

SHIRE OF SHARK BAY UNCONFIRMED MINUTES

29 April 2020

AUDIT COMMITTEE MEETING



PUGGLES – THE SHARK BAY ECHIDNA



29 APRIL 2020



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The unconfirmed minutes of the Audit Committee held in the Council Chamber at the Shark Bay Recreation Centre, Francis Street, Denham on 29 April 2020 commencing at 3.03pm.

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AC1.0 DECLARATION OF OPENING

The Chairperson Cr Cowell declared the Audit Committee open at 3.03 pm.

AC2.0 RECORD OF ATTENDANCES / APOLOGIES / LEAVE OF ABSENCE GRANTED

ATTENDANCES

Cr C Cowell Chairperson

Cr L Bellottie

Cr J Burton

Cr E Fenny

Cr G Ridgley

Cr M Smith

Cr P Stubberfield

Mr P Anderson Chief Executive Officer

Ms A Pears Executive Manager Finance and Administration

Ms D Wilkes Executive Manager Community Development

Mr B Galvin Works Manager

Mrs R Mettam Executive Assistant

APOLOGIES

Nil

AC3.0 CONFIRMATION OF MINUTES

AC3.1 CONFIRMATION OF THE MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 12 FEBRUARY 2020

Moved Cr Fenny

Seconded Cr Ridgley

Audit Committee Resolution

That the minutes of the Audit Committee meeting held on 12 February 2020, as circulated to all Committee members, be confirmed as a true and accurate record.

7/0 CARRIED

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AC4.0 AUDIT COMMITTEE REPORTS

AC4.1 SIGNIFICANT ADVERSE TREND IN FINANCIAL POSITION
FM00003

AUTHOR

EXECUTIVE MANAGER FINANCE AND ADMINISTRATION

DISCLOSURE OF ANY INTEREST

Nil

Moved Cr Fenny
Seconded Cr Ridgley

Audit Committee Resolution

That the Audit Committee recommend that Council:

- **Accept and endorse the action detailed within the Significant Adverse Trend in Financial Position Report for the financial year ended 30 June 2019, presented to the Audit Committee by the Council's Administration, and**
- **Forward a copy of the report and Council Resolution to the Department of Local Government as a true and correct record of the information contained therein.**

7/0 CARRIED

BACKGROUND

In the Moore Stephens Independent Auditor's Report to the Councillors of Shark Bay for the financial year ended 30 June 2019 they detailed that:

In their opinion, there is a significant adverse trend in the financial position of the Shire as the Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries Standard for the past 3 years.

This is a significant matter that is required to be reported to the Audit Committee along with a detailed report outlining what actions the local government has or proposes to take in respect of the matter raised.

COMMENT

At the Audit Committee Meeting held on the 12 February 2020 Mr Greg Godwin of Moore Stephens advised members of the significant adverse trend in the financial position of the Shire due to the Operating Surplus Ratio being below the Department of Local Government, Sport and Cultural Industries Standard for the past 3 years.

However he also outlined the overall positive findings of the audit process and acknowledged that there has been an improvement in the Operating Surplus Ratio which had been noted on page 51 of the Financial Statements for the year ended 30 June 2019. For your information the note is detailed below:

UNCONFIRMED MINUTES OF THE AUDIT COMMITTEE MEETING

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Ratios	Formula	\$	2019	\$	2018	\$	2016/17	\$	2016/17	Comments	
Liquidity & Solvency											
										<i>Abnormal Items Removed from Operating Income and Reimbursements and Recoveries</i>	
OPERATING SURPLUS RATIO	Operating Revenue Minus Operating Expense	(954,853)		(1,245,454)		(1,076,522)		(1,795,232)			
	Net Result	+ (436,180)		(388,216)		1,443,193		724,483			
	- less: Non-Operating grants, Subsidies and contributions	- (519,673)	(954,853)	(857,238)	(1,245,454)	(2,519,715)	(1,076,522)	(2,519,715)	(1,795,232)		
				-0.303		-0.433		-0.290		-0.600	
	Own Source Operating Revenue	3,147,731	3,147,731	2,873,428	2,873,428	3,711,788	3,711,788	2,993,078	2,993,078		
	- add: rates	+ 1,279,210		1,248,087		1,190,882		1,190,882			
	- add: fees and user charges	+ 1,587,982		1,509,057		1,554,203		1,554,203			
	- add: service charges	+ 0		0		0		0			
	- add: interest income	+ 64,894		64,093		66,987		66,987			
	- add: profit on disposal of assets	+ 21,608		0		0		0			
- add: reimbursements and recoveries	+ 194,027		52,189		899,715		181,006				
	Reimbursements and Recoveries										
	Abnormal Items in 2016/17										
	DOT Reimbursement for Foreshore					\$ 621,928.29					
	Transfer from Trust Account					\$ 96,781.24					
						\$ 718,709.53					

Notes:

(1) - During the 2016/17 financial year \$718,710 of abnormal items, which were included in Operating Revenue, effected the Operating Surplus Ratio result of -0.29% displayed above. After adjusting for these abnormal items the adjusted ratio is -0.60% which reflects the downward trend and councils efforts to reduce this significant adverse deficit.

It is acknowledged by both the auditors and the Councillors, that due to the size of its ratebase, our Council is dependent on Grant Commission Funding as this is the major cause of the operating surplus ratio being below the Department of Local Government, Sport and Cultural Industries Standard. As most Regional Local Governments are having to report on the same significant matter the Operating Surplus Ratio needs to be reviewed to acknowledge and address this situation.

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The Department of Local Government, Sport and Cultural Industries advise that the current prescribed financial ratios are being reviewed as part of the Local Government Review. However until this work has been finalised and any amendments endorsed, the existing ratios will remain.

ACTION

The Shire will continue with the Strategies implemented to reduce expenditure and improve the Operating Surplus Ratio as its successful implementation has proven fruitful over the last three years.

LEGAL IMPLICATIONS

If the Auditor General or a local government's appointed auditor reports a significant matter in an audit report, section 7.12A of the Local Government Act 1995 requires :

1. Upon receipt of the auditor's report, the local government must prepare a report for its Audit Committee to address the significant matters raised and outline what action(s) the local government has taken or intends to take in respect of each of the matters raised.
2. The Audit Committee minutes and the report to the Minister are referred to Council for proper review and endorsement of any proposed actions.
3. Within 3 months of receipt of the auditor's report, a copy of the Council-endorsed report must be provided to the Minister.
4. Within 14 days of providing a copy of the report to the Minister, a copy must be published on the local government's website.

A local government is not considered compliant with its statutory obligations until all of the above actions have been completed.

POLICY IMPLICATIONS

There are no policy implications relative to this report.

FINANCIAL IMPLICATIONS

There are no financial implications relative to this report.

STRATEGIC IMPLICATIONS

There are no strategic implications relative to this report.

RISK MANAGEMENT

Should the Local Government not comply with the Legal implications listed above the Council will be in contravention of the Local Government Act 1995 and will be deemed non compliant with its statutory obligations.

VOTING REQUIREMENTS

Simple Majority Required

SIGNATURES

Author

A Pears

Chief Executive Officer

P Anderson

Date of Report

23 April 2020

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AC5.0 NEXT AUDIT COMMITTEE MEETING

The next meeting of the Audit Committee will be advised.

AC6.0 CLOSURE OF MEETING

With no further business the Chairperson Cr Cowell closed the Audit Committee meeting at 3.08 pm.