

# Shire of Lake Grace

## Audit Committee Meeting

# MINUTES

24 March 2022

Meeting Commencing at 10:00 am



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## **SHIRE OF LAKE GRACE**

Minutes of the Audit Committee Meeting held at Council Chambers, 1 Bishop Street, Lake Grace, WA on Thursday 24 March 2022.

*The Local Government Act 1995 section 5.8 provides that Council can establish committees of three (3) or more persons and an Absolute Majority decision is required.*

*Councillor Peter Stoffberg was the former Chairperson of the Audit Committee and is no longer a Councillor for the Shire of Lake Grace. As such and in accordance with Section 5.12, the members of the committee are to elect a presiding member from amongst themselves.*

### **1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

*The Chief Executive Officer opened the meeting at 10:02am and advised that today's Audit Committee Meeting will consider the election of the Presiding Member.*

*The CEO is to preside at the meeting until the office is filled and will then hand over the meeting to the Chairperson.*

### **1.1 ELECTION OF PRESIDING MEMBER**

Section 5.12 of the Local Government Act 1995 states that the members of the committee are to elect a Presiding Member from amongst themselves.

The Chief Executive Officer called for nominations for the role of Chairperson. Mr Ollie Farrelly nominated Cr Steve Hunt; and that there being no further nominations received, the CEO declared Cr Hunt elected unopposed as Chair of the Audit Committee.

The Chief Executive Officer handed over to the Chair to continue with the meeting.

### **2.0 DISCLAIMER READING AND ACKNOWLEDGEMENT OF COUNTRY**

*No responsibility whatsoever is implied or accepted by the Shire of Lake Grace for any act, omission or statement or intimation occurring during Council and Committee meetings or during formal and informal conversations with staff. The Shire of Lake Grace disclaims any liability for any loss whatsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council and Committee meetings or discussions. Any person or legal entity who acts or fails to act in reliance upon any statement does so at that person's and or legal entity's own risk.*

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### **Acknowledgement of Country**

*I begin today by acknowledging the Ballardong people, Traditional Custodians of the land on which we meet today, and pay my respects to their Elders past, present and emerging. I extend that respect to Aboriginal and Torres Strait Islander peoples here today.*

### **3.0 RECORD OF ATTENDANCE/APOLOGIES/ LEAVE OF ABSENCE (PREVIOUSLY APPROVED)**

#### **Present**

Cr S Hunt	Chairperson
Cr L Armstrong	
Cr S Carruthers	
Cr D Clarke	
Mr O Farrelly	

#### **In Attendance**

Mr A George	Chief Executive Officer
Mr C Elefsen	Manager Infrastructure Services
Mr C Paget	Deputy Chief Executive Officer (via video conference)
Mrs T Hall	Manager Corporate Services (via video conference)
Mrs R Rose	Executive Assistant (for the Minutes)

#### **Observers/Visitors**

Mr M Fiorucci	Office of the Auditor General (via video conference)
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### **4.0 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE**

Nil

### **5.0 PUBLIC QUESTION TIME**

Nil

### **6.0 PETITIONS/DEPUTATIONS/PRESENTATIONS**

Nil

**7.0 NOTATIONS OF INTEREST**

**7.1 DECLARATIONS OF FINANCIAL INTEREST – LOCAL GOVERNMENT ACT 1995 SECTION 5.60A**

Nil

**7.2 DECLARATIONS OF PROXIMITY INTEREST – LOCAL GOVERNMENT ACT 1995 SECTION 5.60B**

Nil

**7.3 DECLARATIONS OF IMPARTIALITY INTEREST – ADMINISTRATION REGULATIONS 1996 SECTION 34C**

Nil

**8.0 APPLICATIONS FOR LEAVE OF ABSENCE**

Nil

**9.0 ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION**

Nil

**10.0 CONFIRMATION OF MINUTES**

**10.1 AUDIT COMMITTEE MEETING – 21 JULY 2021**

**RESOLUTION 0168**

**Moved: Cr Armstrong**  
**Seconded: Mr Farrelly**

That the minutes of the Audit Committee Meeting of Council held on 21 July 2021 be confirmed as a true and accurate record.

**CARRIED: 5/0**

**11.0 REPORTS OF OFFICERS**

**11.1 SHIRE OF LAKE GRACE 2020/2021 ANNUAL FINANCIAL STATEMENTS – AUDIT**

Applicant:	Internal Report
File No.	0274
Attachments:	<ul style="list-style-type: none"> <li>• 2020/21 Annual Financial Statements</li> <li>• OAG Audit Opinion/Report</li> </ul>
Author:	 Mr Chris Paget Deputy Chief Executive Officer
Disclosure of Interest	Nil
Date of Report	21 March 2022
Senior Officer	 Mr Alan George Chief Executive Officer

Summary

The purpose of this item is for the Audit Committee to consider and recommend to Council receive the 2020/21 Annual Financial Statements and associated Auditor's Report.

Background

The draft Annual Financial Report for the year ended 30 June 2020 was presented to the Shire of Lake Grace's auditor AMD on 27 August 2021. The auditors undertook the annual site visit to Lake Grace between 4 and 5 October, with follow up work completed electronically and meetings at their offices in Bunbury throughout November and early December. Following significant delays from the Office of the Auditor General, the exit meeting was held on 17 February 2022 with the audit opinion finally being signed off on 18 March 2022.

Section 5.54 of the *Local Government Act 1995 'Acceptance of Annual Reports'* requires an Annual Financial Statement to be accepted by Council by 31 December in each year, unless the Auditors Report is not available in time. The *Local Government Act 1995* Section 5.54(2) requires that if the Annual Report is not accepted by the Local Government by 31 December, then it must be presented within two (2) months of the Auditors report becoming available.

As per usual practice it is intended that the advertisement advising of the Annual Electors Meeting and the availability of the 2020/21 Annual Report will be placed in the *Lakes Link* and *Gatepost*, as well as the West Australian newspaper. Notices will be also placed on our notice boards and the Shire's website and Facebook page.

Comment

The completion of the audit report confirms all figures for the 2020/21 year including the carried forward position as at 30 June 2021.

The audit management report has made three moderate findings and recommendations as detailed below:

- 12 instances of minor purchasing transactions did not have documented evidence of quotations being sought – management will refine existing procedures to ensure all staff follow and document purchasing processes.
- 2 instances of purchase orders being raised after supplier invoices were received – as above, existing procedures will be updated and implemented with staff educated accordingly.
- The Shire does not currently have an approved IT Disaster Recovery Plan in place, and backups of the IT system are not stored off site – development of the Shire’s plan is currently underway (including offsite storage), and anticipate presentation to Council by end April 2022.
- Two other matters relating to IT Usage and Related Party Disclosures policies had already been adopted by Council and implemented in June and October 2021 respectively.

It is pleasing to note the significant matter raised in the 2020 financial year audit that the Shire’s asset renewal ratio (ARR) being below the Department of Local Government, Sport and Cultural Industries standard for two financial years (0.33 whereas the Department standard is between 0.75 and 0.95) is now rectified. For the 2021 year the ARR was 0.96 which exceeds the DLGSC standard range – this is largely attributed to the very significant capital works program the Shire is undertaking with Commonwealth funding for the Drought Communities Program and the Regional & Local Community Infrastructure Program.

Statutory Implications

*Local Government Act 1995*

Section 5.53 Annual Reports;

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
  - (a) a report from the mayor or president; and
  - (b) a report from the CEO; and
  - [(c), (d) deleted]
  - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
  - (f) the financial report for the financial year; and
  - (g) such information as may be prescribed in relation to the payments made to employees; and
  - (h) the auditor’s report prepared under section 7.9(1) or 7.12AD (1) for the financial year; and
  - (ha) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and

- (hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
  - (i) the number of complaints recorded in the register of complaints; and
  - (ii) how the recorded complaints were dealt with; and
  - (iii) any other details that the regulations may require;
- and
- (i) such other information as may be prescribed.

Section 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.

Section 5.55 Notice of Annual Reports;

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

Section 5.55A. Publication of Annual Reports;

The CEO is to publish the annual report on the local government's official website within 14 days after the report has been accepted by the local government.

Policy Implications

Nil

Consultation

Internal      Mr Alan George, Chief Executive Officer  
                  Mr Chris Paget, Deputy CEO  
                  Mrs Tegan Hall, Manager Corporate Services  
                  Shire of Lake Grace finance and administration staff

External      AMD (Contractors Auditors appointed by OAG)  
                  Office of Auditor General

Financial Implications

Nil

### Strategic Implications

#### Shire of Lake Grace Strategic Community Plan 2017 - 2027

Leadership Objective		Strong governance and leadership, demonstrating fair and equitable community values
Outcome	4.2	An efficient and effective organisation
	4.2.1	Maintain accountability and financial responsibility through effective planning
	4.2.2	Comply with statutory and legislative requirements

### Voting Requirements

Simple majority required.

#### **RESOLUTION 0169**

**Moved: Cr Armstrong**

**Seconded: Cr Carruthers**

That the Audit Committee recommend that:

1. In accordance with Sections 5.53 and 5.54 of the *Local Government Act 1995*, Council accepts the Annual Financial Report for the 2020/2021 financial year and;
2. In accordance with Section 5.55 of the *Local Government Act 1995*, Council authorise the Chief Executive Officer to give local public notice of the availability of the Shire of Lake Grace 2020/21 Annual Report from Friday 8 April 2022.

**CARRIED: 5/0**

Cr Clarke queried the following:

1. Back-up storage.

The consistent response from both the CEO/DCEO was, back-up is stored in the cloud via Market Creations and a copy is delivered offsite (Post Office).

2. Asset Renewal Ratio

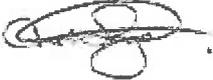
Response from OAG Mickey Fiorucci - asset renewal ratio increased above the Department of Local Government threshold and there has been no adverse trends reported. Currently, there is no available information yet but OAG will advise all local governments as soon as information is released by the Department regarding amendments to the required reporting ratios.

Cr Carruthers queried the findings regarding the purchase orders, he stated that sometimes it is impractical to ask for quotes especially if there are no local suppliers within the area.

Both the CEO and the DCEO responded that this policy and process change has already been completed and adopted by Council during the Ordinary Council Meeting of 29 September 2021 under Resolution No. 13469.

Response from OAG – it is recommended that the Shire of Lake Grace review/update/streamline the purchasing policy accordingly particularly those high valued transactions to eliminate problems during discovery.

## 11.2 COMPLIANCE AUDIT RETURN 2021

Applicant:	Internal Report
File No.	0528
Attachments:	Completed 2021 Compliance Audit Return
Author:	 Mr Chris Paget Deputy Chief Executive Officer
Disclosure of Interest	Nil
Date of Report	21 March 2022
Senior Officer	 Mr Alan George Chief Executive Officer

### Summary

The purpose of this report is for the Audit Committee to recommend that Council adopt the statutory Local Government Compliance Audit Return (CAR) for the year ending 31 December 2021.

### Background

Under the Local Government (Audit) Regulations 1996, a Local Government is required to carry out a Compliance Audit for the period 1 January 2021 to 31 December 2021. Once received and endorsed by Council, the certified return then needs to be submitted to the Director General, Department of Local Government, Sports and Cultural Industries by 31 March 2022.

The Compliance Audit Return must be:

1. reviewed by the Audit Committee;
2. presented to Council at a meeting of the Council;
3. adopted by the Council and certified by the President and CEO, then
4. recorded in the minutes of the meeting at which it is adopted.

The Compliance Audit Return is intended to assist Council in monitoring its organisational functions and provides an additional element of accountability through a check on internal management systems, procedures and record keeping. This in turn demonstrates the Shire's emphasis on improving its good governance, compliance, and best practice methods. Council is required to note any areas of non-compliance and endorse remedial action. The Audit is provided

by the Department of Local Government through their secure website platform named Smart Hub, and is required to be completed by every local government in Western Australia.

#### Comment

There were four items of non-compliance noted out of the total 98 items (9 of these being optional disclosures) included in the Shire of Lake Grace 2021 CAR, and this equates to an achievement rate of 95.92% which is better than the 2020 result of 91.18%.

Additionally, one question in the Finance topic section was answered as 'no' for non-compliance: page 7 No.3 LG Act s7.9(1) *Was the auditor's report for the financial year ended 30 June 2021 received by the local government by 31 December 2021?* This occurred due to no fault of the Shire and has not been counted as our non-compliance, as the Office of the Auditor General wrote to the Shire President on 23 December stating our audit would be delayed due to their workloads and COVID-19 measures resulting in significant labour shortages for the audit profession.

The non-compliant matters identified for each CAR topic area are as follows:

#### Delegation of Power/Duty

(Page 2 No.13) LG Act s5.46(2): Whilst a full review of the delegations register was undertaken and accepted by Council in December 2021, this was not within the 2020/2021 financial year as specified in the CAR question.

#### Integrated Planning and Reporting

(Page 8 No.1) Admin Reg 19C: The Shire of Lake Grace Strategic Community Plan was adopted by absolute majority of Council on 28 June 2017 and thus was due for major review in 2021; this did not occur within that calendar year.

#### Tenders for Providing Goods and Services

(Page 11 No.1) F&G Reg 11A(1) and (3): The annual financial audit identified 12 instances of minor purchasing transactions that did not have documented evidence of verbal or written quotations being sought in line with Council's purchasing policy.

(Page 11 No.7) F&G Reg 17: Whilst the tender register was available for public inspection at the Shire office, it was not published on the Shire website.

#### Statutory / Legal Implications

Local Government Act 1995 section 7.13(i)

Local Government (Administration) Regulations 1996 - Regs 13, 14 & 15

Local Government (Audit) Regulations 1996

Local Government (Elections) Regulations 1997

Local Government (Functions and General) Regulations 1996

Local Government (Rules of Conduct) Regulations 2007

#### Policy Implications

Nil

#### Consultation

Internal: Mr Alan George - Chief Executive Officer  
Mr Chris Paget - Deputy CEO

Mrs Tegan Hall - Manager Corporate Services  
Mr Craig Elefsen – Manager Infrastructure Services  
Shire Administration, Infrastructure & Finance staff

Financial Implications

Nil

Strategic Implications

Shire of Lake Grace Strategic Community Plan 2017 - 2027

Leadership Objective		Strong governance and leadership, demonstrating fair and equitable community values
Outcome	4.1	A strategically focused, unified Council functioning efficiently
	4.1.1	Provide informed leadership on behalf of the community
	4.1.3	Provide strategic leadership and governance
Outcome	4.2	An efficient and effective organisation
	4.2.1	Maintain accountability and financial responsibility through effective planning
	4.2.2	Comply with statutory and legislative requirements
	4.2.3	Provide a positive and safe workplace

Voting Requirements

Simple majority required.

**RESOLUTION 0170**

**Moved: Cr Clarke**  
**Seconded: Mr Farrelly**

That the Audit Committee recommends to Council that it:

1. Adopts the Local Government Statutory Compliance Audit Return for the period 1 January 2021 to 31 December 2021 for the Shire of Lake Grace; and
2. Instructs the Chief Executive Officer to submit the certified 2021 Compliance Audit Return to the Department of Local Government, Sport & Cultural Industries by 31 March 2022.

**CARRIED: 5/0**

**12.0 CLOSURE**

There being no further business, the Presiding Member closed the meeting at 10:18 am.

**13.0 CERTIFICATION**

I, Stephen Hunt certify that the Minutes of Meeting held on 24 March 2022 as shown were confirmed as a true record of the meeting.



\_\_\_\_\_  
Chairperson

21 / 12 / 2022  
Date