



9 April 2021

NOTICE OF MEETING

Dear Councillor,

The next Audit Committee Meeting will be held at the Shire of Carnamah on 14 April at 4:00pm.

The attached Agenda is presented for your consideration.

A handwritten signature in black ink, appearing to read "Vin Fordham Lamont", is written over a circular stamp or seal.

Vin Fordham Lamont
CHIEF EXECUTIVE OFFICER

Please Note

If an Elected Member has a query regarding a report item or requires additional information in relation to an item, please contact the senior employee (noted in the report) prior to the meeting.

CONTENTS

1.0	DECLARATION OF OPENING	3
2.0	RECORD OF ATTENDANCE	3
2.1	PRESENT	3
2.2	APOLOGIES	3
2.3	LEAVE OF ABSENCE (PREVIOUSLY APPROVED)	3
3.0	PUBLIC QUESTION TIME	3
4.0	CONFIRMATION OF PREVIOUS MINUTES	3
4.1	AUDIT COMMITTEE MEETING 17 MARCH 2021	3
5.0	DISCLOSURE OF INTEREST	4
5.1	DECLARATION OF FINANCIAL INTEREST AND PROXIMITY INTERESTS	4
5.2	DECLARATION OF INTEREST AFFECTING IMPARTIALITY	4
6.0	OFFICER ITEMS	5
6.1	OPERATING SURPLUS RATIO BELOW THE DEPARTMENT STANDARD AS IDENTIFIED IN THE AUDIT REPORT – 2019/2020	5
6.2	REVIEW OF AUDIT MANAGEMENT LETTER AND ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020	7
7.0	CONFIDENTIAL REPORTS	8
8.0	NEW BUSINESS OF AN URGENT NATURE	8
9.0	CLOSURE OF MEETING	8
9.1	DATE, TIME AND PLACE OF THE NEXT MEETING	8
9.2	CLOSURE OF THE MEETING (TIME)	

AUDIT COMMITTEE MEETING

1.0 DECLARATION OF OPENING

The Presiding Person, Cr Merle Isbister welcomed Committee Members and Staff to the meeting, and declared the meeting open at _____pm.

2.0 RECORD OF ATTENDANCE

2.1 Present

2.2 Apologies

2.3 Leave of Absence (previously approved)

3.0 PUBLIC QUESTION TIME

4.0 CONFIRMATION OF PREVIOUS MEETING MINUTES

4.1 Audit Committee Meeting 17 March 2021

AC20210401 COMMITTEE RECOMMENDATION

That the Minutes of the Audit Committee Meeting held on Wednesday 17 March 2021 be accepted as a true and correct record.

5.0 DISCLOSURE OF INTEREST

5.1 Declaration of Financial Interest and Proximity Interests

Committee Members must disclose the nature of their interest in matters to be discussed at the meeting (*Part 5 Division 6 of the Local Government Act 1995*).


Committee Members must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting (*Sections 5.70 and 5.71 of the Local Government Act 1995*).

5.2 Declaration of Interest Affecting Impartiality

A Committee Member or an employee who has an interest in a matter to be discussed at the meeting must disclose that interest (*Local Government (Admin) Reg.11*).

6.0 OFFICER ITEMS

6.1 OPERATING SURPLUS RATIO BELOW THE DEPARTMENT STANDARD AS IDENTIFIED IN THE AUDIT REPORT - 2019/2020

File Ref: ADM0073
Author: Ian Walsh – Deputy Chief Executive Officer
Disclosure of Interest: Nil
Attachments: 1. Independent Audit Report 

SUMMARY

The audit report for the year ended 30 June 2020 identified that the Shire of Carnamah's "Operating Surplus Ratio" was below the standard set by the Department of Local Government Sport and Cultural Interest.

In accordance with Section 7.12A(4) of the Local Government Act 1995 Council need to:

- a) Prepare a report addressing this matter
- b) State what action the Shire has taken or intends to take to address this matter

BACKGROUND

The Operating Surplus Ratio is calculated as follows:

Operating Revenue MINUS Operating Expense

Own Source Operating Revenue

Purpose: This ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes.

Standards: Basic Standard: between 1% and 15% (0.01 and 0.15)
Advanced Standard: > 15% (>0.15).

Definitions:

'Operating Revenue' Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.

'Operating Expense': Means the expense that is operating expense for the purposes of the AAS.

'Own Source Operating Revenue': Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

The Department considers this a key indicator of a local government's financial performance. If a local government consistently achieves a positive operating surplus ratio and has soundly based long term financial plans showing that it can continue to do so in future, having regard to asset management and the community's service level needs, then it is considered financially sustainable. A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage

increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

The table below shows the ratio for the last three years based on the formula above:

<u>Ratio</u>	2020	2019	2018
Operating Surplus Ratio	(0.25)	(0.63)	(0.14)

COMMENT

The Shire will need to review its operating income and expenditure and attempt to try and reduce the difference between operating income and operating expenditure.

Increasing revenue through raising rates, fees and charges etc is not going to have any significant effect in address the ratio due to the relatively small amounts involved. It requires fundamental changes to the way that local government is funded (increasing operational grants rather than capital grants) for us to be in a position to easily meet the DLG Standard for this ratio. This is something that we will continue to lobby for, as part of sector-wide efforts to lift Financial Assistance Grants from the current 0.55% to 1% of Commonwealth Taxation Revenue.

CONSULTATION

Chief Executive Officer

STATUTORY ENVIRONMENT

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

STRATEGIC IMPLICATIONS (Community Strategic Plan 2017-2022)

Corporate Business Plan

Civic Leadership

Financial Planning and Management

2. *To responsibly manage Council's financial resources to ensure optimum value for money and sustainable asset management.*

POLICY IMPLICATIONS

Council Policy 8.15 Significant Accounting Policies

FINANCIAL IMPLICATIONS

There is no direct financial implication. However, there may be implications in future years depending on *what actions can be taken to address the ratio.*

VOTING REQUIREMENT



Simple Majority

OFFICER RECOMMENDATION

That the Audit Committee endorse and recommend to Council the following:

- a) Council continue to review all own source income streams and operating expenses;
- b) Lobby for changes to the ratio calculation;
- c) Lobby for increases in the financial assistance grants; and
- d) That in accordance with *Section 7.12(A)4 of the LGA* the CEO advises the Department of the outcome.

6.2 REVIEW OF AUDIT MANAGEMENT LETTER AND ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

File Ref: ADM0073, ADM0057
Author: Ian Walsh – Deputy Chief Executive Officer
Disclosure of Interest: Nil
Attachments: 1. Audit Management Letter 
2. 2019-2020 Annual Financial Report 

BACKGROUND

Each year, a local government is required to prepare and adopt (by 31 December, where possible) the Annual Financial Report.

COMMENT

Council is requested to review the Audit Management letter from the Auditor General for Western Australia, and give consideration to recommending the adoption of the 2019-2020 Annual Report.

CONSULTATION

Chief Executive Officer

STATUTORY ENVIRONMENT

Regulation 36 of the Local Government (Financial Management) Regulations 1996 details the form of the annual financial report.

STRATEGIC IMPLICATIONS (Community Strategic Plan 2017-2022)

Financial Planning and Management

2. *To responsibly manage Council's financial resources to ensure optimum value for money and sustainable asset management.*

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

VOTING REQUIREMENT

Absolute Majority

OFFICER RECOMMENDATION

That the Committee recommends to Council:

- 1) In accordance with Regulation 16f of the *Local Government (Audit) Regulations 1996* for the Committee to oversee the action plan to address the matters in the Auditors' findings (Attachment 1); and
- 2) In accordance with Regulation 36 of the *Local Government (Financial Management) Regulations 1996*, Council adopts the 2019-2020 Annual Financial Report (Attachment 2)

7.0 CONFIDENTIAL REPORTS

Nil

8.0 NEW BUSINESS OF AN URGENT NATURE

Nil

9.0 CLOSURE OF MEETING

9.1 Date, Time and Place of the Next Meeting**9.2 Closure of the Meeting**

The Presiding Person declared the meeting closed at _____pm.