22	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		Stephen P Gollan
23	F&G Reg 24AI	Did the CEO send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted?	N/A		Stephen P Gollan
24	F&G Reg 24E	Where the local government gave a regional price preference, did the local government comply with the requirements of F&G Reg 24E including the preparation of a regional price preference policy?	N/A		Stephen P Gollan
25	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy?	N/A		Stephen P Gollan
26	F&G Reg 11A	Does the local government have a current purchasing policy that comply 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, \$150,000 or less?	Yes		Stephen P Gollan

## Attachment 5.1

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return



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

No	Reference	Question	Response	Comments	Respondent
27	F&G Reg 11A	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 is, or is expected to be \$150,000 or less or worth \$150,000 or less?	Yes		Stephen P Gollan

I certify this Compliance Audit return has been adopted by Council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor / President, Beverley

\_\_\_\_\_  
Signed CEO, Beverley

## **5.2 2019/20 Budget Review**

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**SUBMISSION TO:** Audit and Risk Committee Meeting 11 February 2020  
**REPORT DATE:** 6 February 2020  
**APPLICANT:** N/A  
**FILE REFERENCE:** ADM 0092  
**AUTHOR:** S.K. Marshall, Deputy Chief Executive Officer  
**ATTACHMENTS:** 2019/20 Budget Review Statement of Financial Activity  
2019/20 Budget Review Year to Date Details (under  
separate cover)

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### **SUMMARY**

The Audit and Risk Committee to review the 2019/20 Budget Review and consider recommending to Council that it be received.

### **BACKGROUND**

A Budget Review is conducted annually by comparing actual revenue and expenditure as at 31 December to budget estimates and forecasting predicted revenue and expenditure to 30 June.

The budget review process is a statutory requirement, but also reflects good management practice.

### **COMMENT**

A budget review has been undertaken by staff as per the requirements of the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*.

Any savings realised or over expenditure incurred as at 31 December 2018 has been included in forward projections.

The detailed Budget Review is attached to this report.

In summary, it is forecast that a budget surplus of \$73,759.29 may be realised as at 30 June 2020.

See Budget Review financial report attached to this report for Surplus components.

## **STATUTORY ENVIRONMENT**

Regulation 33A of the *Local Government (Financial Management) Regulations 1996* provides that:

(1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.

(2A) The review of an annual budget for a financial year must —

- (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
- (b) consider the local government's financial position as at the date of the review; and
- (c) review the outcomes for the end of that financial year that are forecast in the budget.

(2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.

(3) A council is to consider a review submitted to it and is to determine\* whether or not to adopt the review, any parts of the review or any recommendations made in the review.

*\*Absolute majority required.*

(4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

## **FINANCIAL IMPLICATIONS**

Nil

## **STRATEGIC IMPLICATIONS**

Goal 12 - Council leads the organisation and engages with the community in an accountable and professional manner.

## **POLICY IMPLICATIONS**

Nil

## **VOTING REQUIREMENTS**

Simple Majority

## **OFFICER'S RECOMMENDATION**

That the Audit and Risk Committee recommend to Council that the 2019/20 Budget Review be received and forwarded to the Department of Local Government.

<b>SHIRE OF BEVERLEY STATEMENT OF FINANCIAL ACTIVITY FOR THE PERIOD ENDING 31 December 2019</b>					
<b>Description</b>	<b>Budget 2019/20</b>	<b>YTD Actual 2019/20</b>	<b>Forecast Actual 2019/20</b>	<b>Forecast Variance</b>	<b>Notes To Material Variances</b>
<b>Operating Revenue</b>					
General Purpose Funding	3,296,127.00	3,049,134.69	3,321,449.47	25,322.47	Penalty Interest \$11,745, Instalment charges \$2,000 and Financial Assistance grant \$3,647 expected to be greater than anticipated. Rates discount expense \$16,876 lower than anticipated. Interest earnings (\$7,455) expected to be lower than anticipated.
Governance	26,100.00	27,700.45	28,708.42	2,608.42	
Law, Order & Public Safety	210,156.00	59,290.21	217,686.00	7,530.00	
Health	100.00	363.64	363.64	263.64	
Education & Welfare	0.00	0.00	0.00	0.00	
Housing	117,192.00	66,055.65	126,492.00	9,300.00	
Community Amenities	207,073.00	203,713.82	214,602.17	7,529.17	
Recreation & Culture	642,701.00	214,437.32	708,494.79	65,793.79	Cornerstone income \$15,396 and Youth Activity Area grant funding \$48,576 expected to be greater than anticipated.
Transport	1,663,712.00	465,161.16	1,024,351.80	(639,360.20)	WANDRRA funding for AGRN 781 event (\$657,450) and Trail Funding (\$40,000) will not be received and associated capital projects will not proceed this FY. Additional Roads to Recovery funding \$60,752 received.
Economic Activities	208,929.00	55,806.27	208,179.00	(750.00)	
Other Property & Services	43,100.00	23,354.33	71,869.00	28,769.00	Community Bus Shed insurance reimbursement \$26,000 offset by capital project expenditure.
<b>Total Operating Revenue</b>	<b>6,415,190.00</b>	<b>4,165,017.54</b>	<b>5,922,196.29</b>	<b>(492,993.71)</b>	
<b>Operating Expenditure</b>					
General Purpose Funding	(182,995.00)	(67,249.90)	(164,983.74)	18,011.26	Administration Expenses Reallocated \$16,674 estimated to be ~11% lower than anticipated.
Governance	(274,300.00)	(157,831.03)	(255,072.49)	19,227.51	Members Travel Allowance expense \$2,000 expected to be lower than anticipated. members Conference expense \$2,947 savings. Members Other expenses \$7,500 inc Budget printing, general advertising and CEO appraisal expected to be lower than anticipated. Administration Expenses Reallocated \$8,356 estimated to be ~11% lower than anticipated. Administration expenses \$152,465 inc; No Project Officer employed, Less Training undertaken and less Planning projects to proceed, expected to be lower than anticipated offset by lower Admin Costs reallocated to other programs.

<b>SHIRE OF BEVERLEY STATEMENT OF FINANCIAL ACTIVITY FOR THE PERIOD ENDING 31 December 2019</b>					
<b>Description</b>	<b>Budget 2019/20</b>	<b>YTD Actual 2019/20</b>	<b>Forecast Actual 2019/20</b>	<b>Forecast Variance</b>	<b>Notes To Material Variances</b>
Law, Order & Public Safety	(392,971.00)	(215,558.03)	(354,379.08)	38,591.92	Administration Expenses Reallocated \$17,232 estimated to be ~11% lower than anticipated. Loss on Disposal of Backhoe \$35,000 not to be realised as Plant retained. 18/19 Mitigation works expenses (\$14,784) not budgeted.
Health	(170,695.00)	(72,067.55)	(161,951.48)	8,743.52	
Education & Welfare	(92,513.00)	(38,149.49)	(79,849.00)	12,664.00	Community event expenses \$9,000 expected to be lower than anticipated. Administration Expenses Reallocated \$4,164 estimated to be ~11% lower than anticipated. Donations (\$1,500) greater than anticipated due to additional support of BSA Community Christmas Celebration.
Housing	(212,325.00)	(96,767.69)	(206,876.00)	5,449.00	
Community Amenities	(676,208.00)	(308,033.30)	(662,922.91)	13,285.09	Administration Expenses Reallocated \$14,356 estimated to be ~11% lower than anticipated.
Recreation & Culture	(1,575,216.00)	(759,057.31)	(1,551,764.00)	23,452.00	Administration Expenses Reallocated \$22,052 estimated to be ~11% lower than anticipated.
Transport	(2,558,918.00)	(1,348,064.93)	(2,567,322.68)	(8,404.68)	
Economic Activities	(558,586.00)	(214,208.79)	(499,485.00)	59,101.00	Administration Expenses Reallocated \$35,101 estimated to be ~11% lower than anticipated. Avondale cataloguing project \$20,000 expected not to proceed. Promotion initiatives \$4,000 expected to be lower than anticipated.
Other Property & Services	(15,064.00)	79,638.91	(17,433.00)	(2,369.00)	
<b>Total Operating Expenditure</b>	<b>(6,709,791.00)</b>	<b>(3,197,349.11)</b>	<b>(6,522,039.38)</b>	<b>187,751.62</b>	
<b>Net Operating</b>	<b>(294,601.00)</b>	<b>967,668.43</b>	<b>(599,843.09)</b>	<b>(305,242.09)</b>	
<b>Capital Income</b>					
Self Supporting Loan - Principal Repayment	16,270.00	8,011.93	16,270.00	0.00	
Proceeds from Sale of Assets	345,000.00	42,427.27	185,000.00	(160,000.00)	Loader and Backhoe disposals not to proceed.
New Loan Raised	150,000.00	0.00	103,000.00	(47,000.00)	Youth Activity Area loan requirements expected to be lower than anticipated due to higher grant funding.
<b>Total Capital Income</b>	<b>511,270.00</b>	<b>50,439.20</b>	<b>304,270.00</b>	<b>(207,000.00)</b>	
<b>Capital Expenditure</b>					
Land and Buildings	(979,000.00)	(262,066.69)	(1,005,731.12)	(26,731.12)	Community Bus Shed replacement (\$31,000), Medical Centre AC replacement (\$10,000) and Cornerstone Project Close expense \$4,990 not budgeted. Town Hall Kitchen refurbishment cost (\$6,522) greater than anticipated relating to internal labour costs. Recreation ground lighting tower lamp replacement \$3,565 savings. Railway Station painting \$1,853 saving. Hunt Road Village Unit refurbishment \$20,000 not to proceed as complex fully tenanted.



**SHIRE OF BEVERLEY  
STATEMENT OF FINANCIAL ACTIVITY  
FOR THE PERIOD ENDING  
31 December 2019**

Description	Budget 2019/20	YTD Actual 2019/20	Forecast Actual 2019/20	Forecast Variance	Notes To Material Variances
Plant and Equipment	(867,000.00)	(52,206.37)	(665,913.37)	201,086.63	Backhoe retained \$180,000. Loader outright purchase \$24,770 saving. CEO vehicle purchase \$4,349 saving. Water Truck purchase \$4,080 saving. Cherry Picker modification (\$12,557) unbudgeted.
Office Furniture and Equipment	0.00	0.00	0.00	0.00	
Road Construction	(2,441,722.00)	(475,728.75)	(1,858,128.33)	583,593.67	Disaster Recovery works relating to AGRN781 \$596,758 not to proceed. Corberding Road Gravel Sheet works \$56,899 lower than anticipated due to less contractor use. Morbinning Road failure repair (\$66,106) unbudgeted.
Other Infrastructure	(259,067.00)	(64,591.75)	(219,463.96)	39,603.04	Trail Projects \$39,603 not to proceed due to lack of grant funding.
Land Under Control	0.00	0.00	0.00	0.00	
Loans - Principal Repayments	(153,429.00)	(86,441.03)	(153,429.00)	0.00	
<b>Total Capital Expenditure</b>	<b>(4,700,218.00)</b>	<b>(941,034.59)</b>	<b>(3,902,665.78)</b>	<b>797,552.22</b>	
<b>Net Capital</b>	<b>(4,188,948.00)</b>	<b>(890,595.39)</b>	<b>(3,598,395.78)</b>	<b>590,552.22</b>	
<b>Adjustments</b>					
Depreciation Written Back	2,306,734.00	1,163,078.84	2,306,734.00	0.00	
Movement in Leave Reserve Cash Balance	0.00	0.00	0.00	0.00	
Movement in Non-Current Loan Repayments	0.00	0.00	0.00	0.00	
Movement in Non-Current SSL Income	0.00	0.00	0.00	0.00	
Movement in Non-Current Investments	0.00	0.00	0.00	0.00	
Movement in Non-Current LSL Provision	0.00	0.00	0.00	0.00	
Movement in Non-Current Deferred Pensioner Rates	0.00	0.00	0.00	0.00	
(Profit)/Loss on Disposal of Assets Written Back	25,000.00	10,655.47	11,655.00	(13,345.00)	Loader and Backhoe retained.
Loss on Revaluation of Non-Current Assets Written Back	0.00	0.00	0.00	0.00	
Rounding	0.00	0.00	0.00	0.00	
<b>Add Funding From</b>					
Transfer (To)/From Reserves	427,171.00	0.00	228,963.00	(198,208.00)	Transfer to Reserves (\$34,208) expected to be higher. Transfer from Reserves (\$164,000) expected to be lower.
Opening Surplus/(Deficit)	1,724,644.00	1,724,644.16	1,724,644.16	0.16	
<b>Total Adjustments</b>	<b>4,483,549.00</b>	<b>2,898,378.47</b>	<b>4,271,996.16</b>	<b>(211,552.84)</b>	
<b>CLOSING SURPLUS/(DEFICIT)</b>	<b>0.00</b>	<b>2,975,451.51</b>	<b>73,757.29</b>	<b>73,757.29</b>	Estimated closing Surplus.



### **5.3 2019 Financial Management Systems and Procedures Review**

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**SUBMISSION TO:** Audit & Risk Committee Meeting 11 February 2020  
**REPORT DATE:** 8 January 2020  
**APPLICANT:** N/A  
**FILE REFERENCE:** ADM 0291  
**AUTHOR:** S.K. Marshall, Deputy Chief Executive Officer  
**ATTACHMENTS:** 2019 Financial Management Systems Review  
(Under Separate Cover)

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#### **SUMMARY**

The Audit and Risk Committee to review the 2019 Financial Management Systems and Procedures Review as prepared by AMD Chartered Accountants and recommend it be received by Council.

#### **BACKGROUND**

The Chief Executive Officer is required to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government not less than every three financial years and report to Council the results of those reviews. The last review was undertaken by AMD Chartered Accountants in October 2016.

#### **COMMENT**

To comply with the requirements of the Regulations, AMD Chartered Accountants was commissioned to undertake the review again and report on Council's financial management systems and procedures in November 2019.

The financial management review provides the Chief Executive Officer and the Council with an independent assessment of the appropriateness and effectiveness of the Shire's financial management systems.

The review procedures undertaken included documentation, analysis and testing of financial internal controls. The Shire's financial records were examined to ascertain the level of effectiveness of the financial systems including the following: -

- Collection of money;
- Custody and security of money;
- Maintenance and security of financial records;
- Accounting for municipal or trust transactions;
- Authorisation for incurring liabilities and making payments;
- Maintenance of payroll, stock control and costing records; and
- Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations.

A summary of the Review's findings are as follows:

The following tables provide a summary of the findings raised in this report:

	Significant Risk	Moderate Risk	Minor Risk
Number of new issues reported	-	3	5

*For details on the review rating criteria, please refer to Section 9.*

Ref	Issue	Risk Rating
<b>2. Collection of money</b>		
We have no findings to raise in respect to the collection of money.		
<b>3. Custody and security of money</b>		
We have no findings to raise in respect to the custody and security of money.		
<b>4. Maintenance and security of financial records</b>		
4.2.1	<b>IT Policies</b> Recommend further enhancement to Council's existing IT policies.	Moderate
4.2.2	<b>Key Security and Register</b> No documented procedure in respect to access of motor vehicle machinery and building keys at the Depot. Key cabinet at the Shire Depot was unlocked during the onsite visit. Currently no key register is maintained at the Shire Depot. Key cabinet at the Admin Office remains unlocked throughout the day.	Moderate
<b>5. Accounting for municipal or trust transactions</b>		
We have no findings to raise in respect to the accounting for municipal or trust transactions.		
<b>6. Authorisation for incurring liabilities and making payments</b>		
6.2.1	<b>Post Tender Performance Evaluation</b> No formal post tender / service contract performance evaluation process for major contracts and services.	Moderate
<b>7. Maintenance of payroll, stock control and costing records</b>		
7.2.1	<b>Arrangement and Maintenance of Consumable Stocks</b> The recording and enhancing security of consumable stocks is recommended.	Minor
7.2.2	<b>Depot Security</b> Depot gates and sheds remain unlocked and easily accessible to anyone.	Minor
7.2.3	<b>Staff Performance Reviews</b> Inquiries indicated staff performance reviews are not performed for works team members, other than gardening staff.	Minor
7.2.4	<b>Fuel Usage</b> Currently there is no overall analysis of fuel usage completed.	Minor
<b>8. Preparation of budget, budget reviews, accounts and reports required by Regulations</b>		
8.2.1	<b>Audit Committee</b> Audit Committee meetings are currently not being held quarterly per best practice guidelines.	Minor

Management's comments relating to the Review's findings are included in the full report (attached under separate cover).

## **STATUTORY ENVIRONMENT**

Local Government Act 1995, Section 6.10, Financial Management Regulations  
Regulations may provide for —

- (a) The security and banking of money received by a local government; and
- (b) The keeping of financial records by a local government; and
- (c) The management by a local government of its assets, liabilities and revenue; and
- (d) The general management of, and the authorisation of payments out of —
  - (i) The municipal fund; and
  - (ii) The trust fund,of a local government.

Local Government (Financial Management) Regulations 1996  
Section 5 CEO's duties as to financial management

- (1) Efficient systems and procedures are to be established by the CEO of a local government —
  - (a) For the proper collection of all money owing to the local government; and
  - (b) For the safe custody and security of all money collected or held by the local government; and
  - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
  - (d) To ensure proper accounting for municipal or trust —
    - (i) Revenue received or receivable; and
    - (ii) Expenses paid or payable; and
    - (iii) Assets and liabilities; and
  - (e) To ensure proper authorisation for the incurring of liabilities and the making of payments; and
  - (f) For the maintenance of payroll, stock control and costing records; and
  - (g) To assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.
- (2) The CEO is to —
  - (a) Ensure that the resources of the local government are effectively and efficiently managed; and
  - (b) Assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
  - (c) Undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

## **FINANCIAL IMPLICATIONS**

Nil

## **STRATEGIC IMPLICATIONS**

Goal 12 - Council leads the organisation and engages with the community in an accountable and professional manner.

**POLICY IMPLICATIONS**

Nil

**VOTING REQUIREMENTS**

Simple Majority

**COMMITTEE'S RECOMMENDATION**

That the Audit and Risk Committee recommend Council receive the 2019 Financial Management Systems and Procedures Review completed by AMD Chartered Accountants.

#### **5.4 2019 Public Liability Risk Assessment Unsupervised Gym Member Access**

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**SUBMISSION TO:** Audit & Risk Committee Meeting 11 February 2020  
**REPORT DATE:** 15 January 2020  
**APPLICANT:** N/A  
**FILE REFERENCE:** ADM  
**AUTHOR:** S.K. Marshall, Deputy Chief Executive Officer  
**ATTACHMENTS:** 2019 Public Liability Risk Assessment Unsupervised Gym Member Access (Under Separate Cover)

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#### **SUMMARY**

The Audit and Risk Committee to review and recommend Council receive the 2019 Public Liability Risk Assessment Unsupervised Gym Member Access Report as prepared by LGIS.

#### **BACKGROUND**

The purpose of the risk assessment is to identify hazards, potential risks and liability issues and to provide practical treatment options.

The Beverley Gymnasium has been open to the public on an unsupervised basis since September 2009. Members are required to provide a medical certificate and complete one induction session prior to receiving membership.

To date, there have been no serious accidents or injuries reported to the Shire.

The gym currently has 41 members. For the period 1 January 2019 – 31 December 2019 the gym was used 1,464 times, an average of 4.01 times a day.

#### **COMMENT**

Recommendations from the report include security alarms for the building, CCTV with monitoring, steel mesh security flyscreens, security film treatment on windows, hard wired panic buttons, personal panic devices, pre-exercise orientation programs, restrictions on free weights, safe equipment options, updated policies and procedures and regular maintenance and inspection.

Management have reviewed the report and feel that some of the following suggestions may be achievable (some will require future budget allocations).

- Consider swipe card access including front, rear and toilets.
- Remove bench press and large free weights.
- Consider CCTV monitoring.
- Consider installing an AED (Defib).
- Install appropriate emergency exit doors.
- Replace existing fire extinguisher with larger CO2 type.
- Restock and monitor first aid kit.
- Fence off rear toilet area.
- Remove member information.
- Remove exercise instructions displayed outside of building.

Update evacuation diagram and install one in each room.

The gym assists the Shire to promote healthy living and active lifestyles which can be an issue for smaller towns. Regular activity is proven to help with mental and physical well being.

**STATUTORY ENVIRONMENT**

Risk Management in accordance with ISO AS/NZS 31000:2009

**FINANCIAL IMPLICATIONS**

Future Budgets

**STRATEGIC IMPLICATIONS**

Goal 9 - We have a healthy and safe community.

**POLICY IMPLICATIONS**

Nil

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER'S RECOMMENDATION**

That the Audit and Risk Committee recommend Council receive the 2019 Public Liability Risk Assessment Unsupervised Gym Member Access Report as prepared by LGIS and make an allocation in the 2020/21 draft budget to meet some of the recommendations as selected by Council.

## **5.5 2018-19 Audit Report – Significant Adverse Trend**

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**SUBMISSION TO:** Audit & Risk Committee Meeting 11 February 2020  
**REPORT DATE:** 28 January 2020  
**APPLICANT:** N/A  
**FILE REFERENCE:** ADM  
**AUTHOR:** S.K. Marshall, Deputy Chief Executive Officer  
**ATTACHMENTS:** 2018/19 Audit Report

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### **SUMMARY**

The Audit and Risk Committee to consider Council endorse this report regarding the significant adverse finding reported in the 2018/19 Audit Report relating to Council's Operating Surplus ratio for that year.

### **BACKGROUND**

In the 2018/19 Audit Report, Council's Auditors, AMD Chartered Accountants, reported a significant adverse trend in the financial position of the Shire of Beverley being:

*Operating surplus ratio as reported in Note 19 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSSC) standard of zero for the current year (2017:0.11, 2018: 0.16 and 2019: -0.20).*

As a result, under Section 7.12A(1) – (4) of the Local Government Act 1995, Council is required to respond to this significant finding, via the Audit and Risk Committee, and forward the response to the Minister for Local Government.

### **COMMENT**

The Operating Surplus Ratio is calculated using the following formula:

$$\frac{\text{Operating Revenue minus Operating Expenditure}}{\text{Own Source Operating Revenue}}$$

Operating Revenue includes Rates, Operating Grants, Subsidies and Contributions, Fees and Charges, Interest Earnings, Profit on Asset Disposal and Other Revenue.

Operating Expenditure includes Employee Costs, Materials and Contracts, Utility Charges, Depreciation on Non Current Assets, Interest Expenses, Insurance Expenses, Loss on Asset Disposal and Other Expenditure.

Own Source Operating Revenue includes Rates, Fees and Charges, Interest Earnings, Reimbursements, Profit on Asset Disposal and Other Revenue.

Depreciation is a significant factor in the calculation of this ratio and has negatively affected the ratio since the addition of bridge, drainage, footpath and parks and ovals infrastructure assets were brought to account in 2017/18.

Following recognition of these asset classes, Councils operating depreciation expense increased from \$1,854,567 in 2017/18 to \$2,452,839 in 2018/19 or an

increase in operating expenditure of \$598,272. Further there was a significant reduction in Council's Operating Grants, Subsidies and Contributions which fell from \$3,022,275 in 2017/18 to \$1,683,236 in 2018/19 reflecting a fall in operating revenue of \$1,339,039 relating to Disaster Relief funding.

Consequently, Council's Operating Surplus Ratio for 2018/19 calculated as follows:

$$\frac{(\$833,232)}{\$4,158,387} = (0.20)$$

It is the opinion of Staff that the Operating Surplus Ratio is a slightly flawed measure of operational performance given the variations in depreciation (due the revaluation of Assets undertaken up to every five years) and fluctuating advanced payments of operating grant funding. Also depreciation is more closely linked to Council's Capital Asset Renewal program rather than Council's Operations.

Taking this into account, for example, if the non-cash depreciation expense, loss on disposal expense and profit on disposal revenue were left out of the calculation, Council's Operating Surplus Ratio would be:

$$\frac{\$1,680,251}{\$4,158,387} = 0.40$$

To improve the ratio, Council could look at increasing Rates and Fees and Charges by a higher percentage than the 2.5% increases that have been applied each year over the three subsequent financial years. However, justifying significant rate increases to satisfy a ratio benchmark may not be overly palatable to the Community.

It is proposed that the Operating Surplus Ratio be monitored over the next two financial years (2019/20 and 2020/21) to determine if the trend has plateaued or is improving and examine operating expenses to identify any cost savings where possible during that time. Further, Council continue to operate on a balance Budget basis and that the overall cash position is continued to be effectively monitored and managed.

The expectation is that the Operating Surplus Ratio position shouldn't worsen over this time.

## **STATUTORY ENVIRONMENT**

Section 7.12A of the Local Government Act 1995 provides the following:

### **7.12A. Duties of local government with respect to audits**

- (1) A local government is to do everything in its power to —
  - (a) assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and
  - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.



- (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.
- (4) A local government is to —
  - (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
  - (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

Section 7.9 of the Local Government Act 1995 provides the following:

**7.9. Audit to be conducted**

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —
  - (a) the mayor or president; and
  - (b) the CEO of the local government; and
  - (c) the Minister.
- (2) Without limiting the generality of subsection (1), where the auditor considers that —
  - (a) there is any error or deficiency in an account or financial report submitted for audit; or
  - (b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or
  - (c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government, details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.
- (3) The Minister may direct the auditor of a local government to examine a particular aspect of the accounts and the annual financial report submitted for audit by that local government and to —
  - (a) prepare a report thereon; and
  - (b) forward a copy of that report to the Minister, and that direction has effect according to its terms.

- (4) If the Minister considers it appropriate to do so, the Minister is to forward a copy of the report referred to in subsection (3), or part of that report, to the CEO of the local government to be dealt with under section 7.12A.

**FINANCIAL IMPLICATIONS**

Future Budgets

**STRATEGIC IMPLICATIONS**

Consideration for future operations and Rate increases.

**POLICY IMPLICATIONS**

Nil

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER'S RECOMMENDATION**

That the Audit and Risk Committee recommend Council:

1. endorse this report in response to the Significant Adverse Trend regarding Council's Operating Surplus Ratio reported in the 2018/19 Audit Report;
2. forward this report to the Minister of Local Government as required under section 7.12A of the Local Government Act 1995; and
3. monitor the Operating Surplus Ratio trend over the next two financial years (2020/21 and 2021/22) to determine if the trend has plateaued or improved.

**6. NEW BUSINESS ARISING BY ORDER OF THE MEETING**

New Business of an urgent matter only arising by order of the meeting.

**7. CLOSURE**

The Chairman to declare the meeting closed.