



MINUTES

**Audit Committee Meeting held on Wednesday
20th March 2019, in Council Chambers, at
Lot 66 Railway Street, Trayning
Commencing at **11.00am.****

Disclaimer

No responsibility whatsoever is implied or accepted by the Shire of Trayning for any act, omission or statement or intimation occurring during Council or committee meetings.

The Shire of Trayning 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 or statement or intimation occurring during Council or committee meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Trayning during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Trayning.

The Shire of Trayning warns that anyone who has any application lodged with the Shire of Trayning must obtain and should only rely on **WRITTEN CONFIRMATION** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Trayning in respect of the application.

Signed



Paul Sheedy
Acting Chief Executive Officer

CONTENTS

1	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS	5
	Mr Greg Godwin – Moore Stephen.....	5
2	RECORD OF ATTENDANCE	5
3	MINUTES OF MEETINGS	5
4	BUSINESS AS NOTIFIED	6
	7.1 Annual Report 2017/18.....	6
	7.2 Compliance Audit Return 2018.....	14
5	URGENT BUSINESS BY DECISION OF MEETING	17
6	MATTERS FOR WHICH THE MEETING MAY BE CLOSED	17
7	NEXT MEETING	17
8	CLOSURE OF MEETING	17

PREFACE

When the Chief Executive Officer approves these Minutes for distribution they are in essence "Unconfirmed" until the following Meeting, where the Minutes will be confirmed subject to any amendments made by the members of the Committee

The "Confirmed" Minutes are then signed off by the Presiding Person.

UNCONFIRMED MINUTES

These minutes were approved for distribution on 20th March 2019.



Paul Sheedy
ACTING CHIEF EXECUTIVE OFFICER

CONFIRMED MINUTES

These minutes were confirmed at a meeting held on 20th March 2019.

Signed: 

Note: The Presiding Member at the meeting at which the minutes were confirmed is the person who signs above.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairperson, Cr FA Tarr, welcomed all members, Mr Godwin, Councillors Staff and declared the meeting open at 11:00am.

Mr Greg Godwin – Moore Stephen

Mr Godwin will discuss with the Audit Committee the (Confidential) Audit Strategy Memorandum Year Ending 30 June 2019.

2 RECORD OF ATTENDANCE

MEMBERS:

Cr Freda Tarr (Chairperson)
Cr Melanie Brown
Cr Geoff Waters
Cr Greg Yates
Cr Michelle McHugh
Cr Marlon Hudson
Cr Jim Wilkins

STAFF:

Mr Paul Sheedy (Acting Chief Executive Officer)
Mrs Jacqui Cook (Manager of Finance)
Miss Belinda Taylor (Manager of Corporate Services)

AUDITORS:

Mr Greg Godwin

3 MINUTES OF MEETINGS

Background

The Audit Committee Minutes of the previous meeting held 4th April 2018, have been circulated to all Councillors.

Officer Recommendation/Committee Decision

Moved: Cr ML McHugh	Seconded: Cr MS Hudson
It is recommended that:	
That the minutes of the Audit Committee Meeting held on 4 th April 2018 are a true and correct record of the proceedings which includes the amendment.	
Resolution: 03-2019.09	Carried: 7/0

4 BUSINESS AS NOTIFIED

7.1 Annual Report 2017/18

Date of Report:	13 th March 2018
Proponent:	N/A
File Ref:	3.2.6.5
Officer:	Paul Sheedy –Acting Chief Executive Officer
Officer's Disclosure of Interest:	Nil
Attachments:	Annual Report 2017/2018
Voting Requirements:	Simple Majority

Introduction

The Audit Committee is requested to examine the Annual Financial Report, that includes the Audit Report and Audit Management Report, for the year ending 2017/2018 and recommend its adoption by Council.

Background

The purpose and responsibilities of the Audit Committee is outlined in Part 7 of the Local Government Act 1995.

One of the Audit Committee's responsibilities is to examine the reports of the auditor including the management report. The committee would then determine if any matters raised in the reports require action to be taken by the local government and to ensure that appropriate action is implemented. The Audit Committee is to receive and authorise a report relating to the audit prepared by the Chief Executive Officer that is subsequently to be sent to the Minister.

This report outlines actions intended to be undertaken in relation to matters identified by the auditor.

Consultation

The completion of the annual financial report and audit required staff to undertake extensive consultation with the audit staff and no further consultation is required.

Statutory Environment

Local Government Act 1995, section 7.9 & 7.12

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.

7.12AD. Reporting on a financial audit

- (1) The auditor must prepare and sign a report on a financial audit.

- (2) The auditor must give the report to —
 - (a) the mayor, president or chairperson of the local government; and
 - (b) the CEO of the local government; and
 - (c) the Minister.

7.12AE. Fees for a financial audit

- (1) The auditor must determine whether a fee is to be charged for a financial audit of a local government and if so, the amount of that fee.
- (2) A fee determined under subsection (1) must be paid by the local government.

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 the auditor's 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 must —
 - (aa) examine an audit report received by the local government; and
 - (a) determine if any matters raised by the audit report, 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 must —
 - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

Local Government (Financial Management) Regulations 1996, section 51

51. Completion of financial report

- (1) After the annual financial report has been audited in accordance with the Act the CEO is to sign and append to the report a declaration in the form of Form 1.

(2) A copy of the annual financial report of a local government is to be submitted to the Executive Director within 30 days of the receipt by the CEO of the auditor's report on that financial report.

Local Government (Audit) Regulations 1996, sections 7,9 & 10

7. Audit agreements

An agreement between a local government and an auditor is to include —

- (a) the objectives of the audit;
- (b) the scope of the audit;
- (c) a plan for the audit;
- (d) details of the remuneration and expenses to be paid to the auditor; and
- (e) the method to be used by the local government to communicate with, and supply information to, the auditor.

9. Performance of the audit

(1) An audit is to be carried out in accordance with the "Auditing Standards" and "Auditing Guidance Statements" adopted from time to time by the Australian Society of Certified Practising Accountants and The Institute of Chartered Accountants in Australia.

(2) An auditor is to carry out such work as is necessary to form an opinion as to whether:

- (a) the accounts are properly kept; and
- (b) the annual financial report —
 - (i) is prepared in accordance with the financial records; and
 - (ii) represents fairly the results of the operations of the local government and the financial position of the local government at 30 June in accordance with the Australian Accounting Standards and the Act.

10. Report by auditor

(1) An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.

(2) The report is to give the auditor's opinion on —

- (a) the financial position of the local government; and
- (b) the results of the operations of the local government.

(3) The report is to include —

- (a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government;
- (b) any matters indicating non-compliance with Part 6 of the Act, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls in any other written law;

(c) details of whether information and explanations were obtained by the auditor; and
(d) a report on the conduct of the audit.

(4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.

Policy Implications

There are no policies relevant to this item.

Financial Implications

Addressing the issues in regards to the 'Operating Surplus Ratio' will have financial implications both positive and negative for the Shire and there will be some costs involved in the printing of the Annual Report which can be covered within the existing budget allocations.

Strategic Implications

There are no strategic implications relevant to the adoption of the Annual Report.

Environmental Implications

The only environmental implications will be in the production of multiple copies of the Annual Report for community members.

Social Implications

There are no social implications with the adoption of the Annual Report but there potentially will be impacts on the community with addressing the 'Operating Surplus Ratio' if it results in the reduction of community facilities and services.

Officer's Comment

The auditors completed the audit for the financial year ended 30 June 2018 in February 2019 and issued the Audit Report and Management Report on 7th February 2019. The Audit identified the two (2) following non-compliance matters that are noted in the Audit Report.

1. Accounting journal entries were posted without being reviewed by a person independent of the preparer. Accounting journals can represent significant adjustments to previously approved transactions and should therefore be appropriately reviewed and approved.
2. A copy of the annual budget for the year ended 30 June 2018 was not submitted to the Department of Local Government, Sport and Cultural Industries within 30 days of adoption as required by *Local Government (Financial Management) Regulation 33*.

A/CEO Comment:

Accounting journal entries are now being reviewed and signed by an independent person.

Staff were of the view that the annual budget document had been submitted to the Department but could not locate any correspondence on file to support this position. Future lodgements will be via the Department's 'Smart Hub' portal.

The Auditor's Management Report identified the following matters, which are operational matters and not non-compliance matters for Council's attention.

Current Ratios

The Current Ratio is a measure of short term (unrestricted) liquidity. That is, the ability of the Shire to meet its liabilities (obligations) as and when they fall due. The ratio has deteriorated from 0.98 in 2017 to 0.40 in the current year after adjusting for the early receipt of Financial Assistance Grants.

The ratio is below the target level and has been trending downwards over the last five years. Notwithstanding this, interpretation of this ratio should be considered in the context of the Shire having a current portion of long-term borrowings of \$54,160 and a current portion of Annual leave and Long service leave provision of \$163,018 as at 30 June 2018.

These effectively inflate the level of current liabilities by \$217,178 when in fact they are not necessarily due at the point of calculation.

If the above factors are considered, the adjusted ratio would improve to 0.99 which is at target level, and, as the unadjusted current ratio is positive, this ratio is not considered to indicate a significant adverse trend in the financial position of the Shire.

Operating Surplus Ratio

The Operating Surplus Ratio represents the percentage by which the operating surplus (or deficit) differs from the Shire's own source revenue which includes rates and operating grants. The adjusted ratio has deteriorated from (0.20) in 2017 to (0.26) in the current year and has been trending downwards over the last 5 years.

A reason for the deterioration in this ratio is the significant decrease in revenue, specifically Operating Grants and Other Revenue. There has also been an increase in expenditure for employee costs during the year.

Both Council and management will need to consider ways to improve the operating position, either via increasing revenue or by decreasing expenditure (or a combination of both). This will be dependent upon Council and management's understanding of the Shire's circumstances and the interaction between the operating surplus, the other ratios and operations in general.

Notwithstanding this, given the relative strength of the other ratios and the fact the Net Result after taking into account non-operating grants is positive, the ratio is not considered to indicate a significant adverse trend in the financial position of the Shire.

A/CEO Comment:

Council has limited ability to substantially increase revenue, other than rates, and a substantial increase in this area is difficult to justify and generally results in an

adverse reaction from ratepayers/community. There will be some limited ability to increase some areas of revenue, such as fees and charges but this will not have any significant impact on this ratio and the continual freeze/reduction and very low annual increases of state and federal grants is not helping.

As discussed recently with Council some hard decisions need to be made, in consultation with the community, on reducing the Shire ownership and maintenance of a number of buildings and facilities.

Integrated Planning Framework

The Shire's Strategic Community Plan and Corporate Business Plan were not reviewed within the timeframe prescribed in *Local Government (Administration) Regulation 19C and 19DA* respectively.

We note a workshop with a consultant and Council is planned for the February 2019 Council meeting to discuss the draft plans.

A/CEO Comment:

The consultant attended a workshop, with Councillors and senior staff, prior to the February 2019 Council meeting and will return for another workshop prior to the March 2019 Council meeting to finalise the draft Strategic Community Plan (SCP).

Once the SCP is completed work can commence on the review and updating of all the other strategic documents such as, Corporate Business, Long Term Financial, Asset Management and Workforce Plans. This may require the allocation of some funds to engage a consultant to assist in this process.

Missing Employee Records

During our review of employee files, we noted two instances where the pay rate information of employees was missing. To help ensure all personnel files contain a complete record of all agreements with employees, letters reflecting pay rates should be filed in each employee's personnel file.

A/CEO Comment:

All changes of pay rates and in fact any advice to employees is now being provided in a written format with a copy placed on the relevant employee file

Monthly Reconciliations

Our review of the month end reconciliations revealed:

- i. Borrowing reconciliations are not prepared; and
- ii. There was no evidence of the fixed asset reconciliation and manual rolling rates reconciliation being reviewed by a senior staff member independent of preparation. To help ensure the completeness and accuracy of sub ledgers, the general ledger should be reconciled to the respective sub ledgers on a regular basis. These reconciliations should be signed and dated by the preparer thereof and should be independently reviewed.

A/CEO Comment:

All appropriate end of month reconciliations and reports are being completed.

The Shire's Draft Annual Report 2017/2018 which also includes the annual financial statements for the period ended 30 June 2018 has been completed (attachment) for consideration and acceptance by the Audit Committee and the

Council at the March 2018 Council meeting.

Finally it's suggested that the annual meeting of electors be held on Wednesday 17 April 2019 following the Council meeting at the Don Mason Centre, with a suggested commencing time of 6.30pm. Staff can arrange to have some refreshments on hand to be available at the conclusion of the meeting.

Officer Recommendation/Committee Decision

Moved: Cr ML McHugh

Seconded: Cr GI Yates

It is recommended that:

The Audit Committee recommends that Council accept the Shire of Trayning Annual Report that includes the Audited Financial Statements, Auditors Report and Auditors Management Report, for the year ending 30 June 2018.

Resolution: 03-2019.10

Carried: 6 /1

7.2 Compliance Audit Return 2018

Date of Report:	28 th March 2018
Proponent:	N/A
File Ref:	3.2.6.2
Officer:	Paul Sheedy –Acting Chief Executive Officer
Officer's Disclosure of Interest:	Nil
Attachments:	Compliance Audit Return
Voting Requirements:	Simple Majority

Introduction

The Audit Committee is requested to receive the 2017 Compliance Audit Return for review and endorsement to Council.

Background

Council is required each financial year to carry out a Compliance Audit review as set by the Minister. The review concentrates on areas of high risk for Council such as financial and statutory compliance.

The Audit Committee are required to review the completed Compliance Return and report the results to the Council.

Consultation

There has been consultation with the Manager Financial Services and Manager Corporate Services in completing the document.

Statutory Environment

Local Government (Audit) Regulations 1996, sections 14 & 15

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.

15. Certified copy of compliance audit return and other documents to be given to Departmental CEO

(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 Departmental CEO 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.

Policy Implications

There is no current policies relevant to this item

Financial Implications

There is no financial implications relevant to the adoption of the Return

Strategic Implications

Shire of Trayning Strategic Community Plan 2013

OBJECTIVE: Civic Leadership – Provide efficient and effective management.

STRATEGY: C.3.3 – Provide reporting processes in a transparent, accountable and timely manner.

Environmental Implications

There is no environmental implications with the completion and adoption of the Return.

Social Implications

There is no social implication relevant to the completion and adoption of the Return.

Officers Comment

The 2018 Compliance Audit Return has been completed by the Acting Chief Executive Officer after consultation with senior staff with responses provided as

accurately as possible given that part of the year under review was under the direction of the previous CEO and Acting CEO's.

There were a number of areas where it appears the Council is non-compliant and action will be taken to ensure compliance occurs during the 2019 year.

Officer Recommendation/Committee Decision

Moved: Cr MA Brown

Seconded: Cr GI Yates

It is recommended that:

The Audit Committee recommends that Council adopts the Compliance Audit Return 2018 as detailed in the attachment.

Resolution: 03-2019.11

Carried: 7/0

5 URGENT BUSINESS BY DECISION OF MEETING

6 MATTERS FOR WHICH THE MEETING MAY BE CLOSED

7 NEXT MEETING

As required.

8 CLOSURE OF MEETING

There being no further business, the Chairperson Cr FA Tarr thanked Mr Godwin and all Councillors and Staff for their attendance and declared the meeting closed at 11: 44 am.