



Shire of Pingelly

Attachments

Audit and Risk Committee Meeting
19 February 2020



Pingelly - 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.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham



Delegation of Power / Duty					
No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority?	Yes		Stuart Billingham
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing?	Yes		Stuart Billingham
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17?	Yes		Stuart Billingham
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations?	Yes		Stuart Billingham
5	s5.18	Has Council reviewed delegations to its committees in the 2018/2019 financial year?	Yes		Stuart Billingham
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		Stuart Billingham
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority?	Yes		Stuart Billingham
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing?	Yes		Stuart Billingham
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Stuart Billingham
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	Yes		Stuart Billingham
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees?	Yes		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham

Disclosure of Interest					
No	Reference	Question	Response	Comments	Respondent
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		Stuart Billingham
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		Stuart Billingham



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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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?	Yes		Stuart Billingham
8	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2019?	Yes		Stuart Billingham
9	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2019?	Yes		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham



Department of
**Local Government, Sport
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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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
19	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees?	Yes		Stuart Billingham

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))?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham

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		Stuart Billingham
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?	Yes		Stuart Billingham



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		Stuart Billingham
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?	Yes		Stuart Billingham
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?	N/A	Office of the Auditor General	Stuart Billingham
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?	N/A	Office of the Auditor General	Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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?	No	Letter from Department of Local Government stating report not received . Report then prepared and submitted to the Minister.	Stuart Billingham
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		Stuart Billingham
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit?	Yes		Stuart Billingham
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit?	Yes		Stuart Billingham



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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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham

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	Adopted 09/10/2013	Stuart Billingham
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	workshop 2018/19	Stuart Billingham
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	Adopted 09/10/2013	Stuart Billingham
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?	Yes	Adopted 18/9/2019	Stuart Billingham
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	Adopted July 2015	Stuart Billingham
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	Adopted 21/03/2018	Stuart Billingham
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	22/1/2013	Stuart Billingham



Local Government Employees						
No	Reference	Question	Response	Comments	Respondent	
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?	Yes		Stuart Billingham	
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?	Yes		Stuart Billingham	
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)?	Yes		Stuart Billingham	
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)?	Yes		Stuart Billingham	
5	s5.37(2)	Did the CEO inform Council of each proposal to employ or dismiss a designated senior employee?	Yes		Stuart Billingham	



Official Conduct					
No	Reference	Question	Response	Comments	Respondent
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham



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	16/05/2018	Stuart Billingham
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	18/04/2018	Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham

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		Stuart Billingham
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?	Yes		Stuart Billingham
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice?	Yes		Stuart Billingham
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16?	Yes		Stuart Billingham



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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?	Yes		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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		Stuart Billingham
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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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		Stuart Billingham
16	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice?	Yes		Stuart Billingham
17	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE?	Yes		Stuart Billingham



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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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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?	Yes		Stuart Billingham
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?	No		Stuart Billingham



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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		Stuart Billingham

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

Signed Mayor / President, Pingelly

Signed CEO, Pingelly

SHIRE OF PINGELLY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Asset Renewal Funding Ratio	✓		

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF PINGELLY

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Asset Renewal Funding Ratio

Finding

The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as the planned capital renewals and required capital expenditure were not estimated in a long-term financial plan and asset management plan respectively.

Rating: Significant

Implication

By not reporting the asset renewal funding ratio, the Shire is not in compliance with section 50(1)(c) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend that the Shire reviews and updates the long-term financial plan and asset management plan annually to ensure 10 year projections are available to calculate the Asset Renewal Funding Ratio.

Management Comment

Shire of Pingelly Long Term Financial Plan (LTFP) is currently being updated and renewed.

This LTFP will provide a robust and reliable 10 year + plan and be updated on an annual basis moving forward.

The Shire is also currently renewing its Asset Management Plans to coincide with the new LTFP.

Responsible Person: Director Corporate & Community Services

Completion Date: April 2020



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Pingelly

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Pingelly which comprises the Statement of Financial Position as at 30 June 2019, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Pingelly:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2019 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Note 1 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's annual financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996, does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. My opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of an annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern; disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the annual financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the annual financial report, including the disclosures, and whether the annual financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

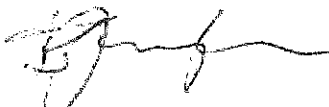
- (i) In my opinion, the following material matters indicate significant adverse trends in the financial position of the Shire:
 - a. The Current Ratio as reported in Note 34 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last two financial years.
 - b. The Operating Surplus Ratio as reported in Note 34 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law was identified during the course of my audit:
 - a. The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by section 50(1) of the Local Government (Financial Management) Regulations 1996, as planned capital renewals and required capital expenditure were not estimated in a long-term financial plan and asset management plan respectively.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the asset consumption ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

Other Matter

The annual financial report of the Shire for the year ended 30 June 2018 was audited by another auditor who expressed an unmodified opinion on that annual financial report. The financial ratios for 2017 and 2018 in Note 34 of the audited annual financial report were included in the supplementary information and/or audited annual financial report for those years.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Pingelly for the year ended 30 June 2019 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited annual financial report to confirm the information contained in this website version of the annual financial report.



DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
15 November 2019



Shire of Pingelly

Minutes

Audit Committee Meeting
17 July 2019

SHIRE OF PINGELLY

Minutes of the Audit Committee Meeting of the Shire of Pingelly held in the Council Chambers, 17 Queen Street, Pingelly on 17 July 2019 at 1.30pm.

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1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairman declared the meeting open at 1.30pm.

1.1. ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Noongar people of this area and recognise their continuing connection to land, waters and community. We pay respect to both the Aboriginal and non-Aboriginal people past and present.

2. RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

MEMBERS PRESENT

Cr WV Mulroney	President
Cr DI Freebairn	Deputy President
Cr EJ Hodges	
Cr JM Walton-Hassell	
Cr BW Hotham	
Cr J McBurney	
Cr K Hastings	

STAFF IN ATTENDANCE

Mr M Dacombe	Acting Chief Executive Officer
Mr S Billingham	Director Corporate and Community Services
Mrs L Boddy	Executive Assistant

APOLOGIES

Cr P Wood

OBSERVERS & VISITORS

Nil

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

No members of the public present.

5. APPLICATIONS FOR LEAVE OF ABSENCE

N/A

6. DISCLOSURES OF INTEREST

The *Local Government Act* (Section 5.60 – 5.62) provides that it is the Councillor’s obligation to declare an interest if they believe that they have a financial interest, proximity interest, closely associated persons interest or an interest affecting impartiality in a matter being discussed by Council.

The Act provides that the interest may be declared in writing to the Chief Executive Officer prior to the meeting or declared prior to discussion of the agenda item at the meeting. Forms for this purpose are available to Councillors.

The Act further provides that the extent of the interest needs to be declared if the Councillor seeks to remain in the Chamber during the discussion, debate or voting on the item.

A Councillor declaring a financial or proximity interest must leave the meeting prior to the matter being discussed or voted on (including the question as to whether they are permitted to remain in the Chamber). Councillors remaining in the Chamber may resolve to allow the member to return to the meeting to participate in the proceedings.

7. CONFIRMATION OF MINUTES AND REPORTS

7.1 Audit Committee Meeting – 20 February 2019

Statutory Environment:

Section 5.22 of the Local Government Act provides that minutes of all meeting to be kept and submitted to the next ordinary meeting of the council or the committee, as the case requires, for confirmation.

Voting Requirements:

Simple Majority

12702 Moved: Cr Hodges

Seconded: Cr Hastings

Recommendation and Council Decision:

That the Minutes of the Audit Committee of the Shire of Pingelly held in the Council Chambers on 20 February 2019 be confirmed.

Carried 7:0

8. ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil

9. PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

Nil

10. BUSINESS

10.1 Office of the Auditor General Interim Management Letter June 2019

File Reference: ADM0074
Location: Shire of Pingelly
Applicant: Office of the Auditor General
Author: Stuart Billingham, Director Corporate & Community Services
Date: 4 July 2019
Disclosure of Interest: Nil
Attachments: OAG Interim Management Letter Report for Year ending 30 June 2019 (Attachment 1 following red sheet at the end of this document)

Summary:

To provide the Audit Committee with the Interim Management Report from its Office of the Auditor General for consideration. (See attached report submitted as a separate attachment)

Background:

AMD Accountants on behalf of the Office of the Auditor General visited the Shire of Pingelly on the 27-29 May 2019 to conduct the Interim Audit for the year ending 30 June 2019.

Below is listed the matters raised in the Interim Management Letter Report and the Shire of Pingelly Management Comments.

Consultation:

Shire of Pingelly Audit Committee
 Acting Chief Executive Officer
 Office of the Auditor General
 AMD Chartered Accountants

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. User Access Management		✓	
2. Fees and Charges		✓	
3. Credit Card Statements		✓	
4. Review of Reconciliations		✓	
5. Journal Entries			✓

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

1. User Access Management

Finding

Our review of user access levels within the Shire's financial reporting system (Synergy) identified that 9 user accounts still exist for staff, who were no longer employed by the Shire.

Rating: Moderate

Implication

Without an effective user access management process to ensure user accounts of individuals leaving the Shire are appropriately removed or disabled, there is an increased risk of unauthorised access.

Recommendation

We recommend that the Shire regularly review its user accounts within Synergy, and promptly remove or disable user accounts of staff who have left the Shire.

Management Comment

Affected Synergysoft user profiles to be addressed as listed below:

1. CEO Profile name changed and updated to Acting CEO - CEO position remains
2. ETO officer user profile 'depot' – name changed to position title - removed.
3. Casual Admin Officer RG – 'policy' – name changed to position - removed.
4. Project Admin Officer TW user profile 'pao' – Name changed to position – removed.
5. Admin Officer - AO - removed.
6. Community Development Officer KS – CSO position currently vacant and name removed and changed to position title until position recruited.
7. Casual LD - contractor4 – removed
8. Project Management- pm - removed
9. Trainee-Trainee - removed

Risk of other employees using an old user profile and bypassing their access restrictions considered low as staff are not permitted to share their login details and passwords. Audit trails are switched on in Synergysoft. As part of Termination check list all outgoing staff have their passwords cancelled within the hour of their termination to stop access either by remote connection or at any PC, Laptop or smart device or phone to email or server files including SynergySoft.

Responsible Officer: Director Corporate and Community Services
Completion Date: 30 June 2019

2. Fees and Charges

Finding

From our testing of 5 sundry debtor invoices, we found the following:

1. In one instance, the administration charge for rubbish disposal was not included on the Shire's published list of fees and charges for 2018-19.
Section 6.19 of the *Local Government Act 1995* (Act) requires:
If a local government wishes to impose any fees or charges after the annual budget has been adopted, it must, before introducing the fees or charges, give local public notice of — its intention to do so; and the date from which it is proposed the fees or charges will be imposed.
2. In one instance, the rate charged for truck repairs to the Shire of Brookton was not indexed at 1 July 2018 to include the annual increase of 3%, which was agreed between both Shires.

Rating: Moderate

Implication

The Shire is not complying with the requirement of the Act.

By charging an incorrect fee, there is a risk of financial loss to the Shire.

Recommendation

We recommend that the Shire ensure a public notice is given for any fees and charges imposed that are not included within the original budget, in accordance with the Act.

We also recommend that the Shire undertake the necessary steps to ensure correct rates are charged when invoicing.

Management Comment

Senior Finance Officer has now updated the Private Works procedures and calculation spreadsheet after being supplied copy of the new agreement for Heavy Duty Plant Mechanic Services between the Shire of Pingelly and the Shire of Brookton signed in February 2019. Due to short period of time and a downturn in usage from the Shire of Brookton this 3% lower charge out rate is considered immaterial. It should be noted that Private Works is still producing a reasonable Profit as a cost centre.

Schedule of Fees and Charges for 2018/19 only has an administration fee under private works \$156 and the Draft Fees and Charges for 2019/20 to include an administration fee under Refuse/Rubbish Disposal/Environment for to ensure future compliance.

Responsible Officer:

Director Corporate and Community Services

Completion Date:

17 July 2019 Budget Adoption date proposed

3. Credit Card Statements

Finding

We noted that since new credit cards were issued to the acting Chief Executive Officer (CEO) and Director of Corporate and Community Services (DCCS) in March 2019, the CEO and DCCS had self-approved their credit card statements.

While we acknowledged that the Senior Finance Officer's (SFO) sign off is also on the credit card statements, her sign off is more to evidence that the credit card transactions are supported by invoices/receipts and recorded in the correct general ledger accounts. Furthermore, the DCCS and SFO are closely related which could be seen as a threat to actual or perceived independence.

Rating: Moderate

Implication

By not having an independent review of credit card statements, there is an increased risk of fraud and error passing undetected.

Recommendation

We recommend that the Shire ensure all credit card statements are reviewed and signed by an independent senior officer.

As best practice, we also recommend that the CEO's credit card statements be reviewed and signed by the President or a representative of Council.

Management Comment

The Chief Executive Officer now reviews and signs off the Director of Corporate and Community Services credit cards monthly transactions. The Shire President now reviews and signs off the Chief Executive Officer monthly credit card transactions.

Responsible Officer: Chief Executive Officer and Director Corporate and Community Services

Completion Date: 30 June 2019

4. Review of Reconciliations

Finding

From our review of the reconciliations performed, we noted that there was no evidence that the following reconciliations were being independently reviewed:

- Monthly fixed asset reconciliations
- Periodic reconciliations of WA Treasury Corporation (WATC) loans and self-supporting loans

Rating: Moderate

Implication

When reconciliations are not independently reviewed, there is an increased risk that errors may not be detected and resolved promptly.

Recommendation

We recommend that the Shire ensure all reconciliations performed are reviewed and signed by an independent senior officer.

Management Comment

Monthly fixed asset reconciliations are now being prepared by the DCCS from May 2019 and to be reviewed by an independent officer other than SFO.

Half yearly reconciliation of Loans and Self Supporting loans to be undertaken DCCS as paid usually every 6 months. SSL Reconciliation prepared and compared to agreed repayment schedule/terms. Loans Liability Reconciliation currently prepared annually to be changed to 6 monthly and compared to WATC reports and GL balances.

Responsible Officer: Director Corporate and Community Services
Completion Date: 30 June 2019

5. Journals Entries

Finding

We noted that journals processed by the DCCS are reviewed and signed off by the SFO, and vice versa. As noted in Finding 3, these two employees are closely related.

Rating: Minor

Implication

If journals are not independently reviewed and approved, there is an increased risk that erroneous or fraudulent transactions may pass undetected.

Recommendation

We recommend that all journal entries be independently reviewed and the evidence of authorisation retained. Also given the close relationship between the DCCS and SFO, we recommend that the Shire consider whether significant adjusting journals should be further reviewed by the CEO.

Management Comment

Future Journals created by the DCCS and SFO are to be reviewed and signed off by another independent Officer to reduce threat to actual or perceived independence e.g. CEO.

Responsible Officer: Director Corporate and Community Services

Completion Date: 30 June 2019

Statutory Environment:

Local Government Act 1995 and associated regulations

Policy Implications:

There are no policy implications arising from this report.

Financial Implications:

There are no known financial implications upon either the Council's current budget or long term financial plan.

Strategic Implications:

There are no known significant strategic implications relating to the report or the committee recommendation.

Risk Implications:

Risk	Medium (6)
Risk Likelihood (based on history and with existing controls)	Medium (6)
Risk Impact / Consequence	Medium (6)
Risk Rating (Prior to Treatment or Control)	Medium (6)
Principal Risk Theme	Medium (6)
Risk Action Plan (Controls or Treatment Proposed)	Medium (6)

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 6 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Voting Requirements:

Simple Majority

12703 Moved: Cr Hodges

Seconded: Cr McBurney

Recommendation:

That the Audit Committee recommends to Council:

1. receive the minutes of the Audit Committee dated 17 July 2019; and
2. notes there are no further actions required by the Acting Chief Executive Officer to address matters raised in the attached Interim Management Letter Report.

Carried 7:0

10.2 Audit Committee Terms of Reference Name Change

File Reference: ADM0074
Location: Shire of Pingelly
Applicant: Stuart Billingham, Director Corporate & Community Services
Author: Stuart Billingham, Director Corporate & Community Services
Date: 4 July 2019
Disclosure of Interest: Nil
Attachments: Shire of Pingelly Audit and Risk Committee terms of reference updated
 (Attachment 2 following orange sheet at the end of this document)

Summary:

To provide the Audit Committee with a request to review and change its term of reference and name.

Background:

With a growing focus on risk management in Local Government many Councils are now adding to the Audit Committee responsibilities the role of risk management. A new Draft Terms of Reference attached for consideration of adoption and a name change for the committee.

Statutory Environment:

Local Government Act 1995 and associated regulations

Policy Implications:

There are no policy implications arising from this report.

Financial Implications:

There are no known financial implications upon either the Council's current budget or long term financial plan.

Strategic Implications:

There are no known significant strategic implications relating to the report or the committee recommendation.

Risk Implications:

Risk	Low (2)
Risk Likelihood (based on history and with existing controls)	Low (2)
Risk Impact / Consequence	Low (2)
Risk Rating (Prior to Treatment or Control)	Low (2)
Principal Risk Theme	Low (2)
Risk Action Plan (Controls or Treatment Proposed)	Low (2)

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 2 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Voting Requirements:

Simple Majority

12704 Moved: Cr Hotham

Seconded: Cr McBurney

Recommendation:

That the Audit Committee recommends to Council it adopts the new Name of ‘Audit and Risk Committee’ and updates the Terms of Reference of the Audit and Risk Committee as submitted in the attached Draft Terms of Reference.

Carried 7:0

10.3 Significant Adverse Trend Report to Minister for Local Government S7.12A

File Reference: ADM0074
Location: Shire of Pingelly
Applicant: Department of Local Government, Sport and Cultural Industries
Author: Stuart Billingham, Director Corporate & Community Services
Date: 8 July 2019
Disclosure of Interest: Nil
Attachments: Department Local Government Letter for Year Ending 30 June 2018
 (Attachment 3 following yellow sheet at the end of this document)

Summary:

To provide the Audit Committee with a report on the Significant adverse trend in the financial position of the Shire: Operating Surplus Ratio below the Department standard the last three years.

Background:

AMD Accountants in the Auditor Report for the year ending 30 June 2018, under Report on Other Legal and Regulatory Requirements states.

In accordance with the Local Government (Audit) Regulations 1996 we report that:

- (i) In our opinion, the following matters indicate significant adverse trends in the financial position of the Shire of Pingelly:
 - (a) Operating surplus ratio as reported in Note 31 of the financial report is below the below the Department of Local Government, Sport, and Cultural Industries (DLGSCI) standard of zero for the last three years (2016:-0.719, 2017:-0.596 and 2018: -0.472).

$$\text{Operating Surplus Ratio} = \frac{\text{operating revenue minus operating expenses}}{\text{own source operating revenue}}$$

The Operating Surplus Ratio is calculated by Operating revenue minus operating expense as a ratio of own source operating revenue. It measures the Shires ability to cover operational costs and have revenues available for capital funding or other purposes. Basic standard met if ratio is above 0.01. A sustained period of deficits will reduce the ability of the Shire to maintain service levels and its asset base. Accurate depreciation levels may result in an improvement to this ratio. As shown below own source operating revenue is made up of Rates, Fees and Charges, Interest Income, Profit on disposals of assets, reimbursements and recoveries and other revenue.

2018 OPERATING SURPLUS RATIO	Operating Minus Revenue Expense Operating		(1,139,409)			
	Net Result	+	4,901,168			
	- less: Non-Operating grants, Subsidies and contributions	-	(6,040,577)		(1,139,409)	
	Own Source Operating Revenue		2,415,798		2,415,798	-0.472
	- add: rates	+	1,913,399			=
	- add: fees and user charges	+	319,050			
	- add: service charges	+	0			
	- add: interest income	+	80,339			
	- add: profit on disposal of assets	+	0			
	- add: reimbursements and recoveries	+	60,311			
- add: other revenue		42,699				

2017 OPERATING	Operating Minus Revenue Expense Operating		(1,442,862)			=
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SURPLUS RATIO	Net Result	+	1,736,983			
	- less: Non-Operating grants, Subsidies and contributions	-	(3,179,845)		(1,442,862)	-0.596
	Own Source Operating Revenue		2,421,274		2,421,274	
	- add: rates	+	1,870,046			
	- add: fees and user charges	+	284,771			
	- add: service charges	+	0			
	- add: interest income	+	136,752			
	- add: profit on disposal of assets	+	0			
	- add: reimbursements and recoveries	+	20,751			
	- add: other revenue		108,954			

2016 OPERATING SURPLUS RATIO	Operating Minus Revenue Expense		(1,671,586)			
	Net Result	+	(336,905)			
	- less: Non-Operating grants, Subsidies and contributions	-	(1,334,681)		(1,671,586)	-0.719
	Own Source Operating Revenue		2,325,151		2,325,151	
	- add: rates	+	1,699,390			
	- add: fees and user charges	+	322,566			
	- add: service charges	+	0			
	- add: interest income	+	166,725			
	- add: profit on disposal of assets	+	11,069			
	- add: reimbursements and recoveries	+	74,509			
- add: other revenue		50,892				

Comment:

Many Country Local Governments in WA are heavily funded by external grants and often lack the capacity to raise their own source funding to meet the growing challenge of balancing the annual budget whilst maintaining service levels.

It is noted by the Auditors that the Shire of Pingelly was unable to achieve a zero operating surplus ratio or better in the past three (3) years (and refer attached Note 31. Financial Ratios - excerpt from the 30 June 2018 Annual Financial Statements) reflects the shire's reliance on non- operating grants (\$6,040,577 in 2017-18) to offset the shire's annual depreciation expense (\$1,522,726 in 2017-18).

The Shire's 30 June 2014 Annual Financial Statements reported depreciation expense at \$1,991,572, and this expense has not been responsible for adversely affecting this ratio as council has re-valued its assets so as to accord with the Act's re-valuation for fair value regulations.

The matter of this adverse trend of the operating surplus ratio and this 'seeming' reliance by small regional Local Governments on non-operating grants appears to be the norm rather than the exception in Country and Regional Western Australia.

It appears that without a change in the *status quo* e.g. a change in the DLGSCI's operating surplus ratio standard of zero; or transfer of the shire's circa \$68M of roads, drainage and bridges infrastructure assets to the state, seems that every year the Shire of Pingelly, with its *circa* \$87M in total of non-current assets and reliance on non-operating grants, will be reporting on this matter in future years again.

Consultation:

Acting Chief Executive Officer
Office of the Auditor General
AMD Chartered Accountants

Statutory Environment:

Local Government Act 1995 and associated regulations

Division 4 — General

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.
- (2) 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.
- (3) 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 7.12A inserted by No. 49 of 2004 s. 8.]

Policy Implications:

There are possible future policy implications arising from this report.

Financial Implications:

There are no known financial implications upon either the Council's current budget or long term financial plan. Future Plans may need to consider increasing own source revenues or reducing service levels to address this matter.

Strategic Implications:

There are no known significant strategic implications relating to the report or the committee recommendation. Future discussions on how to address this matter to be held before 30 June 2020.

Risk Implications:

Risk	Low (2)
Risk Likelihood (based on history and with existing controls)	Low (2)
Risk Impact / Consequence	Low (2)
Risk Rating (Prior to Treatment or Control)	Low (2)
Principal Risk Theme	Low (2)
Risk Action Plan (Controls or Treatment Proposed)	Low (2)

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 2 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Voting Requirements:

Simple Majority

12705 Moved: Cr Hastings

Seconded: Cr McBurney

Recommendation:

That the Audit Committee recommends to Council:

That Council:

- 1. Recognises that relative to Department of Local Government, Sport and Cultural Industries criteria, the Shire of Pingelly is not meeting the operating surplus ratio (zero) standard, and directs the Chief Executive Officer to arrange, before 30 June 2020, workshop(s) as required so that Council might further discuss and attempt to address this matter.**
- 2. Directs the Acting Chief Executive Officer to give a copy of this report to the Minister for Local Government as soon as practically possible; and publish a copy of this report on the Shires official website.**

(NB: Statutory timeframe of providing this report to the Minister within three (3) months after 30 June 2018 audit report was received by the local government having passed and may be raised as a future noncompliance matter.)

Carried 7:0

11. CLOSURE OF MEETING.

The Chairman declared the meeting closed at 1.50pm.

These minutes were confirmed by Council at the Audit Committee Meeting held on

Signed.....
Presiding Person at the meeting at which the minutes were confirmed.