



# **AGENDA**

## **Audit Committee Meeting**

**16 December 2021**

**4:30pm**

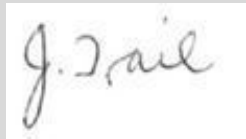
**Coolgardie Council Chambers, Bayley Street,  
Coolgardie**

**SHIRE OF COOLGARDIE**

**NOTICE OF AUDIT COMMITTEE MEETING**

Dear Elected Member

The next Audit Committee Meeting of the Shire of Coolgardie will be held on Tuesday 14 December 2021 commencing at 5pm.

A rectangular box containing a handwritten signature in black ink that reads "J. Trail".

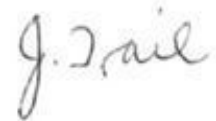
**CHIEF EXECUTIVE OFFICER**

**AUDIT COMMITTEE MEETING****14 December 2021**

Welcome to the Audit Committee Meeting of the Shire of Coolgardie.

The dates, times and locations of the Audit Committee Meetings for 2020 are listed hereunder.

<u>Day</u>	<u>Date</u>	<u>Time</u>	<u>Venue</u>
Tuesday	January 2021	NN/A	-
Tuesday	23 February 2021	6.00pm	Kambalda
Tuesday	23 March 2021	6.00pm	Coolgardie
Tuesday	27 April 2021	6.00pm	Kambalda
Tuesday	25 May 2021	6.00pm	Coolgardie
Tuesday	22 June 2021	6.00pm	Kambalda
Tuesday	27 July 2021	6.00pm	Coolgardie
Tuesday	24 August 2021	6.00pm	Kambalda
Tuesday	28 September 2021	6.00pm	Coolgardie
Tuesday	26 October 2021	6.00pm	Kambalda
Tuesday	23 November 2021	6.00pm	Coolgardie
Tuesday	21 December 2021	6.00pm	Kambalda



James Trail  
Chief Executive Officer

**DISCLAIMER**

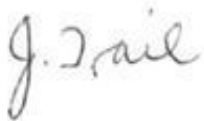
INFORMATION FOR PUBLIC ATTENDING COUNCIL MEETINGS

**PLEASE NOTE:**

**THE RECOMMENDATIONS CONTAINED IN THIS AGENDA ARE OFFICERS RECOMMENDATIONS ONLY AND SHOULD NOT BE ACTED UPON UNTIL COUNCIL HAS RESOLVED TO ADOPT THOSE RECOMMENDATIONS.**

**THE RESOLUTIONS OF COUNCIL SHOULD BE CONFIRMED BY PERUSING THE MINUTES OF THE COUNCIL MEETING AT WHICH THESE RECOMMENDATIONS WERE CONSIDERED.**

**MEMBERS OF THE PUBLIC SHOULD ALSO NOTE THAT THEY ACT AT THEIR OWN RISK IF THEY ENACT ANY RESOLUTION PRIOR TO RECEIVING OFFICIAL WRITTEN NOTIFICATION OF COUNCILS DECISION.**



James Trail  
**CHIEF EXECUTIVE OFFICER**

## COUNCIL MEETING INFORMATION NOTES

1. Your Council generally handles all business at Ordinary or Special Council Meetings.
2. From time to time Council may form a Committee to examine subjects and then report to Council.
3. Generally all meetings are open to the public; however, from time to time Council will be required to deal with personal, legal and other sensitive matters. On those occasions Council will generally close that part of the meeting to the public. Every endeavour will be made to do this as the last item of business of the meeting.
4. Public Question Time. It is a requirement of the Local Government Act 1995 to allow at least fifteen (15) minutes for public question time following the opening and announcements at the beginning of the meeting. Should there be a series of questions the period can be extended at the discretion of the Chairman.

***Written notice of each question should be given to the Chief Executive Officer prior to 12:30pm on the day of the meeting. A summary of each question and response is included in the Minutes.***

***When a question is not able to be answered at the Council Meeting a written answer will be provided after the necessary research has been carried out. Council staff will endeavour to provide the answers prior to the next meeting of Council.***

5. **Councillors** may from time to time have a financial interest in a matter before Council. Councillors must declare an interest and the extent of the interest in the matter on the Agenda. However, the Councillor can request the meeting to declare the matter **trivial, insignificant or in common with a significant number of electors or ratepayers**. The Councillor must leave the meeting whilst the matter is discussed and cannot vote unless those present agree as above.

**Members of staff**, who have delegated authority from Council to act on certain matters, may from time to time have a financial interest in a matter on the Agenda. The member of staff must declare that interest and generally the Chairman of the meeting will advise the Officer if he/she is to leave the meeting.

6. Agendas including an Information Bulletin are delivered to Councillors within the requirements of the Local Government Act 1995, i.e. seventy-two (72) hours prior to the advertised commencement of the meeting. Whilst late items are generally not considered there is provision on the Agenda for items of an urgent nature to be considered.

**Should an elector wish to have a matter placed on the Agenda the relevant information should be forwarded to the Chief Executive Officer in time to allow the matter to be fully researched by staff. An Agenda item including a recommendation will then be submitted to Council for consideration.**

**The Agenda closes the Monday week prior to the Council Meeting (i.e. ten (10) days prior to the meeting).**

The Information Bulletin produced as part of the Agenda includes items of interest and information, which does not require a decision of Council.

7. Agendas for Ordinary Meetings are available in the Coolgardie and Kambalda Offices/Libraries seventy-two (72) hours prior to the meeting and the public are invited to secure a copy.
8. Agenda items submitted to Council will include a recommendation for Council consideration. Electors should not interpret and/or act on the recommendations until after they have been considered by Council. Please note the Disclaimer in the Agenda (page 3).
9. Public Question Time – Statutory Provisions – Local Government Act 1995

Time is to be allocated for questions to be raised by members of the public and responded to at:

- (a) Every ordinary meeting of a council; and
- (b) Such other meetings of councils or committees as may be prescribed

Procedures and the minimum time to be allocated for the asking of and responding to questions raised by members of the public at council or committee meetings are to be in accordance with regulations.

9A. Question Time for the Public at Certain Meetings – s5.24 (1) (b)

**Local Government (Administration) Regulations 1996**

Reg 5 For the purpose of section 5.24(1)(b), the meetings at which time is to be allocated for questions to be raised by members of the public and responded to are:

- (a) every special meeting of a council; and
- (b) every meeting of a committee to which the local government has delegated a power or duty.

Minimum Question Time for the Public – s5.24 (2)

- Reg 6 (1) The minimum time to be allocated for the asking of and responding to questions raised by members of the public at ordinary meetings of councils and meetings referred to in regulation 5 is fifteen (15) minutes.
- (2) Once all the questions raised by members of the public have been asked and responded to at a meeting referred to in sub regulation (1), nothing in these regulations prevents the unused part of the minimum question time period from being used for other matters.

Procedures for Question Time for the Public – s5.24 (2)

**Local Government (Administration) Regulations 1996**

- Reg 7 (1) Procedures for the asking of and responding to questions raised by members of the public at a meeting referred to in regulation 6 (1) are to be determined:
- (a) by the person presiding at the meeting; or
  - (b) in the case where the majority of members of the council or committee present at the meeting disagree with the person presiding, by the majority of members, having regard to the requirements of sub regulations (2) and (3).
- (2) The time allocated to the asking and responding to questions raised by members of the public at a meeting referred to in regulation 6(1) is to precede the discussion of any matter that requires a decision to be made by the council or the committee, as the case may be.
- (3) Each member of the public who wishes to ask a question at a meeting referred to in regulation 6(1) is to be given an equal and fair opportunity to ask the question and receive a response.
- (4) Nothing in sub regulation (3) requires:
- (a) A council to answer a question that does not relate to a matter affecting the local government;
  - (b) A council at a special meeting to answer a question that does not relate to the purpose of the meeting; or
  - (c) A committee to answer a question that does not relate to a function of the committee.

**2. Public Inspection of Unconfirmed Minutes (Reg 13)**

A copy of the unconfirmed Minutes of Ordinary and Special Meetings will be available for public inspection in the Coolgardie and Kambalda Offices/Libraries within ten (10) working days after the Meeting.

**NOTE:****10.3 Unopposed Business**

- (1) Upon a motion being moved and seconded, the person presiding may ask the meeting if any member opposes it.
- (2) If no member signifies opposition to the motion the person presiding may declare the motion in sub clause (1) carried without debate and without taking a vote on it,
- (3) A motion carried under sub clause (2) is to be recorded in the minutes as a unanimous decision of the Council or committee.
- (4) If a member signifies opposition to a motion the motion is to be dealt with according to this Part.
- (5) This clause does not apply to any motion or decision to revoke or change a decision which has been made at a Council or committee meeting.

**QUESTION TIME FOR THE PUBLIC**

*(Please Write Clearly)*

DATE: \_\_\_\_\_

NAME: \_\_\_\_\_

TELEPHONE: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

**QUESTION TO THE PRESIDENT:-**

- **GENERAL QUESTION / QUESTION RELATED TO THE AGENDA**  
*(Strike out unnecessary words)*

ITEM NO: \_\_\_\_\_ PAGE NO: \_\_\_\_\_

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**PLEASE PASS TO THE CHIEF EXECUTIVE OFFICER FOR REFERRAL TO THE PRESIDENT BY 2.30PM ON THE DAY OF THE MEETING AT THE KAMBALDA OFFICE, IRISH MULGA DRIVE, KAMBALDA OR AT THE COOLGARDIE OFFICE, BAYLEY STREET, COOLGARDIE.**

**Order Of Business**

<b>1</b>	<b>Declaration of Opening / Announcement of Visitors .....</b>	<b>11</b>
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<b>4</b>	<b>Reports of Officers .....</b>	<b>12</b>
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- 1        DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**
- 2        RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE**
- 3        DECLARATIONS OF INTEREST**
- 3.1     Declarations of Financial Interests – Local Government Act Section 5.60A**
- 3.2     Declarations of Proximity Interests – Local Government Act Section 5.60B**
- 3.3     Declarations of Impartiality Interests – Administration Regulation 34C**

**4 REPORTS OF OFFICERS****4.1 Executive Services****4.1.1 ANNUAL REPORT 2020 - 2021**

<b>Location:</b>	<b>Nil</b>
<b>Applicant:</b>	<b>Nil</b>
<b>Disclosure of Interest:</b>	<b>Nil</b>
<b>Date:</b>	<b>9 December 2021</b>
<b>Author:</b>	<b>James Trail, Chief Executive Officer</b>

**SUMMARY**

Audit Committee to recommend to Council to adopt the Draft Annual Report for the year ended 30 June 2021 and set the date of the Annual Meeting of Electors

**BACKGROUND**

The annual Meeting of Electors is to consider the Annual Report for the year ended 30 June 2021. If Council were like minded the meeting could be held in Coolgardie on Tuesday 25 January 2021.

**COMMENT**

The Annual Report for the year ended 30 June 2021 is presented to Council for adoption. The report will be available to the public at the Administration Office and the Library, Barnes Drive Kambalda, and the Library in the Recreation Centre, Sylvester Street Coolgardie.

The Annual Financial Report is included in the Annual Report and it is noted the following matter to be reported in accordance with Reg 10(3) of the Local Government (Audit) Regulations 1996:

There is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the industry benchmark for the past 3 years.

The primary tool set by the Department of Local Government and Communities for the measurement of the performance of each local government are the financial ratios. These have been presented for many years and demonstrate that there is a need for either an increase in revenue or reduction of operating expenditure.

Financial ratios are numerical representations of the organisation's performance. The ratios referred to are set for all local governments in Western Australia and are calculated as follows;

The results for these ratios are shown in the following table.

<b>Ratio</b>	<b>Standard</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current Ratio	>= 1.00	0.49	1.01	2.48	3.21
Asset Consumption	>= 0.75	0.93	0.95	0.97	0.75
Asset Renewal	>= 1.05	1.56	1.10	1.11	N/A
Asset Sustainability	>= 1.10	0.97	1.49	0.80	0.27
Debt Service Cover	>= 2.00	1.20	0.66	11.56	3.84
Operating Surplus	>= 0.15	(0.40)	(0.39)	(0.33)	(0.42)
Own Source Revenue Coverage	>= 0.90	0.62	0.62	0.65	0.61

**COMMENT ON RATIOS**

## CURRENT RATIO

The current ratio is a liquidity ratio that measures whether the Shire has enough resources to meet its short-term obligations. If current liabilities exceed current assets the current ratio will be less than 1 and is an early indicator that the Shire may have problems meeting its short-term obligations.

The ratio has declined significantly from 1.01 on 30<sup>th</sup> June 2020 to 0.49 on 30<sup>th</sup> June 2021. This is attributable to the Shire's unrestricted cash position as of 30 June 2021 being a negative balance of \$400,729. Review of the Shire's cash and cash equivalents account revealed that the Shire had accessed restricted funds to subsidise the municipal funds.

The negative unrestricted cash position was the result of the Shire effectively being in overdraft on 30 June 2021, but at the time the Shire had not initiated the overdraft facility on 30 June 2021. This position was the result of grant funding received during the financial year which had not been fully expended on 30 June 2021.

Management is comfortable the unrestricted cash position can be improved as several factors encountered in 2020/21 will not have as much of an impact in 2021/22, these being;

1. Increased costs attributed to COVID-19 (net cost of \$345k in 2020/21), and
2. 0% rate increase (cost Shire around \$300k as rate base increases on average by 2-4% per annum once taking into consideration mining UV valuations)

Cash flow modelling has been implemented to provide staff and elected members with monthly updates on the Shire's current and project cash flow position.

## DEBT SERVICE COVER RATIO

The Debt Service Cover Ratio measures the Shire's ability to service debt from its committed or general purpose funds available. This ratio has been trending above both the Regional and State 5 year averages for a period of time before dropping below the desired level of 2.00 in the 2020/21 financial year.

The reason is a result of the reduction on the Shire's Operating Surplus position during the 2020/21 financial year. As both the operating surplus position improves and/or the principal repayments reduce over the period of the loans this ratio will again rise above the industry standards required.

The Shire will continue to identify practical ways of improving the Shire's operating position in future years. This includes considering the sustainability of the current rates structure, identifying potential revenue streams and finding the optimum level of the Shire's operating expenses.

## 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.

This ratio in 2020/21 decreased from (0.39) to (0.40). The ratio remains below the target level and is heavily weighted around the Shire's ability to increase revenue through rates and fees and charges.

The difference between operating revenue and operating expenditure was \$4,053,679 (2019/20 - \$3,586,213). Consequently, in order to meet the standard and improve the ratio Council needs to have the following strategic conversation with the community;

- Increase revenue generated from non - rating sources such as Kambalda airstrip, Shire Landfill facilities and other commercial activities like proposed village accommodation
- Increase rates revenue through significant rate increases to the community

- Increase rate in the \$ for mining accommodation villages on mining leases
- Reduce levels of service significantly on all operating activities

In order to significantly reduce the operating gap of \$4,053,679 the Shire would have to consider something like reducing the Shire FTEs by 25 estimated to save \$2.49 million and all contractors estimated to save \$680,000. This would mean no community facilities open including recreation centres, pools, libraries and CRC's, no community programmes or activities, no planning, building and health services no ranger services. Furthermore, no projects would get done. This would still leave a gap of \$883,679 requiring an 11% annual rate increase.

Council and management will continue to explore areas to help improve the operating position of the Shire.

The impact of this additional revenue is such that it could raise the current ratio to above the minimum standard which would have a significant positive impact on the Shire's Financial Health Indicator.

**CONSULTATION**

Auditor – RSM

Auditor General

Council Staff

Shire Contractor

**STATUTORY ENVIRONMENT**

Section 5.54 Local Government Act 1995 as amended.  
Local Government (Financial Management) Regulations 1996

**POLICY IMPLICATIONS**

N/A

**FINANCIAL IMPLICATIONS**

N/A

**STRATEGIC IMPLICATIONS****Accountable and effective leaders**

High quality corporate governance, accountability and compliance

**ATTACHMENTS**

1. Annual Report 2020/21

**VOTING REQUIREMENT**

Absolute Majority

**AUDIT COMMITTEE RESOLUTION AND OFFICER RECOMMENDATION**

That Audit Committee,

1. Recommend to Council to adopt the Draft Annual Report for the year ended 30 June 2021 in accordance with Section 5.54 of the Local Government Act 1995,
2. Recommend to Council to set the date for the Annual meeting of Electors to be Tuesday 25 January 2022 at 6.30pm at the Kambalda Recreation Centre.

**4.1.2 FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2021**

**Location:** N/A  
**Applicant:** N/A  
**Disclosure of Interest:** Nil  
**Date:** 9 December 2021  
**Author:** James Trail, Chief Executive Officer

**SUMMARY**

That the Audit Committee,

1. Recommend Council receive the Audit Management Report dated 16 December 2021
2. Recommend Council adopts the Annual Financial Report and Audit Report for the year ended 30 June 2021

**BACKGROUND**

Pursuant to Section 7.9 of the *Local Government Act 1995* ("LGA"), an Auditor is required to examine the accounts and annual financial report submitted by a local government for audit. The Auditor is also required, by 31 December following the financial year to which the accounts and report relate, prepare a report thereon and forward a copy of that report to:

- (a) Mayor or President; and
- (b) The Chief Executive Officer; and
- (c) The Minister.

Furthermore, in accordance with Regulation 10(4) of the *Local Government (Audit) Regulations 1996* ("*Audit Regulations*"), where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report, which is also to be forwarded to the persons specified in Section 7.9 of the LGA.

On finalisation of the Shire's 2020/21 final audit, the Office of the Auditor General has forwarded the Annual Financials Statements along with the Audit Report and the Audit Findings.

The Audit Committee is required to examine the reports of the auditor after receiving a report from the Chief Executive Officer ("CEO") on the matters reported and:

- Determine if any matters raised require action to be taken by the local government; and
- Ensure that appropriate action is taken in respect of those matters.

The Audit Committee is also required to review a report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and present the report to Council for adoption. A copy of the report is to be forwarded to the Minister prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time.

The Audit Committee is requested to consider and recommend adoption of the annual financial report to Council.

**COMMENT**

Following is the CEO's report to the Audit Committee on matters arising from the audit management report.

**Audit Report****Insufficient quotes obtained per Shire's purchasing policy****Finding**

We tested a sample of 30 purchases made during the period 1 July 2020 to 31 March 2021 and noted 5 (16.67%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated and no documentation to explain why other quotes were not sought.

Section 4 of the Procurement Policy of the Shire requires that purchases within prescribed price ranges meet certain conditions in order to comply with the *Local Government Act 1995* and accompanying regulations.

**Rating: Significant****Implication**

If quotes are not obtained when required, purchases may not reflect the best value for money as stated in Policy 4 *Value for Money* of the Shire's purchasing policy and increases the risk of fraud or favouritism of suppliers. In addition, the Shire is not complying with the requirements of its purchasing policy and relevant Local Government laws and regulations.

**Recommendation**

The requirement for full compliance with the Shire's Procurement Policy must be communicated to all staff and be closely monitored by management.

If instances arise where the Shire is unable to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

**Management comment:**

*Agreed.*

*All staff with delegated authority are aware that purchase orders need to be raised prior to obtaining the good or service. This is an area that has been identified by management previously and is continually being reviewed to ensure compliance with the Shire's Procurement Policy.*

*CEO has spoken with management and emphasised the importance of adhering to the Shire's Procurement Policy, including the requirement to document when multiple quotations have been requested, but not supplied.*

*Additional training to be provided to existing and future staff to reiterate the need to comply with the Shire's Procurement Policy,*

**Responsible position:** Chief Executive Officer and Director Operations

**Completion Date:** Ongoing

**2. Negative unrestricted cash position at year-end****Finding:**

We noted that Shire's unrestricted cash position as of 30 June 2021 was a negative balance of \$400,729. Review of the Shire's cash and cash equivalents account revealed that the Shire had accessed restricted funds to subsidise the municipal funds.

**Rating: Significant****Implication:**

The use of restricted cash to fund operations, exposes the Shire to the risk of non-conformation with its obligations relating to the restricted cash. The Shire also runs the risk of breaching section 6.11 of the *Local Government Act 1995* in circumstances when reserve funds are not managed properly.

**Recommendation:**

The Shire should manage its cashflow in accordance with the Local Government Act 1995. Any transfers of reserve funds should only be made in accordance with section 6.11 of the *Local Government Act 1995* and only when there are available funds after giving due consideration to the expected timing and flow of the Shire's receipts and payments.

**Management comment:**

*The negative unrestricted cash position was the result of the Shire effectively being in overdraft at 30 June 2021, but at the time the Shire had not initiated the overdraft facility at 30 June 2021. This position was the result of grant funding received during the financial year which had not been fully expended at 30 June 2021.*

*Management is comfortable the unrestricted cash position can be improved as several factors encountered in 2020/21 will not have as much of an impact in 2021/22, these being;*

- 1. Increased costs attributed to COVID-19 (net cost of \$345k in 2020/21), and*
- 2. 0% rate increase (cost Shire around \$300k as rate base increases on average by 2-4% per annum once taking into consideration mining UV valuations)*

*Cash flow modelling has been implemented to provide staff and elected members with monthly updates on the Shire's current and project cash flow position.*

**Responsible position:** Director Operations

**Completion Date:** December 2021 / Ongoing

**3. Bank reconciliations – long outstanding items****Finding:**

Bank reconciliations are an essential control in managing the accuracy and completeness of the Local Government's accounting records and financial statements. Bank reconciliations are also a key aspect of internal controls over cash resources.

During our review of bank reconciliations, we noted that there were multiple long outstanding items, such as receipts/payments not posted to the general ledger dating back to the 2019 financial year. The total of these long outstanding items was (\$54,049.94).

These reconciling items remain outstanding at the date of this letter. We understand that the Shire is currently transitioning to a new software system in which reconciling items will be reviewed and cleared regularly.

**Rating: Moderate**

**Implication:**

Long outstanding items that are not adequately explained or resolved, increases the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial statements. There is a further risk of non-compliance with Regulation 5(1)(d) of the *Local Government (Financial Management) Regulations 1996*, which requires the CEO to ensure proper accounting for revenue received and expenses paid in the municipal or trust funds.

**Recommendation:**

We recommend that management should review long outstanding items listed on period-end bank reconciliations and adequately explain or resolve any long outstanding items.

**Management comment:**

*Agreed, long outstanding items should not form part of the bank reconciliations.*

*The Shire are currently in the process of implementing the Altus bank module in Synergy Soft. Part of this process is to review and reconcile all outstanding items. Once this process has been completed then future bank reconciliations will ensure that all items are reconciled in a timely manner.*

**Responsible position:** Director Operations

**Completion Date:** January 2022

### **Operating Surplus Ratio – Adverse Trend**

#### **Finding:**

There is a significant adverse trend in the financial position of the Shire. The Operating Surplus Ratio has been below the industry benchmark for the past 3 years.

#### **Management comment:**

*The difference between operating revenue and operating expenditure was \$4,053,679 (2019/20 - \$3,586,213). Consequently, in order to meet the standard and improve the ratio Council needs to have the following strategic conversation with the community;*

- *Increase revenue generated from non - rating sources such as Kambalda airstrip, Shire Landfill facilities and other commercial activities like proposed village accommodation*
- *Increase rates revenue through significant rate increases to the community*
- *Increase rate in the \$ for mining accommodation villages on mining leases*
- *Reduce levels of service significantly on all operating activities*

*In order to significantly reduce the operating gap of \$4,053,679 the Shire would have to consider something like reducing the Shire FTE's by 25 estimated to save \$2.49 million and all contractors estimated to save \$680,000. This would mean no community facilities open including recreation centres, pools, libraries and CRC's, no community programmes or activities, no planning, building and health services no ranger services. Furthermore no projects would get done. This would still leave a gap of \$883,679 requiring an 11% annual rate increase.*

*Council and management will continue to explore areas to help improve the operating position of the Shire.*

### **CONSULTATION**

RSM

Office Auditor General

External Contractor

### **STATUTORY ENVIRONMENT**

#### **Local Government Act 1995**

#### **6.4. Financial report**

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
  - (a) be prepared and presented in the manner and form prescribed; and
  - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —

- (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
- (b) the annual financial report of the local government for the preceding financial year.

#### **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.

#### **7.12A. 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.

#### 5.54. Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted\* by the local government no later than 31 December after that financial year.

\* *Absolute majority required.*

- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

### Local Government (Audit) Regulations 1996

#### 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; and
  - (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; and
  - (c) details of whether information and explanations were obtained by the auditor; and
  - (d) a report on the conduct of the audit; and
  - (e) the opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions —
    - (i) the asset consumption ratio; and
    - (ii) the asset renewal funding ratio.

(4A) In subregulation (3)(e) —

**asset consumption ratio** has the meaning given in the *Local Government (Financial Management) Regulations 1996* regulation 50(2);

**asset renewal funding ratio** has the meaning given in the *Local Government (Financial Management) Regulations 1996* regulation 50(2).

- (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.

### Local Government (Financial Management) Regulations 1996

#### 17A. Assets, valuation of for financial reports etc.

- (1) In this regulation —
- carrying amount**, in relation to an asset, means the carrying amount of the asset determined in accordance with the AAS;
- fair value**, in relation to an asset, means the fair value of the asset measured in accordance with the AAS.
- (2) Subject to sub regulation (3), the value of an asset shown in a local government's financial reports must be the fair value of the asset.
- (3) A local government must show in each financial report —
- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
  - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government —
    - (i) that are plant and equipment; and
    - (ii) that are —
      - (I) land and buildings; or
      - (II) infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.
- (4) A local government must revalue an asset of the local government —
- (a) whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount; and
  - (b) in any event, within a period of at least 3 years but no more than 5 years after the day on which the asset was last valued or revalued.
- (5) An asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5 000.

*[Regulation 17A inserted by Gazette 20 Apr 2012 p. 1699-700; amended by Gazette 21 Jun 2013 p. 2451; 26 Jun 2018 p. 2388.]*

#### 17B. CEO to take steps to protect excluded portable and attractive assets

A CEO must take all reasonable steps to prevent the theft or loss of —

- (a) a non-consumable asset that is susceptible to theft or loss due to its portable nature and attractiveness for personal use or resale; and
- (b) an asset referred to in regulation 17A(5).

*[Regulation 17B inserted by Gazette 26 Jun 2018 p. 2388.]*

**POLICY IMPLICATIONS**

Investment of Surplus Funds 02

Risk Management 21

**FINANCIAL IMPLICATIONS**

Nil

**STRATEGIC IMPLICATIONS****Accountable and effective leaders**

High quality corporate governance, accountability and compliance

**ATTACHMENTS**

1. **Draft Financial Statements for Period Ending 30th June 2021**
2. **Audit Management Action List 2020/21**
3. **OAG Audit Closing Report 2020/21**

**VOTING REQUIREMENT**

Absolute Majority

**AUDIT COMMITTEE RESOLUTION AND OFFICER RECOMMENDATION**

That the Audit Committee,

1. **Recommend Council receive the Chief Executive Officer response to the Audit Report for the period ending 30<sup>th</sup> June 2021 dated 16 December 2021**
2. **Receive the Action Report as attached and recommend the Report be received by Council**
3. **Recommend Council receive the Audit Management Report dated X December 2020**
4. **Recommend Council adopts the Annual Financial Report and Audit Report for the year ended 30 June 2021**
5. **Recommend to Council that the action report be forwarded to the Minister in accordance with s 7.12A (4) of the Local Government Act 1995.**

- 5 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING**
- 5.1 Elected Members**
- 5.2 Council Officers**
- 6 CLOSURE OF MEETING**