



SHIRE OF LAVERTON

AUDIT AND RISK COMMITTEE MEETING

MINUTES

**Held in the Shire of Laverton Council Chambers
at 9 MacPherson Place, Laverton,
on Thursday 25 July 2019,
commencing at 4:57 pm**

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ATTACHMENTS

ARC190725-3.1.A Minutes of Audit and Risk Committee Meeting 24 April 2019

**MINUTES OF AN AUDIT AND RISK COMMITTEE MEETING
HELD IN THE SHIRE OF LAVERTON COUNCIL CHAMBERS,
9 MACPHERSON PLACE, LAVERTON ON
THURSDAY 25 JULY 2019 AT 4:57PM**

1. DECLARATION OF OPENING

The Presiding Member, Cr Patrick Hill, declared the Committee Meeting open at 4:57pm.

2. RECORD OF ATTENDANCE

2.1 PRESENT

Cr P Hill	Member
Cr S Weldon	Member
Cr D Ross	Member
Cr R Ryles	Member
Cr R Prentice	Member
Cr R Weldon	Member
Mr P Naylor	Chief Executive Officer
Mr P Marshall	Deputy Chief Executive Officer
Mr L Vidovich	Executive Manager Technical Services

2.2 APOLOGIES

Nil

2.3 LEAVE OF ABSENCE

Nil

2.4 VISITORS

Nil

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

3.1 MINUTES OF AUDIT AND RISK COMMITTEE MEETING HELD 24 APRIL 2019 (FILE REF: 207)

ATTACHMENT

AC190725-3.1.A Minutes of Audit and Risk Committee Meeting 24 April 2019

ARC190725-01 PROCEDURAL DECISION

MOVED: Cr S Weldon SECONDED: Cr D Ross

That the Minutes of the Audit and Risk Committee Meeting (Attachment ARC190725-3.1.A) held on 24 April 2019, be confirmed as a true and accurate record of proceedings.

SIMPLE MAJORITY	X	VOTES FOR	6	VOTES AGAINST	0
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4. REPORTS OF COMMITTEE AND OFFICERS

4.1 DEPUTY CHIEF EXECUTIVE OFFICER

4.1.1 AUDIT REPORT 2017-2018 (FILE REF: 1229)

SUBMISSION TO:	Audit and Risk Committee Meeting, 25 July 2019
DISCLOSURE OF INTEREST:	The author has no financial interest in this matter
OWNER/APPLICANT:	Not applicable
AUTHOR:	Phil Marshall, Deputy Chief Executive Officer
SENIOR OFFICER:	Peter Naylor, Chief Executive Officer
PREVIOUS MEETING REFERENCE:	Resolution ARC190424-03 of Audit and Risk Committee Meeting held 24 April 2019

MATTER FOR CONSIDERATION

That the Council consider the Audit Qualifications contained within the Letter from the Auditor for the year ending 30 June 2018.

The Audit was qualified due to:

- The Shire's comparative information for infrastructure assets was measured on cost basis and not fair value as required; and
- The Shire's property, plant and equipment at 30 June 2017 had not been revalued for more than three years.
- Significant adverse trends in the financial position of the Shire: Asset Renewal Funding Ratio below the Department standard for the last three years.

ATTACHMENTS

Nil to this report.

APPLICANT'S SUBMISSION

Nil to this report.

BACKGROUND

The Council at its Audit and Risk Committee Meeting on 24 April 2019, received the Audit report in a letter dated 12 April 2019.

The Department of Local Government, Sport and Cultural Industries ('the Dept') has written to Council in a letter dated 20 June 2019 (received 28 June 2019) and has requested that the Council undertake the following:

Section 7.12A (4) of the *Local Government Act 1995* states that:

- (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.

The Dept has advised the council that this has not occurred and as such the matter must be addressed and actioned within 60 days of receipt of the letter.

STATUTORY ENVIRONMENT

Local Government Act 1995

Section 2.7(2) – Provides that Council is to oversee the allocation of local government finances and resources and to determine the local government policies.

Section 3.1 – Provides that the general function of the local government is to provide for the good government of persons in its district.

Division 4 — General

Section 7.12A – Duties of local government with respect to audits refers and is applicable to this report

POLICY IMPLICATIONS

Council has no policies in respect to this matter.

FINANCIAL IMPLICATIONS

The recommendation of this report has no financial implications for Council.

STRATEGIC IMPLICATIONS

Civic Leadership Objective - A financially strong and knowledgeable Shire, leading an empowered community

Outcome 4.3 Improved planning

4.3.2 Seek high level of statutory compliance

CONSULTATION

Chief Executive Officer

COMMENT

The matters raised in the auditor's qualification will be addressed in the following table:

Table 1: Qualifications from Audit Report dated 12 April 2019

Qualification by Auditor	Action to be taken and/or Comments as deemed appropriate
The Shire's comparative information for infrastructure assets was measured on cost basis and not fair value as required	During our audit we noted that the local government revalued all classes of its fixed assets. It was further noted that fixed asset classes of property, plant and equipment valuation was taken up as at 1 July 2017 due to the valuation of these assets not being recorded as at 30 June 2017 when required. Numerous errors and issues were identified with the appropriate accounting treatment in reporting the fair values of the local government's fixed assets. These errors were material to the financial report and required correction in the accounts. Some of these errors were traced to different valuations in different versions of the valuer's valuation reports. Other errors were traced to the take-up of asset fair values not being undertaken at the appropriate point in time. The largest errors were traced to the journals processed to effect the asset fair values in the general ledger with assets written off being incorrectly treated as a loss on revaluation of fixed assets.

	<p>This matter has been addressed and all being equal, errors as recorded by the Auditor in his comments above should not be a consideration into the future.</p> <p>The valuation was undertaken in June 2018 by Talis (Valuers)</p>
<p>The Shire's property, plant and equipment at 30 June 2017 had not been revalued for more than three years.</p>	<p>Noted, however, the last revaluation was completed in June 2017 by Griffen (Valuers) and it is planned to undertake this revaluation in this financial year ending 30 June 2020.</p>
<p>Significant adverse trends in the financial position of the Shire: Asset Renewal Funding Ratio below the Department standard for the last three years</p>	<p>I would concur with the finding, however, the Council is addressing the Long Term Financial Plan (LTFP) through the Northern Goldfields Statutory Compliance Group with this review planned for 2020-2021.</p> <p>The current LTFP covers the period 2013-2028 and from reviewing the plan, the figures are in need of reconfiguration in line with what is occurring within the Council. For example, rates currently exceed the forecast figures by \$1.4 million.</p> <p>Why the reference to the LTFP, is because the ratio is calculated from this information and Asset Management Plans.</p> <p>This ratio indicates whether the local government has the financial capacity to fund asset renewal as required and can continue to provide existing levels of services in the future without additional operating income or reductions in operating expenses. It is forecasting and it certainly needs to be addressed sooner than later, however as the Council is committed to the Northern Goldfields Statutory Compliance Group, then it would be financially prudent to delay until due within the group, this being 2020-2021 financial year.</p>

VOTING REQUIREMENTS

Simple majority of the Committee.

ARC190725-02 COMMITTEE DECISION/OFFICER RECOMMENDATION

MOVED: Cr D Ross SECONDED: Cr R Prentice

That the Council endorse the comments and recommendations emanating from the Auditor's report dated 12 April 2019 as contained within Table 1 of this report and take the following action:

1. Publish this report on the Council's website in accordance with Clause 7.12A(5) of the *Local Government Act 1995*; and
2. Forward a copy of the report to the Department of Local Government, Sport and Cultural Industries in accordance with Section 7.12A(4)(b) of the *Local Government Act 1995* by 19 August 2019.

SIMPLE MAJORITY	<input checked="" type="checkbox"/>	VOTES FOR	<input type="checkbox"/> 6	VOTES AGAINST	<input type="checkbox"/> 0
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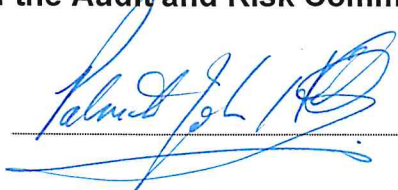
5. CLOSURE OF MEETING

The Presiding Person declared the meeting closed at 5:02pm.

6. CERTIFICATION OF MINUTES

I, Patrick Hill, hereby certify that the Minutes of the Audit and Risk Committee Meeting held on 25 July 2019 are confirmed as a true and correct record, by resolution of the meeting of the Audit and Risk Committee held on 26 September 2019.

SIGNED:



DATED:

26 September 2019