

# **SHIRE OF LEONORA**



## **MINUTES OF SPECIAL MEETING OF THE AUDIT AND RISK COMMITTEE HELD IN SHIRE CHAMBERS, LEONORA ON TUESDAY 20<sup>TH</sup> APRIL, 2021 COMMENCING AT 9:00 AM**

**1.0 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS / FINANCIAL INTEREST DISCLOSURE**

**1.1 Shire President Peter Craig declared the meeting open at 9:00am.**

**1.2 Visitors or members of the public in attendance.**  
Nil

**1.3 Financial Interests Disclosure**  
Nil

**2.0 DISCLAIMER NOTICE**

**3.0 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE**

<b>3.1 Present</b>	
President	PJ Craig
Deputy President	RA Norrie
Councillors	RM Cotterill
	AE Taylor
	LR Petersen
	AM Moore
	F Harris
Chief Executive Officer	JG Epis
Deputy Chief Executive Officer	L Gray

**3.2 Apologies**  
Nil

**3.3 Leave of Absence**  
Nil

## **4.0 REPORTS OF OFFICERS**

### **4.1 CHIEF EXECUTIVE OFFICER**

#### **4.1.1 SIGNIFICANT AUDIT MATTER – OPERATING SURPLUS RATIO**

**SUBMISSION TO:** Special Meeting of Audit Committee  
Meeting Date: 20<sup>th</sup> April, 2021

**AGENDA REFERENCE:** 4.1.1 AUDIT APR 20

**SUBJECT:** Compliance Audit Return 2020

**LOCATION / ADDRESS:** Nil

**NAME OF APPLICANT:** Nil

**FILE REFERENCE:** Nil

#### **AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT**

**NAME:** James Gregory Epis

**OFFICER:** Chief Executive Officer

**INTEREST DISCLOSURE:** Nil

**DATE:** 25<sup>th</sup> March, 2021

#### **BACKGROUND**

Each year, Council is required to complete an annual compliance audit return (CAR) for the calendar year immediately preceding (1<sup>st</sup> January to 31<sup>st</sup> December) as published by the Department for Local Government and Communities. The CAR is then to be reviewed by the Audit Committee and a report presented to Council prior to the adoption of the CAR.

This year, the CAR was reviewed and completed by Moore Australia. Tanya Browning, Manager Local Government Advisory, from Moore Australia attended the Shire offices 24<sup>th</sup> February 2021, during which time the CAR was completed through interviews with senior staff and the inspection of various documents and records including:

- Minute books
- Tender Register
- Financial Interest & Return Register
- Complaints Register
- Delegations Register
- Council's website

The CAR is one of the tools that allow Council to monitor how the organisation is functioning in regards to compliance with the *Local Government Act 1995* and provides the Audit and Risk Committee the opportunity to report to Council any cases of non-compliance or where full compliance was not achieved.

This process also provides opportunity for the Audit and Risk Committee to consider matters that may require further review within ongoing risk framework assessments and actions.

Through the completion of the 2020 CAR, there were instances of non compliance noted, particularly relating to matters which relate to recent changes to legislation, and to procurement under \$250,000 where insufficient evidence was available to support compliance with Council's purchasing policy. It was noted with management it is very difficult to declare during the review period the appropriate number of quotations had been obtained for every purchase (particularly low value purchases) in accordance with the purchasing policy.

A summary of matters noted during the completion of the 2020 CAR is attached for information. The attached summary also notes general improvement opportunities to systems and processes which were identified through the completion of the CAR. These improvements may assist the Shire in its risk management activities and endeavours towards continual improvement of administrative and compliance functions.

## **STATUTORY IMPLICATIONS**

Regulation 14 of the *Local Government (Audit) Regulations 1996* provides:

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
  - (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

Regulation 14 of the *Local Government (Audit) Regulations 1996* details the requirements with regard to certifying the CAR and issuing to the Departmental CEO

Section 7.13(1)(i) of the *Local Government Act 1995* refers to the provisions within regulations with regard to audits.

## **POLICY IMPLICATIONS**

There are no policy implications resulting from the recommendation of this report

## **FINANCIAL IMPLICATIONS**

There are no financial implications resulting from the recommendation of this report

## **STRATEGIC IMPLICATIONS**

There are no strategic implications resulting from the recommendation of this report

## **RISK MANAGEMENT**

This item has been evaluated against the Shire's Risk Management Strategy, Risk Assessment Matrix. The perceived level of risk is medium prior to treatment.

## **RECOMMENDATIONS**

That the Audit and Risk Committee resolve to:

1. Recommend the adoption of the 2020 Compliance Audit Return as attached by Council; and
2. Recommend to Council that the Shire President and Chief Executive Officer be authorised to sign the Compliance Audit Return for submission to the Department of Local Government.

## **VOTING REQUIREMENT**

Simple Majority

## **COUNCIL DECISION**

**Moved Cr LR Petersen, Seconded Cr RA Norrie** that the Audit and Risk Committee resolve to:

1. Recommend the adoption of the 2020 Compliance Audit Return as attached by Council; and
2. Recommend to Council that the Shire President and Chief Executive Officer be authorised to sign the Compliance Audit Return for submission to the Department of Local Government.

**CARRIED (7 VOTES TO 0)**



## Leonora - Compliance Audit Return 2020

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of the relevant minutes.

Commercial Enterprises by Local Governments					
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2020?	N/A		Moore Australia
2	s3.59(2)(b) F&G Regs 7,8,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2020?	N/A		Moore Australia
3	s3.59(2)(c) F&G Regs 7,8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2020?	N/A		Moore Australia
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2020?	N/A		Moore Australia
5	s3.59(5)	During 2020, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A		Moore Australia



<b>Delegation of Power/Duty</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes	Item 11.1(C) OMC held 19 May 2020	Moore Australia
2	s5.16	Were all delegations to committees in writing?	Yes		Moore Australia
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes		Moore Australia
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes		Moore Australia
5	s5.18	Has council reviewed delegations to its committees in the 2019/2020 financial year?	Yes	Item 11.1(C) OMC held 19 May 2020	Moore Australia
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		Moore Australia
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes	Item 11.1(C) OMC held 19 May 2020	Moore Australia
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Moore Australia
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Moore Australia
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	Yes		Moore Australia
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Moore Australia
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?	Yes	Item 11.1(C) OMC held 19 May 2020	Moore Australia
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		Moore Australia

### Disclosure of Interest

<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes		Moore Australia



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No	Reference	Question	Response	Comments	Respondent
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	N/A		Moore Australia
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	N/A		Moore Australia
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		Moore Australia
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2020?	Yes		Moore Australia
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Moore Australia
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Moore Australia
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		Moore Australia
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Moore Australia
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes		Moore Australia
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes		Moore Australia
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Moore Australia
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	N/A		Moore Australia



No	Reference	Question	Response	Comments	Respondent
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	N/A		Moore Australia
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?	Yes		Moore Australia
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11 (2) was the nature of the interest recorded in the minutes?	Yes		Moore Australia
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Moore Australia
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A		Moore Australia
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	N/A		Moore Australia
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?	Yes		Moore Australia
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?	Yes		Moore Australia

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes		Moore Australia
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	N/A		Moore Australia





<b>Elections</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes		Moore Australia
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	N/A	No entries recorded in register therefore none to remove	Moore Australia
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	N/A	No entries recorded in register	Moore Australia

<b>Finance</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes	OCM 19/11/2019 item 10.1 (C)	Moore Australia
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	Yes	Item 11.1(C) OMC held 19 May 2020	Moore Australia
3	s7.3(1) & s7.6(3)	Was the person or persons appointed by the local government to be its auditor appointed by an absolute majority decision of council?	No	Audits are under the Office of the Auditor General	Moore Australia
4	s7.3(3)	Was the person(s) appointed by the local government under s7.3(1) to be its auditor a registered company auditor or an approved auditor?	No	Audits are under the Office of the Auditor General	Moore Australia
5	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2020?	No	Audit remained ongoing at conclusion of reporting period	Moore Australia
6	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	N/A		Moore Australia



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No	Reference	Question	Response	Comments	Respondent
7	s7.12A(4)(a)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters?	No	Report to Audit Committee item 4.1.1 18/2/20, received by Council item 11.1(B) OMC held 18/2/20.  Report did state action to be taken in relation to Operating Surplus Ratio but not Asset Sustainability Ratio	Moore Australia
8	s7.12A(4)(b)	Where the local government was required to prepare a report under s.7.12A(4)(a), was a copy of the report given to the Minister within three months of the audit report being received by the local government?	Yes		Moore Australia
9	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	Yes		Moore Australia
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives and scope of the audit, a plan for the audit, details of the remuneration and expenses paid to the auditor, and the method to be used by the local government to communicate with the auditor?	No	Audits are under the Office of the Auditor General	Moore Australia
11	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	No	Audit remained ongoing at conclusion of reporting period	Moore Australia

### Integrated Planning and Reporting

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Item 11.1(A) at OMC held 21/7/20 reviewed the SCP 2017/2027	Moore Australia
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Item 11.1(A) at OMC held 21/7/20 reviewed the CBP 2020-2024	Moore Australia
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Moore Australia



### Local Government Employees

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	N/A		Moore Australia
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	N/A		Moore Australia
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A		Moore Australia
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	N/A		Moore Australia
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	N/A		Moore Australia
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A		Moore Australia

### Official Conduct

No	Reference	Question	Response	Comments	Respondent
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	N/A	CEO is complaints officer	Moore Australia
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)?	Yes		Moore Australia
3	s5.121(2)	Does the complaints register include all information required by section 5.121 (2)?	Yes		Moore Australia
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes	No entries recorded	Moore Australia

### Optional Questions



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No	Reference	Question	Response	Comments	Respondent
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2020? If yes, please provide the date of council's resolution to accept the report.	Yes	Audit & Risk Committee Meeting held 18/2/20 item 4.1.2 and presented to OMC 18/2/20 item 11.1(C)	Moore Australia
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2020? If yes, please provide date of council's resolution to accept the report.	Yes		Moore Australia
3	s5.87C(2)	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift?	N/A		Moore Australia
4	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, did the disclosure include the information required by section 5.87C?	Yes		Moore Australia
5	s5.90A(2)	Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?	Yes	Item 11.2(L) at OMC held 18/2/2020	Moore Australia
6	s.5.90A(5)	Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?	Yes		Moore Australia
7	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Moore Australia
8	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	Item 11.2(M) at OMC held 18/2/2020	Moore Australia
9	s5.127	Did the local government prepare a report on the training completed by council members in the 2019/2020 financial year and publish it on the local government's official website by 31 July 2020?	Yes		Moore Australia
10	s6.4(3)	By 30 September 2020, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2020?	Yes		Moore Australia



### Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	F&G Reg 11A(1) & (3)	Does the local government have a current purchasing policy that complies with F&G Reg 11A(3) in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Moore Australia
2	F&G Reg 11A(1)	Did the local government comply with its current purchasing policy in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	No	Cannot guarantee compliance has occurred with all purchasing activities below \$250,000	Moore Australia
3	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		Moore Australia
4	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Moore Australia
5	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	N/A		Moore Australia
6	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Moore Australia
7	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Moore Australia
8	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes		Moore Australia
9	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	Yes		Moore Australia



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No	Reference	Question	Response	Comments	Respondent
10	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes		Moore Australia
11	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes		Moore Australia
12	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	N/A	No EOIs called during 2020	Moore Australia
13	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A		Moore Australia
14	F&G Reg 23(3)	Were all expressions of interest that were not rejected assessed by the local government?	N/A		Moore Australia
15	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services as an acceptable tenderer?	N/A		Moore Australia
16	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A		Moore Australia
17	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A	No panels established during 2020	Moore Australia
18	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		Moore Australia
19	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A		Moore Australia
20	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	N/A		Moore Australia



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No	Reference	Question	Response	Comments	Respondent
21	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A		Moore Australia
22	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A		Moore Australia
23	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Moore Australia
24	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	Yes	OCM 21/05/2019 item 10.2(C)  Policy A.2.14	Moore Australia

I certify this Compliance Audit Return has been adopted by council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor/President, Leonora

\_\_\_\_\_  
Signed CEO, Leonora

#### **4.0 REPORTS OF OFFICERS**

##### **4.1 CHIEF EXECUTIVE OFFICER**

##### **4.1.2 SIGNIFICANT AUDIT MATTER – ASSET SUSTAINABILITY AND OPERATING SURPLUS RATIOS**

**SUBMISSION TO:** Meeting of Audit Committee  
Meeting Date: 20<sup>th</sup> April 2021

**AGENDA REFERENCE:** 4.1.2 AUDIT APR 2021

**SUBJECT:** Significant Audit Matter – Asset Sustainability and Operating Surplus Ratios

**LOCATION / ADDRESS:** Leonora

**NAME OF APPLICANT:** N/A

**FILE REFERENCE:** Audits – Reports & Minutes 1.10

##### **AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT**

**NAME:** J.G. Epis

**OFFICER:** Chief Executive Officer

**INTEREST DISCLOSURE:** Nil

**DATE:** 14<sup>th</sup> April 2021

##### **BACKGROUND**

The 2019/20 financial year was the first year we were audited under the Office of the Auditor General (OAG). In the Report of the Audit of the Financial Report under Report on Other Legal and Regulatory Requirements, the OAG reported that:

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

- (i) *In my opinion, the following material matters indicate significant adverse trends in the financial position of the shire:*
- a. *The Asset Sustainability Ratio as reported in Note 29 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' basic standard for the past two years and the current year is below last year, and*
  - b. *The Operating Surplus Ratio as reported in Note 29 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' basic standard for the past three financial years.*

Under section 7.12A(4) of the *Local Government Act 1995*, wherein a local government is required to prepare a report stating what action has been taken or is intended to be taken in respect to matters raised within the audit report, to forward a copy of the report to the Minister within three months of receiving the audit report and to publish the report on the Shire's website within 14 days of receiving the audit report.

##### **COMMENT**

The requirement to prepare a report stating actions to be taken to address matters identified as significant by the auditor, as well as to provide a copy of the report to the Minister within three months after the audit report is received from the auditor, and to publish the report on the official local government website within 14 days of providing the report to the Minister, is the result of an amendment to the Act in August 2017.

To comply with the requirements of section 7.12A(4) & (5) of the *Local Government Act 1995*, an action report has been prepared (attached) which is presented for the audit committee's consideration. The action report, once received by the audit and risk committee, will require endorsement by the Council, prior to being submitted to the Minister and published on the Shire of Leonora's website.



## **STATUTORY ENVIRONMENT**

Section 7.12A(4) of the *Local Government Act 1995* requires a local government to prepare a report stating what action has been taken or is intended to be taken in respect to matters raised within the audit report, and to forward a copy of the report to the Minister within three months of receiving the audit report.

Section 7.12A(5) of the *Local Government Act 1995* requires a local government to publish on its official website the report prepared under section 7.12(4) within 14 days of supplying the report to the minister.

## **POLICY IMPLICATIONS**

There are no policy implications resulting from the recommendation of this report.

## **FINANCIAL IMPLICATIONS**

There are no financial implications resulting from the recommendation of this report.

## **STRATEGIC IMPLICATIONS**

Strategic References within the Shire of Leonora Strategic Community Plan 2017-2027 demonstrate connections between services and the desired outcomes and community vision for the Shire of Leonora, particularly in relation to Governance services. In this instance outcome 4.5 Strong Leadership and Planning, with strategy 4.5.3 'Continue to Develop Strategic Plans and Ensure Legislative Compliance' applies.

## **RECOMMENDATIONS**

That the Audit and Risk Committee:

1. Receive the attached 'Action Report – 2019/20 Significant Adverse Trend – Asset Sustainability and Operating Surplus Ratios';
2. Recommend the endorsement of the attached 'Action Report – 2019/20 Significant Adverse Trend – Asset Sustainability and Operating Surplus Ratios' by Council; and
3. Following endorsement of the 'Action Report – 2019/20 Significant Adverse Trend – Asset Sustainability and Operating Surplus Ratios' by Council, authorise the CEO to forward a copy of the report to the Minister and to publish the report on the Shire of Leonora's official website.

## **VOTING REQUIREMENT**

Simple Majority

## **COUNCIL DECISION**

**Moved Cr RA Norrie, Seconded Cr AM Moore** the Audit and Risk Committee:

1. Receive the attached 'Action Report – 2019/20 Significant Adverse Trend – Asset Sustainability and Operating Surplus Ratios';
2. Recommend the endorsement of the attached 'Action Report – 2019/20 Significant Adverse Trend – Asset Sustainability and Operating Surplus Ratios' by Council; and
3. Following endorsement of the 'Action Report – 2019/20 Significant Adverse Trend – Asset Sustainability and Operating Surplus Ratios' by Council, authorise the CEO to forward a copy of the report to the Minister and to publish the report on the Shire of Leonora's official website.

**CARRIED (7 VOTES TO 0)**



## **ACTION REPORT – 2019 - 2020 Significant Adverse Trend – Asset Sustainability Ratio and Operating Surplus Ratio**

Section 7.12A (4) of the *Local Government Act 1995* requires a local government to prepare a report stating what action has been taken or is intended to be taken in respect to matters raised within the audit report. The Shire of Leonora's 2019-2020 Audit Report from Butler Settineri (Audit) Pty Ltd noted a significant adverse trend for the asset sustainability and operating surplus ratios. This was also the first year that the audit process had been overseen by the Office of the Auditor General who reported that:

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

(i) *In my opinion, the following material matters indicate significant adverse trends in the financial position of the shire:*

a. *The Asset Sustainability Ratio as reported in Note 29 of the annual financial*

*report is below the Department of Local Government, Sport and Cultural Industries' basic standard for the past two years and the current year is below last year, and*

b. *The Operating Surplus Ratio as reported in Note 29 of the annual financial*

*report is below the Department of Local Government, Sport and Cultural Industries' basic standard for the past three financial years.*

### **Shire of Leonora – Asset Sustainability Ratio**

Asset Sustainability Ratio  $\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation}}$

The Asset Sustainability Ratio demonstrates the extent to which the Shire of Leonora is replacing or renewing existing assets at the same rate that its overall asset stock is wearing out. A basic standard is met if the ratio is greater than 0.9 and advanced standard is if the ratio is above 1.1. The Shire's Asset Sustainability Ratio was at an advanced standard at the end of the 2017/18 financial year, but it is the trend lower that is of concern. The ratio over the past three years is listed below:

<b>2018</b>	<b>2019</b>	<b>2020</b>
1.84	0.76	0.56

### **Explanation for Asset Sustainability Ratio Not Meeting Benchmarks**

The Asset Sustainability Ratio can be affected by the revaluation of assets and the subsequent increase and decrease in depreciation. Our road network will be revalued in the 2021/22 Financial Year and the Shire will closely monitor any changes to the depreciation to ensure they are not overstated.

In the 2019/20 Financial Year there was the effect of the COVID-19 pandemic and the inability to engage contractors to complete new or renewal infrastructure projects, as well as the difficulties in purchasing capital items. The poor seasonal year also impacted on reducing both the maintenance and capital budget expenditure within the road network budget as no rain limited grading (maintenance) and construction (renewal) projects.

It is intended for future renewal works to be undertaken in accordance with our Integrated Planning and Reporting Plans.

### **Actions Proposed to Address the Asset Sustainability Ratio**

Increased scrutiny of the revaluation of infrastructure and its affect on depreciation, and greater alignment with the Long Term Financial Plan and the implementation of any programs to ensure that all renewal projects are captured as such, and not under the maintenance budget. Within the financial resources of the Shire of Leonora, focus attention on grant funding for renewal projects and increase expenditure through accessing funds set aside in Reserves.

### **Shire of Leonora – Operating Surplus Ratio**

Operating Surplus Ratio 
$$\frac{\text{Operating Revenue} - \text{Operating Expenditure}}{\text{Own Source Operating Revenue}}$$

The operating surplus ratio demonstrates the extent to which operating revenues cover operating expenses (including depreciation), with a positive operating surplus ratio considered by the Department an indicator of long-term financial sustainability. The Shire's operating surplus ratio has experienced movement over the previous three years as below but is following a positive trend upwards:

2018	2019	2020
(0.11)	(0.04)	(0.01)

The basic benchmark set by the Department of Local Government, Sport and Cultural Industries (the Department) for the operating surplus ratio is 0.01 – 0.15. Ratios higher than 0.15 are in the desirable benchmark range set by the Department.

### **Explanation for Operating Surplus Ratio Not Meeting Benchmarks**

Several factors contribute to the fluctuation of this ratio. As the processes to receive funds are onerous with significant periods of time being required to receive approval, the operating surplus ratio can be somewhat manipulated given the timing of revenue and expenses and the recognition of revenue under the new AASB standards.

The Shire has also considered within its Long Term Financial Plan (LTFP) the impact of ongoing capital road funds such as Roads to Recovery (R2R) and Regional Road Group (RRG) – neither of which are included in the calculation of the operating surplus ratio. Depreciation expense, which is included within the calculation of the operating surplus ratio, is rarely funded in full by rural local governments such as the Shire of Leonora, with grant funds such as the R2R and RRG contributing to asset renewals and compensating for operating losses. Depreciation will be closely monitored in the 2021/2022 financial year.

## **Actions Proposed to Address the Operating Surplus Ratio**

To ensure the operating surplus ratio would meet the benchmark set by the Department, the Shire could consider increasing rates, however this would effectively result in over rating the community when also considering the ongoing road grants received by the Shire. As a result, the Shire considers the benchmark for the operating surplus ratio to be flawed for a Shire receiving non-operating grants for the renewal of assets, and it does not intend to take action to increase revenue above a level which will result in the community being overrated when considering expected and ongoing non-operating grants for asset renewals.

The operating surplus ratio and the financial performance of the Shire of Leonora will continue to be reviewed through ongoing monitoring of depreciation expense and financial reports which are reported to Council, including required budget reviews and monthly statements of financial activity. Close attention will be paid to revaluations that may have a negative impact on the ratio in the 2021/22 Financial Year.

The Council will continue to expand its operations in order to find other alternative revenue sources in line with the Shire of Leonora's Strategic Community Plan 2017 – 2027.

## **Disclaimer**

This Report has been prepared for the exclusive use by the Shire of Leonora.

This report contains quantitative and qualitative statements, including projections, estimates, opinions and forecasts concerning the anticipated future performance of the Shire of Leonora, based on a large number of assumptions, and will be, subject to significant uncertainties and contingencies many, if not all, of which are outside the control of the Shire of Leonora.

This report is supplied in good faith for public information purposes and the Shire accepts no responsibility for any loss occasioned by any person acting or refraining from action as a result of reliance on this Report.

## **Document Management**

Version	2019/20 Adverse Trend
Status	Final
Date of Adoption	20th April 2021

**5.0 NEXT MEETING**

Tuesday 15<sup>th</sup> June, 2020 at the conclusion of the Ordinary Meeting of Council commencing 9:30am in the Shire of Leonora Council Chambers.

**6.0 CLOSURE OF SPECIAL MEETING**

There being no further business, Shire President Cr PJ Craig declared the meeting closed at **09:20am**.