



# MINUTES

5<sup>th</sup> February 2021

## AUDIT MEETING

HELD AT GASCOYNE JUNCTION SHIRE OFFICES ON FRIDAY THE 5<sup>th</sup> of FEBRUARY 2021 8:20AM

### DISCLAIMER

#### Disclaimer

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Please note this agenda contains recommendations which have not yet been adopted by Council.

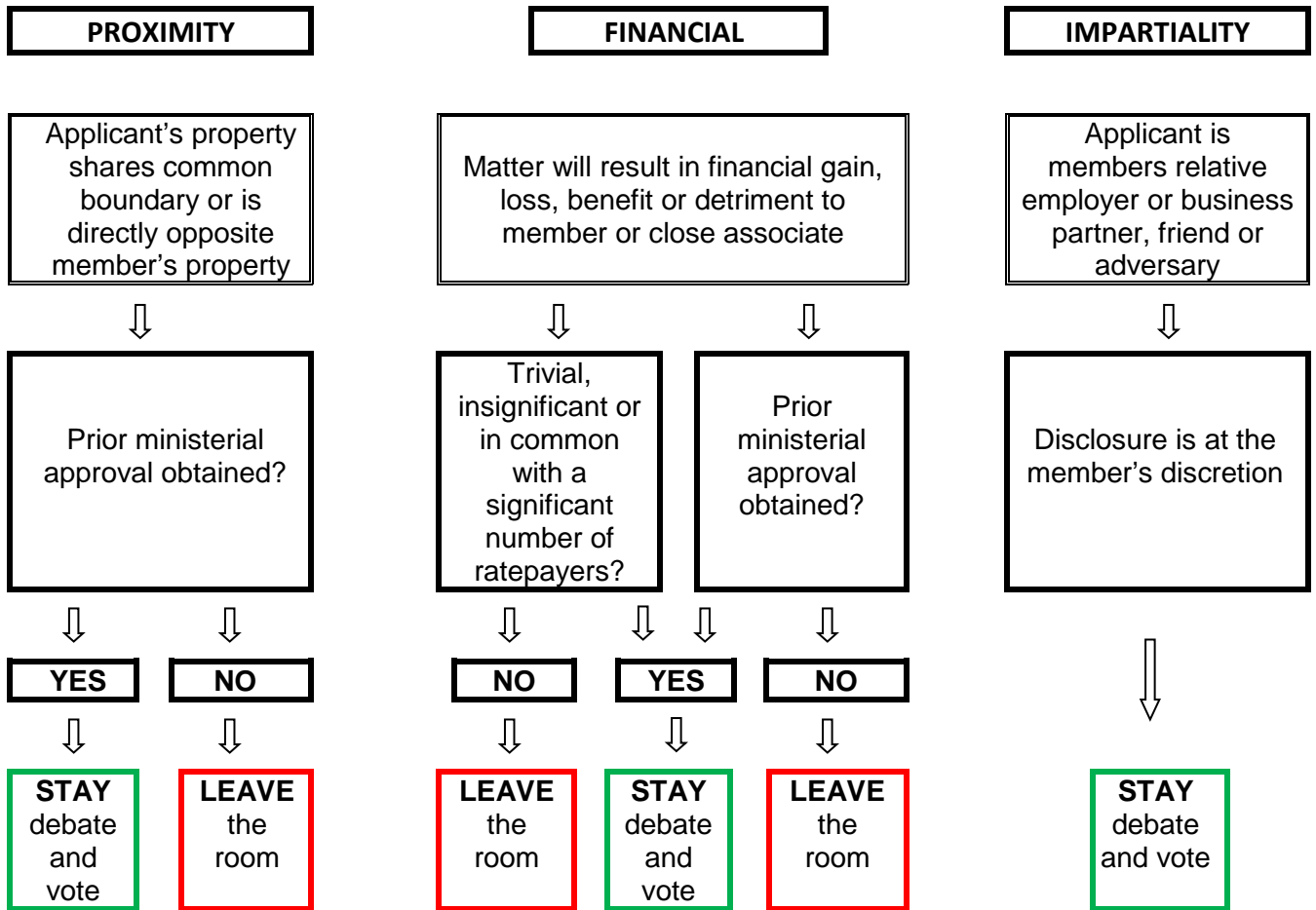
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John McCleary, JP  
CHIEF EXECUTIVE OFFICER

## \* Declaring an Interest



### Local Government Act 1995 - Extract

#### 5.65 - Members' interests in matters to be discussed at meetings to be disclosed.

(1) A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest:

(a) in a written notice given to the CEO before the meeting; or (b) at the meeting immediately before the matter is discussed. (Penalties apply).

(2) It is a defense to a prosecution under this section if the member proves that he or she did not know:

(a) that he or she had an interest in the matter; or (b) that the matter in which he or she had an interest would be discussed at the meeting.

(3) This section does not apply to a person who is a member of a committee referred to in section 5.9(2)(f).

#### 5.70 - Employees to disclose interests relating to advice or reports.

(1) In this section: 'employee' includes a person who, under a contract for services with the local government, provides advice or a report on a matter.

(2) An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report.

(3) An employee who discloses an interest under this section must, if required to do so by the council or committee, as the case may be, disclose the extent of the interest. (Penalties apply).

#### 5.71 - Employees to disclose interests relating to delegated functions.

If, under Division 4, an employee has been delegated a power or duty relating to a matter and the employee has an interest in the matter, the employee must not exercise the power or discharge the duty and:

(a) in the case of the CEO, must disclose to the mayor or president the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter; and (b) in the case of any other employee, must disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter. (Penalties apply).

### 'Local Government (Administration) Regulations 1996 – Extract

In this clause and in accordance with Regulation 34C of the Local Government (Administration) Regulations 1996:

"Interest" means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association



**SHIRE OF UPPER GASCOYNE**  
**MINUTES FOR THE AUDIT MEETING OF COUNCIL HELD AT GASCOYNE JUNCTION SHIRE**  
**OFFICES ON FRIDAY THE 5<sup>th</sup> of FEBRUARY 2021 AT 8:20AM**

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**SHIRE OF UPPER GASCOYNE**  
**MINUTES FOR THE AUDIT MEETING OF COUNCIL HELD AT GASCOYNE JUNCTION SHIRE OFFICES**  
**ON FRIDAY THE 5<sup>th</sup> of FEBRUARY 2021 AT 8:20AM**

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

The President welcomed those present and declared the meeting open at 8.20am

**2. APOLOGIES AND APPROVED LEAVE OF ABSENCE**

**2.1 Councillors**

Cr D. Hammarquist OAM JP	Shire President
Cr A. McKeough	Councillor
Cr B. Walker	Councillor

**Staff**

John McCleary JP	Chief Executive Officer
Sa Toomalatai	Manager of Finance and Corporate Services

**Visitors**

Cr G. Watters

**2.2 Absentees**

Cr A. McKeough.

Cr McKeough was required to miss this meeting as she had to quarantine due to COVID 19 and also because the road network was closed due to flooding.

**2.3 Leave of Absence previously approved**

Nil

**3. APPLICATION FOR LEAVE OF ABSENCE**

Nil

**4. PUBLIC QUESTION TIME**

**4.1 Questions on Notice**

Nil

**4.2 Questions without Notice**

Nil

**5. DISCLOSURE OF INTEREST**

Nil

**6. PETITIONS/DEPUTATIONS/PRESENTATIONS**

Nil

**7. ANNOUNCEMENTS BY THE PERSON PRESCIDING WITHOUT DISCUSSION**

Nil

**8. MATTERS FOR WHICH THE MEETING MAY GO BEHIND CLOSED DOORS**

Nil

**9. CONFIRMATION OF MINUTES FROM PREVIOUS MEETINGS**

**Committee Resolution No: AC 01022021**

**MOVED: CR B. WALKER**

**SECONDED: CR D. HAMMARQUIST**

That the minutes from previous Audit Meeting held on 14th December 2020 are a true and correct record.

**CARRIED 2/0**

**10. REPORTS OF OFFICERS**

## 10.1 2019/2020 ANNUAL FINANCIAL REPORT

<b>Applicant:</b>	Shire of Upper Gascoyne
<b>Disclosure of Interest:</b>	None
<b>Author:</b>	Sa Toomalatai – Manager of Finance & Corporate Services
<b>Date:</b>	4 <sup>th</sup> January 2021
<b>Matters for Consideration:</b>	To accept the Annual Financial Report for the year ended 30 June 2020 containing the Independent Auditors Report from the Office of the Auditor General (OAG), as contained in <a href="#">Appendix 1</a> .
<b>Background:</b>	<p>At the previous Audit Meeting held on the 14<sup>th</sup> December 2020 the Audit Committee received a draft copy of the 2019/20 Annual Financial Report including the Independent Auditors Report from the Office of the Auditor General (OAG).</p> <p>It was on this day that an Exit Meeting was conducted between the committee, the OAG and the Auditors from Moore Australia to discuss both reports and the overall outcome of the End of Year audit for 2019/20.</p> <p>Regulation 51 (2) of Section 6.4 of the Local Government Financial Management Regulations 1996, states that after the Annual Financial Report has been audited in accordance with the Act and is signed by the CEO, a copy of the report is to be provided to the Department of Local Government within 30 days of the Local Government receiving the Auditors Report.</p> <p>An independent Audit as required under section 7.9 of the Local Government Act 1995 was carried out by Moore Australia on behalf of the Office of the Auditor General and the final copy of the 2019/20 Annual Financial Report including the Independent Auditors Report has been received and signed by the CEO.</p> <p>A copy of the report has been attached to this agenda as contained in <a href="#">Appendix 1</a>.</p>

	<p>As was noted in the committee’s discussions with the OAG and Auditors from Moore Australia during the exit meeting, the Shire was given a “clean audit” review. The only issue raised was the Shire’s declining trend in both the Operating Surplus and Own Source Revenue ratios.</p> <p>In summary, these ratios measure the Shire’s ability to cover operational expenditure and fund capital programs through their own revenue raising efforts (rates, service charges, fees etc.).</p> <p>Over the last 3 years both of these ratios have been trending below the Department’s acceptable standard and as a result, has been flagged as a “significant adverse trend”.</p> <p>Although this has been highlighted as an area of concern due to the pattern of decline, the CEO and the Shire’s external Accountant from RSM made a vital point that the result of the two ratios are distorted due to the inclusion of flood damage expenses and the exclusion of flood damage income.</p> <p>After explaining how this has greatly impacted these ratios in the negative and is not an accurate depiction of the Shire’s actual position, both the OAG and Moore Australia agreed that the flood damage expenditure has contributed to the declining ratio outcome. This is worth noting for future ratio calculations.</p>
<p><b>Comments:</b></p>	<p>It was originally anticipated that the Shire would receive the final audited report in time for presentation with the Annual Report at the Ordinary Meeting of Council held in December 2020. Unfortunately, by the time the meeting was in session and nearing its closure, the Shire had not received the final audited report.</p> <p>There was concern that this may place the Council in breach of legislation as section 5.54 (1) of the Local Government Act states that the Annual Report must be accepted by the 31<sup>st</sup> December of that calendar year.</p> <p>However, reprieve is given under section 5.54 (2) of the LGA where it states that if the auditor’s report is not available in time, the Annual Report is to be accepted by Council no later than two months after the auditor’s report becomes available. A decision was made to park the item and defer it to the next Ordinary Meeting of Council in February 2021.</p> <p>Furthermore, the final audited report was issued by the OAG on the 17<sup>th</sup> December 2020 and a copy was forwarded to the Department of Local Government the very next day as is required under Regulation 51 (2) of the Local Government FM Regs, where a copy of the report is required to be Department within 30 days of it being received.</p> <p>Refer to <a href="#">Appendix 2</a> and <a href="#">Appendix 3</a> for confirmation of report being sent to the DLG.</p>
<p><b>Statutory Environment:</b></p>	<p>Local Government Act 1995, Section 5.54 Local Government (Financial Management) Regulations 1996 – Part 4, section 6.4.</p>
<p><b>Policy Implications:</b></p>	<p>Nil</p>

<b>Financial Implications:</b>		Nil			
<b>Strategic Implications:</b>		Civic Leadership – To responsibly manage Council's financial resources to ensure optimum value for money and sustainable asset management.			
<b>Risk:</b>					
Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk	Risk Action Plan (Controls or Treatment proposed)
Not meeting Statutory Compliance	Rare (1)	Moderate (3)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation
<b>Consultation:</b>		Nil			
<b>Voting requirement:</b>		Simple Majority			
<b>Officer's Recommendation:</b>		<p><i>That the Audit Committee –</i></p> <ol style="list-style-type: none"> <li>1. <i>Pursuant to Regulation 51 (2) of the Local Government (Financial Management) Regulations 1996, receive the finalised and signed Annual Financial Report for the year ended 30 June 2020 as contained in <a href="#">Appendix 1</a>.</i></li> <li>2. <i>Acknowledges that in compliance with Regulation 51 (2) of the Local Government (Financial Management) Regulations 1996, a copy of the signed and finalised 2019/2020 Annual Financial Report has been sent to the Department of Local Government, Sport and Cultural Industries within 30 Days of receiving the report as confirmed in <a href="#">Appendix 2</a> and <a href="#">Appendix 3</a>.</i></li> <li>3. <i>Pursuant to section 5.54 of the Local Government Act 1995, recommends that the signed and finalised copy of the 2019/2020 Annual Financial Report be presented at the next Ordinary Meeting of Council to be held on the 5<sup>th</sup> February 2021.</i></li> <li>4. <i>Recommend that Council set the Annual Electors Meeting for the 24<sup>th</sup> of March 2021 at 8.30am.</i></li> </ol>			
<b>Committee Resolution No: AC02022021</b>					
<b>MOVED:</b>	<b>CR B. WALKER</b>	<b>SECONED:</b>	<b>CR D. HAMMARQUIST</b>		



That the Audit Committee –

1. Pursuant to Regulation 51 (2) of the Local Government (Financial Management) Regulations 1996, receive the finalised and signed Annual Financial Report for the year ended 30 June 2020 as contained in [Appendix 1](#).
2. Acknowledges that in compliance with Regulation 51 (2) of the Local Government (Financial Management) Regulations 1996, a copy of the signed and finalised 2019/2020 Annual Financial Report has been sent to the Department of Local Government, Sport and Cultural Industries within 30 Days of receiving the report as confirmed in [Appendix 2](#) and [Appendix 3](#).
3. Pursuant to section 5.54 of the Local Government Act 1995, recommends that the signed and finalised copy of the 2019/2020 Annual Financial Report be presented at the next Ordinary Meeting of Council to be held on the 5<sup>th</sup> February 2021.
4. Recommend that Council set the Annual Electors Meeting for the 24<sup>th</sup> of March 2021 at 8.30am.

**CARRIED: 2/0**

## 10.2 2020 COMPLIANCE AUDIT RETURN

<b>Applicant:</b>	Shire of Upper Gascoyne
<b>Disclosure of Interest:</b>	None
<b>Author:</b>	John McCleary – Chief Executive Officer
<b>Date:</b>	19 January 2021
<b>Matters for Consideration:</b>	To receive the report of the Audit Committee in regard to the review of the Compliance Audit return for 2020 and for Council to adopt the return as detailed in <a href="#">Appendix 4</a> .
<b>Background:</b>	<p>Prior to the ordinary meeting of Council, the compliance audit return prepared by the CEO will be reviewed by the Audit Committee in accordance with regulation 14 of the Local Government (Audit) Regulations. The regulations provide that after the audit committee has reviewed the return, it is to report to Council the results of that review. Once the audit committee has reported to Council, the compliance return is to be presented to Council for adoption of the return.</p> <p>Once the return is adopted by Council, a certified copy of the return together with a copy of the relevant minutes referred to in the regulations and any additional information will be submitted to the Executive Director of the Department of Local Government by March 31<sup>st</sup>.</p>
<b>Comments:</b>	No compliance issues have been noted during the 2020 calendar year. We have had some issues transferring data from the old web-site into the new web site; however, this is being addressed with our service providers. In addition the Reg 17 and Financial Management Review have been undertaken in the 2020 calendar year but the reports will not be available until the March 2021 OMC. Our accountants AMD have stated that as long as the review was undertaken in the correct time period the delivery of the reports could happen outside of this time frame. Unfortunately this time frame has been exasperated as the lead accountant that signs off on the auditors work was involved in a fatal car accident and she was quite seriously injured.

<b>Statutory Environment:</b>		<p>Local Government (Audit) Regulations 1996</p> <p>Reg14. Compliance Audits by local governments</p> <p>(1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.</p> <p>(2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.</p> <p>(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.</p> <p>(3) After the audit committee has reported to the council under sub regulation {3A}, the compliance audit return is to be -</p> <p>(a) presented to the council at a meeting of the council; and</p> <p>(b) adopted by the council; and</p> <p>(c) recorded in the minutes of the meeting at which it is adopted</p>			
<b>Policy Implications:</b>		Nil			
<b>Financial Implications:</b>		Nil			
<b>Strategic Implications:</b>		<p>Civic Leadership –</p> <p>To provide Good Governance to the Upper Gascoyne Shire area through:</p> <ul style="list-style-type: none"> <li>• Detailed and professional administration;</li> <li>• High levels of accountability;</li> <li>• Compliance with statutory requirements;</li> <li>• High-quality forward planning, particularly for assets and finances;</li> <li>• Openness and transparency and enhanced consultations and public participation;</li> </ul> <p>Provision of quality customer services, good financial management and pursuit of excellence in professional administration and communication</p>			
<b>Risk:</b>					
Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk	Risk Action Plan (Controls or Treatment proposed)
Not meeting Statutory Compliance	Rare (1)	Moderate (3)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

<b>Consultation:</b>	Nil
<b>Voting requirement:</b>	Simple Majority
<b>Officer's Recommendation:</b>	<p><i>That the Audit Committee –</i></p> <p><i>Pursuant to Regulation 14 of the Local Government (Audit) Regulations 1996</i></p> <ol style="list-style-type: none"> <li><i>1. Receives the Compliance Audit Return for 2020 as contained in <a href="#">Appendix 4</a>.</i></li> <li><i>2. Report to Council the results of the Compliance Audit review and recommends that Council adopt the 2020 Compliance Audit Return.</i></li> <li><i>3. Requests that the CEO submits the certified return and a copy of the minutes relative to this report, to the Department of Local Government, Sport and Cultural Industries prior to the 31<sup>st</sup> March 2021.</i></li> </ol>

**Committee Resolution No: AC 03022021**

<b>MOVED:</b>	<b>CR B. WALKER</b>	<b>SECONED:</b>	<b>CR D. HAMMARQUIST</b>
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That the Audit Committee –

Pursuant to Regulation 14 of the Local Government (Audit) Regulations 1996

1. Receives the Compliance Audit Return for 2020 as contained in [Appendix 4](#).
2. Report to Council the results of the Compliance Audit review and recommends that Council adopt the 2020 Compliance Audit Return.
3. Requests that the CEO submits the certified return and a copy of the minutes relative to this report, to the Department of Local Government, Sport and Cultural Industries prior to the 31<sup>st</sup> March 2021.

**CARRIED: 2/0**

**10.3 REVIEW OF REGULATION 17-LOCAL GOVERNMENT (AUDIT) REGULATIONS**

<b>Applicant:</b>	Shire of Upper Gascoyne
<b>Disclosure of Interest:</b>	Nil
<b>Author:</b>	John McCleary – Chief Executive Officer
<b>Date:</b>	26 January 2021
<b>Matters for Consideration:</b>	To review the Regulation 17 report undertaken and presented by AMD Chartered Accountant. Please refer to <a href="#">Appendix 5</a> .
<b>Background:</b>	<p>To undertake a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance of the Shire in accordance with the <i>Local Government (Audit) Regulations 1996</i>, Regulation 17 for the period ended 31 October 2021 (the “Review”). The CEO is to review certain systems and procedures at least once every three (3) years. The Last review was undertaken on the 28<sup>th</sup> of March 2018.</p> <p>The findings included within the attached report are based on the site work completed by AMD from the 16 to 20 November 2020. Findings are based on information provided and made available to AMD during and subsequent to this site visit to 20 January 2021.</p>
<b>Comments:</b>	<p>The procedures performed and the findings on each of the focus areas are detailed in the following sections of the report:</p> <ul style="list-style-type: none"> <li>• Section 2 – Risk management;</li> <li>• Section 3 – Internal controls; and</li> <li>• Section 4 – Legislative compliance.</li> </ul> <p>Following the completion of our review and subject to the recommendations outlined within sections 2 to 4, AMD are pleased to report that in context of the Shire’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.</p> <p>Findings reported are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.</p>

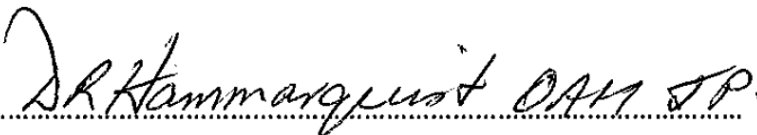
<b>Statutory Environment:</b>		<p>17.CEO to review certain systems and procedures</p> <p>(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to—</p> <p>(a) risk management; and</p> <p>(b) internal control; and</p> <p>(c) legislative compliance.</p> <p>(2) The review may relate to any or all of the matters referred to in subregulation(1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.</p> <p>(3) The CEO is to report to the audit committee the results of that review.</p>			
<b>Policy Implications:</b>		Nil			
<b>Financial Implications:</b>		2019/20 Budget – An allocation has been made to engage a consultant to undertake the review.			
<b>Strategic Implications:</b>		<p><b>Objective 4:</b></p> <p><i>To provide Good Governance to the Upper Gascoyne Shire area through:</i></p> <ul style="list-style-type: none"> <li>• <i>Detailed and professional administration;</i></li> <li>• <i>High levels of accountability;</i></li> <li>• <i>Compliance with statutory requirements;</i></li> </ul>			
<b>Risk:</b>					
<b>Risk</b>	<b>Risk Likelihood (based on history and with existing controls)</b>	<b>Risk Impact / Consequence</b>	<b>Risk Rating (Prior to Treatment or Control)</b>	<b>Principal Risk</b>	<b>Risk Action Plan (Controls or Treatment proposed)</b>
Not meeting Statutory Compliance	Rare (1)	Moderate (3)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation

<b>Consultation:</b>	AMD Chartered Accountants` Manager of Finance & Administration.		
<b>Voting requirement:</b>	Simple Majority		
<b>Officer's Recommendation:</b>	<i>That the Audit Committee:</i> 1. <i>Receives the Reg 17 Audit Report;</i> 2. <i>Endorses the comments provided by management;</i> 3. <i>Refer the review to Council; and</i> 4. <i>Recommends that Council adopt the review.</i>		
<b>Committee Resolution No: AC 04022021</b>			
<b>MOVED:</b>	<b>CR B. WALKER</b>	<b>SECONDED:</b>	<b>CR D. HAMMARQUIST</b>
That the Audit Committee: 1. Receives the Reg 17 Audit Report; 2. Endorses the comments provided by management; 3. Refer the review to Council; and 4. Recommends that Council adopt the review.  <b>CARRIED: 2/0</b>			

## 11. MEETING CLOSURE

The Shire President closed the meeting at 9.10am.

To be confirmed at the Ordinary Meeting on the 24<sup>th</sup> March 2021.

Signed.....

Presiding member at the meeting at which time the minutes were confirmed.