

# Agenda

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## SHIRE OF DENMARK AUDIT ADVISORY COMMITTEE

TO BE HELD IN THE COUNCIL CHAMBERS,  
953 SOUTH COAST HIGHWAY, DENMARK,  
TUESDAY, 9 MARCH 2021, COMMENCING 10:00AM

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS .....	2
2. RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE .....	2
1. DECLARATIONS OF INTEREST .....	2
2. ANNOUNCEMENTS BY THE PERSON PRESIDING .....	2
3. CONFIRMATION OF MINUTES.....	2
3.1 AUDIT COMMITTEE MEETING .....	2
4. PUBLIC QUESTION TIME.....	3
5. OFFICER REPORTS .....	3
5.1 CONDUCT OF MEETING WITH AUDITOR – 2019/2020 ANNUAL FINANCIAL REPORT AND AUDITORS REPORT .....	3
5.2 SHIRE OF DENMARK 2019/20 ANNUAL FINANCIAL REPORT AND AUDIT REPORT .....	5
5.3 2020 COMPLIANCE AUDIT RETURN .....	7
6. GENERAL BUSINESS.....	9
7. NEXT MEETING .....	9
8. CLOSURE OF MEETING.....	9

**1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

**2. RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE**

MEMBERS:

Cr Geoff Bowley (Presiding Person)  
 Cr Mark Allen (Deputy Shire President)  
 Cr Kingsley Gibson  
 Cr Ian Osborne  
 Vacant

STAFF:

Mr David Schober (Acting Chief Executive Officer Acting)  
 Mr Lee Sounness (Acting Director Corporate and Community Services)  
 Ms Gina McPharlin (Manager Corporate Services)

APOLOGIES:

Cr Ceinwen Gearon (Shire President)

ON LEAVE OF ABSENCE:

ABSENT:

VISITORS:

Ms Renuka Venkatraman (Office of Auditor General) – via teleconference

**1. DECLARATIONS OF INTEREST**

Name	Item No	Interest	Nature

**2. ANNOUNCEMENTS BY THE PERSON PRESIDING**

**3. CONFIRMATION OF MINUTES**

**3.1 AUDIT COMMITTEE MEETING**

OFFICER RECOMMENDATION	ITEM 3.1
That the Minutes of the Shire of Denmark Audit Advisory Committee meeting held on 1 September 2020, be confirmed as a true and correct record of the proceedings.	

#### 4. PUBLIC QUESTION TIME

Public Question Time shall be held in accordance with section 5.24 of the Local Government Act 1995 and Regulations 5, 6 and 7 of the Local Government (Administration) Regulations 1996.

Public question time enables members of the public to address the Committee or ask questions of Committee. The procedure for public question time can be found on the wall near the entrance to the Council Chambers or can be downloaded from the Shire's website at <http://www.denmark.wa.gov.au/council-meetings>.

Questions from the public are invited and welcomed at this point of the Agenda.

#### Questions from the Public

#### 5. OFFICER REPORTS

##### 5.1 CONDUCT OF MEETING WITH AUDITOR – 2019/2020 ANNUAL FINANCIAL REPORT AND AUDITORS REPORT

<b>File Ref:</b>	FIN.31
<b>Applicant / Proponent:</b>	Shire of Denmark
<b>Subject Land / Locality:</b>	Nil
<b>Disclosure of Officer Interest:</b>	Nil
<b>Date:</b>	21 February 2021
<b>Author:</b>	Lee Sounness, Director Corporate & Community Services Acting
<b>Authorising Officer:</b>	Lee Sounness, Director Corporate & Community Services Acting
<b>Attachments:</b>	Nil

#### **Summary:**

To resolve how the meeting between the Audit Committee and Council's Auditor will be conducted.

#### **Background:**

Nil

#### **Consultation:**

The Annual Financial Report has been the subject of close examination by the Office of the Auditor General and the appointed auditor Russell Harrison of Lincolns Beyond Numbers.

#### **Statutory Obligations:**

Local Government Act 1995 Section 7.12A (2)

#### **Policy Implications:**

There are no policy implications

#### **Budget / Financial Implications:**

Nil

#### **Strategic & Corporate Plan Implications:**

The report and officer recommendation are consistent with Council's adopted Strategic Community Plan Aspirations and Objectives and the Corporate Business Plan Actions and Projects in the following specific ways:

Denmark 2027

L5.4 To be fiscally responsible

**Sustainability Implications:**

➤ **Environmental:**

There are no known significant environmental considerations relating to the report or officer recommendation.

➤ **Economic:**

There are no known significant economic considerations relating to the report or officer recommendation.

➤ **Social:**

There are no known significant social considerations relating to the report or officer recommendation.

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the Audit Advisory Committee do not agree to meet with the Auditor	Rare (1)	Minor (2)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

**Comment/Conclusion:**

The Office of the Auditor General have produced an Independent Auditor’s Report for the 2019/2020 financial year.

An important function of the meeting is to discuss with the Auditor, the conduct of the audit, the audit findings, and the state of the Shire’s financial affairs generally.

Legislation specifies that a local government is required to meet with its auditor at least once in every year. The Department of Local Government and Regional Developments Local Government Operational Guidelines – Number 09, Part 16 states:

*“It is acknowledged that the requirement to meet at least once per year may incur a significant financial burden for the more remote local governments. In such circumstances the meeting can be conducted by telephone or video conference. The Council or Audit Committee should resolve how the meeting with the Auditor will be conducted and for the record of the meeting to show that the Auditor was involved and the matters discussed.”*

The Office of the Audit General Council’s Auditor has advised that they will be available from 11.30am to liaise with members of the Audit Committee via teleconference

**Voting Requirements:**

Simple Majority

OFFICER RECOMMENDATION	ITEM 5.1
That the Shire of Denmark Audit Committee RESOLVES to conduct a meeting with the Office of the Auditor General via telephone conference.	

## 5.2 SHIRE OF DENMARK 2019/20 ANNUAL FINANCIAL REPORT AND AUDIT REPORT

<b>File Ref:</b>	FIN.31
<b>Applicant / Proponent:</b>	Shire of Denmark
<b>Subject Land / Locality:</b>	Nil
<b>Disclosure of Officer Interest:</b>	Nil
<b>Date:</b>	21 February 2021
<b>Author:</b>	Lee Sounness, Director Corporate & Community Services Acting
<b>Authorising Officer:</b>	David Schober, Chief Executive Officer Acting
<b>Attachments:</b>	5.2 a – 2019/2020 Annual Financial Report 5.2 b – Independent Auditor's Report 5.2 c – Management Letter 5.2 d – Auditor's Report to the Audit Committee

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### Summary:

The 2019/2020 Annual Financial Statement, Auditors Report and Management Letter has been received from the Office of the Auditor General's (OAG) Director of Financial Audit, Ms Renuka Venkatraman and the appointed Auditor, Mr Russell Harrison from Lincolns beyond Numbers and is provided to Committee Members with the Agenda documents.

### Consultation:

Nil

### Statutory Obligations:

Local Government Act 1995 - Part 7.

Local Government (Financial Management) Regulations 1996.

Local Government (Audit) Regulations 1996 – Regulation 16.

### Policy Implications:

The Audit Advisory Committee have delegated authority under Delegation D040231.

Policy P040232 – Municipal Budget Policies relates to annual financial budgets.

### Budget / Financial Implications:

The indicative fee of the Audit conducted by OAG is \$32,000 (ex GST) and the preparation, collation and printing of statements was undertaken in-house by Council Officers. Both of these costs have been covered in the 2020/2021 Budget.

### Strategic & Corporate Plan Implications:

The report and officer recommendation are consistent with Council's adopted Strategic Community Plan Aspirations and Objectives and the Corporate Business Plan Actions and Projects in the following specific ways:

#### Denmark 2027

L5.4 To be fiscally responsible.

### Sustainability Implications:

#### ➤ Governance:

There are no known significant governance considerations relating to the report or officer recommendation.

#### ➤ Environmental:

There are no known significant environmental implications relating to the report or officer recommendation.

➤ **Economic:**

There are no known significant economic implications relating to the report or officer recommendation.

➤ **Social:**

There are no known significant social considerations relating to the report or officer recommendation.

➤ **Risk:**

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the Committee not consider and make recommendation on the 2019/2020 Financial Statements and Audit Report	Rare (1)	Minor (2)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

**Comment/Conclusion:**

The 2019/2020 Annual Financial Report, Independent Auditor’s Report and Management Letter are to be subject of an Audit Committee meeting where the Committee will consider any action that may be required.

The objectives of the audit are to obtain reasonable assurances that the financial report is free from material misstatement and to provide an opinion to that effect. The nature of the audit is influenced by factors such as the use of professional judgement, selective testing, inherent limitations in internal controls and persuasive rather than conclusive evidence.

Shire Officers are not members of this committee and are present to answer any questions from members.

**INDEPENDENT AUDITORS REPORT (EXTRACT)**

Opinion

In the opinion of the Office of the Auditor General, the annual financial report of the Shire of Denmark:

- i. is based on proper accounts and records; and
- ii. fairly represents, in all material aspects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- i. In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
  - a. The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries’ standard for the past 3 years. The financial ratios are reported at Note 31 to the financial report.
- ii. The following material matter indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management)

Regulations 1996 or applicable financial controls of any other written law was identified during the course of my audit:

- a. The Shire has not reported the Asset Renewal Funding Ratio for 2018 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively in that year;
  - iii. All required information and explanations were obtained by me.
  - iv. All audit procedures were satisfactorily completed.
- In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

## ANNUAL REPORT AND AGM OF ELECTORS

An Annual Report has been prepared in accordance with Section 5.53 of the Local Government Act 1995 and will be presented to Council for consideration on Tuesday, 16 March 2021. If accepted, the Council must then set a date to hold an Annual General Meeting of electors in accordance with the Local Government Act 1995 Section 5.27 (2)

### Voting Requirements:

Simple majority.

#### OFFICER RECOMMENDATION

ITEM 5.2

That the Shire of Denmark Audit Advisory Committee have reviewed and RECOMMEND Council adopt the 2019/2020 Annual Financial Statements including Auditors Report, noting the recommendations therein and endorsing the actions proposed to be taken by the Chief Executive Officer

## 5.3 2020 COMPLIANCE AUDIT RETURN

<b>File Ref:</b>	FIN.8A
<b>Applicant / Proponent:</b>	Not applicable
<b>Subject Land / Locality:</b>	Not applicable
<b>Disclosure of Officer Interest:</b>	Nil
<b>Date:</b>	5 March 2021
<b>Author:</b>	Claire Thompson, Governance Coordinator
<b>Authorising Officer:</b>	David Schober, Acting Chief Executive Officer
<b>Attachments:</b>	5.3 – Compliance Audit Return

### Summary:

The Audit Advisory Committee are requested to review the 2020 Compliance Audit Return and report to Council the results of the review.

### Background:

Each year a local government is required to carry out a compliance audit for the period 1 January to 31 December against the requirements of the Compliance Audit Return provided by the Department of Local Government, Sport and Cultural Industries.

The information derived from the CAR is retained by the Department for future reference.

### Consultation:

- Internal consultation with relevant employees.
- Department of Local Government, Sport and Cultural Industries.

**Statutory Obligations:**

- Section 7.13 (1) (i) of the Local Government Act 1995 requires that the audit of compliance is to be carried out in a prescribed manner and in a form approved by the Minister.
- Regulation 13 sets out the prescribed manner and form of a compliance audit return, which has been approved by the Minister.
- Regulation 14 refers to the compliance audit period, the format and states that the compliance audit return is to be reviewed by the local government's audit committee and that the audit committee must report the result of that review to Council. The audit committee's report must be presented to and adopted by the Council.
- Regulation 15 refers to the requirement that a certified copy of the compliance audit return is presented to the Director General of the Department by 31 March.

**Policy Implications:**

There are no policy implications.

**Budget / Financial Implications:**

There are no known financial implications upon either the Council's current Budget or Long Term Financial Plan.

**Strategic & Corporate Plan Implications:**

The report and officer recommendation is consistent with Council's adopted Strategic Community Plan Aspirations and Objectives and the Corporate Business Plan Actions and Projects in the following specific ways:

Denmark 2027

L5.0 Our Local Government

*The Shire of Denmark is recognised as a transparent, well governed and effectively managed Local Government.*

L5.1 To be a high functioning, open, transparent, ethical and responsive.

**Sustainability Implications:****➤ Governance:**

A report and the Committee's recommendation will be submitted to Council on 16 March 2021 to allow sufficient time for the Compliance Audit Return to be submitted to the Department by 31 March.

**➤ Environmental:**

There are no known significant environmental implications relating to the report or officer recommendation.

**➤ Economic:**

There are no known significant economic implications relating to the report or officer recommendation.

**➤ Social:**

There are no known significant social considerations relating to the report or officer recommendation.

**➤ Risk:**

Nil

**Comment/Conclusion:**

The draft 2020 Compliance Audit Return is attached for the Audit Advisory Committee's review and report to Council.

No areas of non-compliance have been identified.



**Voting Requirements:**

Simple majority.

OFFICER RECOMMENDATION

ITEM 5.3

That the Audit Advisory Committee recommend that Council endorse the 2020 Compliance Audit Return and submit a certified copy to the Director General of the Department of Local Government, Sport and Cultural Industries by 31 March 2021.

**6. GENERAL BUSINESS**

**7. NEXT MEETING**

The next meeting of the Shire of Denmark Audit Advisory Committee is to be held as required.

**8. CLOSURE OF MEETING**