



Minutes for the Audit Committee Meeting

16 December 2020

COUNCIL CALENDAR		
Date	Time	Meeting
16 December 2020	2.30pm	Audit Committee Meeting

MEETING GUESTS  
Nil



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# MINUTES

**Shire of Narembeen  
Audit Committee Meeting  
Wednesday 16 December 2020, commencing at 2.30pm**

## 1.0 Opening & Welcome

Presiding Person, Cr Rhonda Cole welcomed everyone to the meeting and declared the Audit Committee meeting open at 2.30pm.

## 2.0 Attendance & Apologies

### Attendance

#### **Councillors**

Cr Rhonda Cole	Shire President, Presiding Person
Cr Peter Lines	Member (entered meeting at 2.32pm)
Cr Regina DeLuis	Member
Cr Amy Hardham	Member (entered meeting at 2.33pm)
Cr Scott Stirrat	Member
Cr Alan Wright	Member
Cr Warren Milner	Member

#### **Staff**

David Blurton	Acting Chief Executive Officer
Sheree Thomas	Community & Economic Development Officer (minute taker)

### Apologies

Cr Kellie Mortimore	Deputy Shire President
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## 3.0 Declarations of Interest

Nil

## 4.0 Public Question Time & Deputations (15 min)

Nil

## 5.0 Minutes of Previous Meetings

### 5.1 Confirmation of Minutes of Audit Committee Meeting – 18 March 2020

#### 5.1.1 Confirmation of Minutes

Confirmation of Minutes from the Shire of Narembeen Audit Committee Meeting held on Wednesday 18 March 2020.

**RECOMMENDATION:**

That the minutes of the Shire of Narembeen Audit Committee Meeting held on Wednesday 18 March 2020 be confirmed as a true and accurate record of the proceedings.

**COUNCIL RESOLUTION**

**MIN 7138/20**

**MOTION - Moved Cr. R DeLuis**

Seconded Cr. A Wright

*That the minutes of the Shire of Narembeen Audit Committee Meeting held on Wednesday 18 March 2020 be confirmed as a true and accurate record of the proceedings.*

**CARRIED 5/0**

2.32pm – Cr P Lines entered the meeting.  
2.33pm – Cr A Hardham entered the meeting.

UNCONFIRMED

## 6.0 REPORTS

### AGENDA ITEM: 6.1 - Shire of Narembeen Annual Report 2019/2020

<b>Subject:</b>	Shire of Narembeen Annual Report 2019/2020
<b>Applicant:</b>	Shire of Narembeen
<b>File Ref:</b>	ADM477
<b>Disclosure of Interest:</b>	Nil
<b>Author:</b>	Rachael Moore, Finance Officer
<b>Date:</b>	08 December 2020
<b>Attachments:</b>	Shire of Narembeen Annual Report 2019/2020 inclusive of the Annual Financial Report for the 2019/2020 financial year and the Independent Auditors Report

#### SUMMARY

To review the Shire of Narembeen Annual Report and Annual Financial Report as required by regulation.

#### BACKGROUND

Each year, Local Governments are required to produce an Annual Report which includes an audited Annual Financial Report (Local Government Act 1995 s5.53).

#### COMMENT

The audited Annual Financial Report for the 2019/2020 financial year has been received together with the Independent Auditor's Report and Management Report and is presented to the Audit Committee for consideration and recommendation to Council.

Council's auditor reported that in his opinion the Shire of Narembeen's financial report complies with the Local Government Act and associated Regulations and gives a true and fair view of the Shire's financial position and its financial performance and cash flows as at 30 June 2020 and complies with Australian Accounting Standards.

The Shire's management supplied the auditors with all required information and satisfactory explanations were obtained for all areas requiring clarification. All audit procedures were satisfactorily completed, and the asset consumption ratio and asset renewal ratio were supported by verifiable information and reasonable assumptions.

Based on advice from Moore Australia and the Office of the Auditor General (OAG) the Shire reported an accounting misstatement with regards to the RoeROC Waste Facility to the OAG. The OAG deemed the item immaterial and it did not affect their opinion of the Shire's finances, but the Shire will need to work with the other Shire's involved in RoeROC to ensure correct accounting practices are being followed. Essentially the way the current MOU is written and the fact the group has purchased and operates a Landfill has led the auditors to form the opinion that it should be treated as an investment in an associate entity not a joint venture. It won't hurt for all RoeROC Shire's to spend some time reviewing how they account for the RoeROC scenario and to improve consistency across the group.

The Interim Audit identified eight key findings that the Shire has worked to rectify since March. Most issues are fully resolved but the administration wanted to flag with the audit committee that it is still fine-tuning revenue recognition (AASB 15 and AASB1058), most grants are now treated as a contract liability, but the Shire needs to look at other areas such as rubbish charges collected with rates which the auditor also expect to be a contract liability with apportioned revenue only receipted on a monthly basis.

Also finding seven was that employee pay rates were not always supported by an employment contract or letter of employment. This is a legacy issue and has been rectified for all new employees, but the Shire needs to issue letters to all employees after the next round of EBA negotiations conclude.

This year's Annual Financial Report has an increased number of notes mostly related to the changes in accounting standards and regulations. Overall, the Shire has experienced minimal impact from the standard changes with the main changes being:

- Revenue recognition policy - Each source of revenue is required to be tabled in note 2. Revenue recognition is about determining when revenue will be received as opposed to received.
- Revenue from contracts with customers – AASB 15 this includes all revenue received based on a contract. Historically revenue was shown on receipts of funds, funds now shown as a liability until the obligation of the contract has been met as at 30 June 2020 the Shire had \$196,501 in contract liabilities, disclosure on note 15.
- Leases – the adoption of AASB 16 requires right of use assets and lease liabilities to be shown separately from other assets, the shire currently has no leases to report. The shire experienced no impact from the new standards relating to leases.

The Shire finished with a strong surplus position of \$1,709,673 this figure is inflated due to \$1,046,634 of unbudgeted Financial Assistance Grants for 2020/2021 received in the 2019/2020 reporting period, expenditure was also down by \$319,112 spread across all accounts.

The Financial Health Indicator is a measurement of a local governments overall financial health based on the seven financial ratios.

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Ratio Names	Raw Ratios	Raw Ratios	Raw Ratios		Raw Ratios
Current	1.66	3.48	2.03	9.20	5.60
Asset Consumption	0.97	0.94	0.98	0.96	0.95
Asset Renewal	0.25	0.27	0.99	0.88	0.81
Asset Sustainability	0.70	0.91	0.72	1.68	1.02
Debt Service Coverage	0.17	20.95	5.01	22.17	15.20
Operating Surplus	(1.51)	(0.38)	(1.13)	0.11	(0.51)
Own Source Revenue	0.30	0.33	0.23	0.35	0.38
	32	60	57	89	71

Trends show an improved financial health, 2018/2019 was inflated due to WANDRRA funding with 2019/2020 showing sound financial health

The Shire President, Deputy President, Cr Milner, Cr DeLuis, Cr Wright as well as the Acting Chief Executive Officer and Finance Officer attended a close of audit meeting with the Shire's auditors and an OAG representative and all parties were satisfied with the audit process and findings.

As well as the Annual Financial Report the Shire's Annual Report also contains a report from the Shire President and CEO, information relating to the Strategic Community Plan and projects undertaken in 2019/2020 and projects planned for 2020/2021, and statutory compliance information relating to items such as:

- Freedom of Information
- Complaints Received
- Employee Salaries over \$100,000
- Disability Access and Inclusion
- Record Keeping

- Competitive Neutrality
- Councillor Training

The Shire had no notifiable issues or items of note to disclose for 2019/2020 financial year.

## CONSULTATION

Chief Executive Officer  
 Executive Manager Corporate Services  
 Auditors, Moore Stephens  
 Office of Auditor General

## STATUTORY IMPLICATIONS

Local Government Act 1995, Part 5 Administration

### 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;

Local Government (Financial Management) Regulations 1996, Part 4 Financial Reports

- r36. Annual financial report, content of (Act s. 6.4(2))
- r37. Trust fund, information about in annual financial report
- r38. Reserve accounts, information about in annual financial report
- r39. Rates, information about in annual financial report
- r40. Service charges, information about in annual financial report
- r41. Fees and charges, information about in annual financial report
- r42. Discounts for early payment etc., information about in annual financial report
- r43. Interest charges etc., information about in annual financial report
- r44. Fees etc. to council members, information about in annual financial report
- r45. Trading undertakings, information about in annual financial report
- r46. Major land transactions, information about in annual financial report
- r47. Completed major land transactions, information about in annual financial report
- r48. Borrowings, information about in annual financial report
- r49. Invested money, information about in annual financial report
- r50. Financial ratios to be included in annual financial report
- r51. Annual financial report to be signed etc. by CEO and given to Department

## FINANCIAL IMPLICATIONS

There are no unforeseen financial implications associated with this report.

## POLICY IMPLICATIONS

There are no known policy implications in considering this item.

## STRATEGIC PLAN REFERENCE

Shire of Narembeen Strategic Community Plan 2017 – 2027

Goal 2: Internal and external relationships actively grow our Shire population and positive financial position.

2.1 Our organisation model is responsive to economic conditions, the delivery of core services and infrastructure so too the successful pursuit of economic opportunities that benefit our community.

## RELATED PARTY TRANSACTIONS

There are no known related party transactions associated with this item.

## VOTING REQUIREMENTS

Absolute majority.

## OFFICER RECOMMENDATION

That Council: -

1. Adopt the Shire of Narembeen Annual Report 2019/2020, including the Annual Financial Report and Independent Auditor's Report.
2. Advertise for the Shire of Narembeen Annual Electors Meeting to be held at 3.30pm on Wednesday 3 February 2021 in Council Chambers.

## COMMITTEE RESOLUTION

**MIN 7139/20**

**MOTION** - Moved Cr. P Lines

Seconded Cr. S Stirrat

*That Council: -*

1. *Adopt the Shire of Narembeen Annual Report 2019/2020, including the Annual Financial Report and Independent Auditor's Report.*
2. *Advertise for the Shire of Narembeen Annual Electors Meeting to be held at 3.30pm on Wednesday 3 February 2021 in Council Chambers.*

**CARRIED 7/0  
ABSOLUTE MAJORITY**

*Council noted the significant work that Rachael Moore has dedicated towards the preparation of the financials for the 2019/2020 Annual Report as well as the performance audit with the Office of the Auditor General.*

## 7.0 Other Business

Nil

## 8.0 Next Meeting

To be advised.

## 9.0 Closure

There being no further business the Chair declared the meeting closed at 2.40pm.

## 10.0 Certification of Meeting Minutes

I, Cr Rhonda Cole, Shire President certify that the Minutes of the Audit Committee Meeting held on Wednesday 16 December 2020 are confirmed as a true and correct record of the meeting.

\_\_\_\_\_  
Cr Rhonda Cole  
PRESIDING PERSON

\_\_\_\_\_  
Date