



SHIRE OF WYNDHAM | EAST KIMBERLEY

**AGENDA**  
**AUDIT (FINANCE AND**  
**RISK) COMMITTEE**

Page left intentionally blank.

## CONTENTS

1. DECLARATIONS OF OPENING.....	4
2. RECORD OF ATTENDANCE/APOLOGIES .....	4
3. PUBLIC QUESTION TIME/PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE .....	4
4. DECLARATION OF INTEREST .....	4
5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING.....	5
6. DEPUTATIONS/PRESENTATIONS/SUBMISSIONS/NOTICES OF MOTIONS .....	5
7. REPORTS .....	6
7.1. STANDING ITEM - RATES DEBTORS .....	6
7.2. SUNDRY DEBTORS REPORT NOVEMBER 2017 .....	11
7.3. PROPOSED MEETING DATES FOR THE AUDIT (FINANCE AND RISK) COMMITTEE FOR 2018.....	14
7.4. REGULATION 17 STATUS.....	18
7.5. STANDING ITEM - LEASES.....	22
7.6. AUDIT AND MANAGEMENT REPORT 2016/17 .....	25
8. MATTERS BEHIND CLOSED DOORS .....	30
8.1. CONFIDENTIAL ITEM - UPDATE ON THE RECOVERY OF OUTSTANDING RATES - ASSESSMENTS A2574, A2569 AND A411.....	30
9. DATE OF NEXT MEETING .....	32
10. CLOSURE .....	32

**SHIRE OF WYNDHAM EAST KIMBERLEY**  
**AGENDA OF THE AUDIT (FINANCE AND RISK)**  
**COMMITTEE**  
**KUNUNURRA COUNCIL CHAMBERS**  
**HELD ON WEDNESDAY 29 NOVEMBER 2017 AT 5:00 PM**

---

**1. DECLARATIONS OF OPENING**

**Election of the Chair**

The Chief Executive Officer will call for nominations for Committee Chair and declare the close of nominations.

All nominations must be in writing and can be given to the Chief Executive Officer either before the meeting or at this point in the meeting. Any Councillor can nominate another Councillor for a position. In this case, the person conducting the election must also receive confirmation, either written or verbal, from the nominated Councillor that they are willing to be nominated.

Election will take place by secret ballot.

The Chief Executive Officer is to declare the result of the election, the declaration is to include the names of the candidates and the name of the candidate declared elected. The Chair will assume responsibility for presiding over the remainder of the meeting.

**Election of the Deputy Chair**

The Chair will call for nominations for Deputy Committee Chair and declare the close of nominations.

All nominations must be in writing and can be given to the Chief Executive Officer either before the meeting or at this point in the meeting. Any Councillor can nominate another Councillor for a position. In this case, the person conducting the election must also receive confirmation, either written or verbal, from the nominated Councillor that they are willing to be nominated.

Election will take place by secret ballot.

The Chair is to declare the result of the election, the declaration is to include the names of the candidates and the name of the candidate declared elected.

**2. RECORD OF ATTENDANCE/APOLOGIES**

**3. PUBLIC QUESTION TIME/PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE**

**4. DECLARATION OF INTEREST**

- Financial Interest
- Impartiality Interest
- Proximity Interest

**5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

**6. DEPUTATIONS/PRESENTATIONS/SUBMISSIONS/NOTICES OF MOTIONS**

## 7. REPORTS

### 7.1. STANDING ITEM - RATES DEBTORS

<b>DATE:</b>	29 November 2017
<b>AUTHOR:</b>	Senior Rates Officer
<b>RESPONSIBLE OFFICER:</b>	Vernon Lawrence, Director Corporate Services
<b>FILE NO:</b>	FM.11.1
<b>DISCLOSURE OF INTERESTS:</b>	Nil

#### VOTING REQUIREMENT

Simple Majority

#### OFFICER'S RECOMMENDATION

**That the Audit (Finance and Risk) Committee reports to the Council that the actions being undertaken by the administration in regard to rates debtors, including rates debts in legal process, are sufficient and appropriate.**

#### PURPOSE

To review the status of rates debtors and those rates debts that are in the legal process.

#### NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices

#### BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

At the Ordinary Council Meeting, 16 October 2007, Council resolved the following:

**Minute No. 7936**

***That Council direct the CEO to provide a written report to Council under confidential cover each month in regard to all debts currently in legal process.***

***Carried Unanimously 5/0***

At the Ordinary Council Meeting on 18 March 2008, Council resolved the following:

**Minute No: 8148**

**Moved: Cr J Parker   Seconded: Cr F Mills**

**That Council:**

- 1. note the confidential report provided to it in relation to debts owed to Council and under legal action.**
- 2. direct the Executive Manager Corporate Services to provide a written report to the Audit Committee under confidential cover at each Audit Committee meeting in regard to all debts currently in legal process.**
- 3. request the Audit Committee to make recommendations to Council as required and appropriate in relation to the report provided under confidential cover regarding debts currently in legal process.**
- 4. resolve that this requirement replaces the previous requirement on the CEO to report information to Council.**

**Carried Unanimously 8/0**

This requirement is now fulfilled by a combination of this report and item 5.1 Standing Item – Sundry Debtors.

The Outstanding Rates Debtors over three years report has also been incorporated into the confidential attachment to this item to give a complete picture of rates debtors.

### **STATUTORY IMPLICATIONS**

This item in a Council Meeting needs to be discussed behind closed doors in accordance with section 5.23. (2) (e) (iii) of the *Local Government Act 1995* because the item may disclose information about the business, professional, commercial or financial affairs of a person.

### **POLICY IMPLICATIONS**

Council's Policy *CP/FIN-3212 Rates and Charges Debt Collection* is relevant

### **FINANCIAL IMPLICATIONS**

Legal fees may be incurred to recover debts or revenue written off if debt recovery is considered not economically viable.

### **STRATEGIC IMPLICATIONS**

*Strategic Community Plan 2012-2022*

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved services

Strategy 1.4.3 : Maintain Council's long term financial viability

### **RISK IMPLICATIONS**

*Risk:*

Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

*Controls:*

Annual Financial Audit.

Review policies and procedures in accordance with review schedule.

### **COMMUNITY ENGAGEMENT**

The Shire of Wyndham East Kimberley CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

No community engagement is required however regular communication is had with ratepayers.

### **COMMENTS**

#### **Rates and Services Debtors Summary**

<b>Rates &amp; Services Levied 2017/18 (including arrears)</b>	<b>Rates &amp; Services Debt at 14 November 2017</b>	<b>Overdue at 14 November 2017</b>
<b>\$ 13,555,885.30</b>	<b>\$3,659,485.89*</b>	<b>\$1,991,053.35</b>

\*Includes properties in credit

Rates for the financial year of 2017/18 were raised and issued on 4 August 2017. Interim rating occurs periodically throughout the year.

#### **Comparison of rates received 2016/17 and 2017/18**



NB: It should be noted that the table below includes rates, waste management charges, waste receptacle charges and back rates.

		2016/2017			2017/18		
Days from Billing		Total Outstanding	Received	% of Billing	Total Outstanding	Received	% of Billing
		\$	\$	%	\$	\$	%
0	Notices Issued	12,306,977			12,943,820		
7		12,138,917	168,060	1.37%	12,543,019	400,801	3.10%
14		11,537,136	601,781	4.89%	10,426,388	2,116,631	16.35%
21		9,094,993	2,442,143	19.84%	9,307,423	1,118,965	8.64%
28		7,760,833	1,334,160	10.84%	8,274,170	1,033,253	7.98%
35		4,766,442	2,994,391	24.33%	5,248,725	3,025,445	23.37%
42		4,482,442	284,000	2.31%	4,765,947	482,778	3.73%
2nd Instalment Due Date		3,178,988	1,303,454	10.59%	3,595,310	1,170,637	9.04%
Final Instalment Due Date		1,346,179	1,832,809	14.89%			
30 June Following		978,254	367,925	2.98%			
Total			11,328,723	92.05%		9,348,510	72.22%

### Instalment Status Report at 14 November 2017

Instalment Option	Number of Properties	% Total Properties*	Properties up to date	Properties Behind	Instalments Overdue** \$	% of Properties Overdue
2 instalments	186	6.67%	153	33	-4,847.14	17.74%
4 Instalments	602	21.88%	414	188	134,404.43	31.23%
<b>All instalment payers</b>	<b>788</b>	<b>28.55%</b>	<b>567</b>	<b>221</b>	<b>129,557.29</b>	<b>28.04%</b>

\*2751 excluding non-rateable properties

\*\*Instalments overdue for 2 instalments are negative due to rate assessments being in credit.

**Comparison of rates debtors referred for debt collection for 2014/15, 2015/16 and 2016/17 as at 14 November 2017**

	2015/16		2016/17		2017/18	
	Number of debtors	Total value of Debt \$	Number of debtors	Total value of Debt \$	Number of debtors	Total value of Debt \$
Debts referred for LOD	149	639,115	133	490,002	101	1,043,647
Debts proceeding to GPC	46	154,828	20	77,260	59	322,329

**ATTACHMENTS**

Confidential Attachment 1 - Rates Debtors 14 November 2017 (Confidential Attachment provided under separate cover).

## 7.2. SUNDRY DEBTORS REPORT NOVEMBER 2017

<b>DATE:</b>	13 November 2017
<b>AUTHOR:</b>	Debtors Officer
<b>RESPONSIBLE OFFICER:</b>	Vernon Lawrence, Director Corporate Services
<b>FILE NO:</b>	FM.07.02
<b>DISCLOSURE OF INTERESTS:</b>	NIL

### VOTING REQUIREMENT

Simple Majority

### OFFICER'S RECOMMENDATION

**That the Audit (Finance and Risk) Committee reports to the Council that the actions being undertaken by the administration in regard to sundry debtors including sundry debts in legal process are sufficient and appropriate**

### PURPOSE

To review the status of sundry debtors, including airport debtors, and sundry debts in legal process.

### NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices.

### BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

The listing of 90+ day sundry debtors was provided at the Ordinary Council Meeting on a monthly basis until March 2009 when Council resolved that the 90+ days debtor list be removed from the Council Agenda as a standing item and be presented to the then Audit Committee for consideration and to make recommended actions to Council as this falls within the scope of the committee's purpose.

In line with the more strategic focus of the new Committee the report in April 2012 only included debtor balances at 90+days and over \$500.

To further progress this strategic focus this item has been changed to provide summary information regarding all sundry debts including airport landing fees administered by Avdata on the Shire's behalf.

Further changes were recommended to the Committee at the February 2014 meeting to modify the report by removing the categories previously reported and to report sundry debtors as a whole, with airport debtors still being identified separately and that only debtors

in excess of \$20,000 be provided with more detail. These changes were supported by the Committee and have been considered in the writing of this report.

### **STATUTORY IMPLICATIONS**

This item in a Council Meeting needs to be discussed behind closed doors under Section 5.23. (2) (e) (iii) of the *Local Government Act 1995* because the item may disclose information about the business, professional, commercial or financial affairs of a person and because the item also contained legal advice to the Council.

### **POLICY IMPLICATIONS**

Council Policy *CP/FIN-3214 Sundry Debt Collection* is relevant to this item.

### **FINANCIAL IMPLICATIONS**

Legal fees may be incurred to recover debts or revenue written off if debt recovery is considered not economically viable.

It should be noted however, that as outlined in section 9.1 of the *CP/FIN-3214 Sundry Debt Collection Policy*, when possible 'legal fees associated with the recovery of outstanding debts will be recovered from the sundry debtor to the extent allowable under legislation and will be assessed on a case by case basis'.

### **STRATEGIC IMPLICATIONS**

*Strategic Community Plan 2012-2022*

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved services

Strategy 1.4.3 : Maintain Council's long term financial viability

### **RISK IMPLICATIONS**

*Risk:* Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

*Control:* Review policies and procedures in accordance with review schedule

## **COMMUNITY ENGAGEMENT**

The Shire of Wyndham East Kimberley CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

No community engagement is required however there is regular contact with debtors generally.

## **COMMENTS**

### **Sundry Debtors (General) Summary as at 10 November 2017**

<b>Categories</b>	<b>90 Days</b>		<b>60 Days</b>	<b>30 Days</b>	<b>Current</b>	<b>Total</b>
	<b>No</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sundry Debtors	24	139,033	3,810	29,146	1,921,763	2,093,752

Note: The information in the above table is from the Shire's Debtors System, the revenue is recognised when the debt is raised.

### **Sundry Debtors (Airport Landing Fees) Summary as at 10 November 2017**

<b>Categories</b>	<b>90 Days</b>		<b>60 Days</b>	<b>30 Days</b>	<b>Current</b>	<b>Total</b>
	<b>No</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Kununurra Airport	21	31,745	26,133	53,481	129,352	240,711
Wyndham Airport	1	1,563	69	1,570	2,209	5,411
<b>Total</b>	<b>22</b>	<b>33,308</b>	<b>26,202</b>	<b>55,051</b>	<b>131,561</b>	<b>246,122</b>

Note: The information in the above table is provided by Avdata.

## **ATTACHMENTS**

**Attachment 1 - Sundry Debtors November 2017**  
(Confidential attachment provided under separate cover).

### 7.3. PROPOSED MEETING DATES FOR THE AUDIT (FINANCE AND RISK) COMMITTEE FOR 2018

<b>DATE:</b>	29 November 2017.
<b>AUTHOR:</b>	Vernon Lawrence - Director Corporate Services.
<b>RESPONSIBLE OFFICER:</b>	Director Corporate Services
<b>FILE NO:</b>	N/A
<b>DISCLOSURE OF INTERESTS:</b>	Nil

#### VOTING REQUIREMENT

Simple Majority

#### OFFICER'S RECOMMENDATION

**That the Audit (Finance and Risk) Committee recommends to the Council:**

- 1. That the Audit (Finance and Risk) Committee meetings for 2018 are held in accordance with the following dates, times and place:**

<b>Date</b>	<b>Time</b>	<b>Place</b>
<b>Monday, 12 February 2018</b>	<b>5:00 pm</b>	<b>Council Chambers, Kununurra</b>
<b>Monday, 14 May 2018</b>	<b>5:00 pm</b>	<b>Council Chambers, Kununurra</b>
<b>Monday, 13 August 2018</b>	<b>5:00 pm</b>	<b>Council Chambers, Kununurra</b>
<b>Monday, 12 November 2018</b>	<b>5:00 pm</b>	<b>Council Chambers, Kununurra</b>

- 2. That local public notice of the meetings outlined in recommendation (1) above is provided in accordance with Regulation 12 of the *Local Government (Administration) Regulations 1996*.**

#### PURPOSE

To consider the proposed dates, times and place for the Audit (Finance and Risk) Committee meetings to be held for 2018 in accordance with Regulation 12 of the Local Government (Administration) Regulations 1996 and recommend to the Council that it endorse the proposal of the Committee.

## **NATURE OF COUNCIL'S ROLE IN THE MATTER**

Leader - plan and provide direction through policy and practices

## **BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE**

At the November 2016 Audit (Finance and Risk) Committee meeting, the Committee recommended to the Council the meeting dates, times and place for the 2017 meetings to be held.

Pursuant to section 7.12A of the Local Government Act 1995, the Council provided delegated authority to the Audit (Finance and Risk) Committee to meet annually with the Council's auditor(s) at the 30 August 2016 Ordinary Council Meeting, the delegation for which is reflected in Item 33 of the Sub Delegations Register 2017/18.

## **STATUTORY IMPLICATIONS**

### **Local Government Act 1995**

#### **Part 5, Division 2**

##### 5.23. Meetings generally open to public

(1) *Subject to subsection (2), the following are to be open to members of the public*

—

(a) *all council meetings; and*

(b) *all meetings of any committee to which a local government power or duty has been delegated.*

### **Local Government (Administration) Regulations 1996**

#### **Part 2**

##### 12. Meetings, public notice of (Act s. 5.25(1)(g))

(1) *At least once each year a local government is to give local public notice of the dates on which and the time and place at which —*

(a) *the ordinary council meetings; and*

(b) *the committee meetings that are required under the Act to be open to members of the public or that are proposed to be open to members of the public,*

*are to be held in the next 12 months.*

(2) *A local government is to give local public notice of any change to the date, time or place of a meeting referred to in subregulation (1).*

(3) *Subject to subregulation (4), if a special meeting of a council is to be open to members of the public then the local government is to give local public notice of the date, time, place and purpose of the special meeting.*

*(4) If a special meeting of a council is to be open to members of the public but, in the CEO's opinion, it is not practicable to give local public notice of the matters referred to in subregulation (3), then the local government is to give public notice of the date, time, place and purpose of the special meeting in the manner and to the extent that, in the CEO's opinion, is practicable.*

### **POLICY IMPLICATIONS**

There are no direct policy implications associated with this item.

### **FINANCIAL IMPLICATIONS**

Minor expenditure will be incurred to ensure the appropriate advertising occurs for the proposed meetings. Funds are provided for this within the 2017/18 Annual Budget.

### **STRATEGIC IMPLICATIONS**

*Strategic Community Plan 2012-2022*

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved services

Strategy 1.4.1 : Ensure legislative compliance and follow best practice principles in planning and service delivery

Strategy 1.4.2 : Improve the efficiency and productivity of Shire services

Strategy 1.4.3 : Maintain Council's long term financial viability

### **RISK IMPLICATIONS**

Strategic Risk - Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

### **COMMUNITY ENGAGEMENT**

The Shire of Wyndham East Kimberleys CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

Engagement will take place in accordance with the Shires Community Engagement Guidelines and will include local public notice of the proposed meeting dates, times and place in accordance with the legislative requirements.

### **COMMENTS**



The proposed schedule has taken into account the proposed dates of the Ordinary Council Meetings for the 2018 calendar year, Council Briefing sessions and the past convention of having one meeting per quarter.

Consideration was also made to ensure that the meetings could remain at a time and location that would be beneficial to the majority of the community in order to retain an open and transparent meeting process.

The Audit (Finance and Risk) Committee met the day prior to the Ordinary Council Meetings in 2017 due to it being cost effective while the Shire had a Commissioner. It would be advantageous in 2018 to meet on the day before a Council briefing session (generally the 2nd Tuesday of each month). This would provide the opportunity to discuss any matters arising from the Audit (Finance and Risk) Committee at the briefing session and leave sufficient time to prepare reports for the next Ordinary Council Meeting which generally occur on the 4th Tuesday of each Month.

It is therefore proposed that the Committee meetings take place at 5:00 pm on the day before the Ordinary Council Meetings to be held in the Council Chambers in Kununurra on:

- Monday, 12 February
- Monday, 14 May
- Monday, 13 August
- Monday, 12 November.

## **ATTACHMENTS**

Nil

#### 7.4. REGULATION 17 STATUS

<b>DATE:</b>	27 Nov 2017
<b>AUTHOR:</b>	Senior Governance Officer
<b>RESPONSIBLE OFFICER:</b>	Chief Executive Officer
<b>FILE NO:</b>	FM.02.8
<b>DISCLOSURE OF INTERESTS:</b>	Nil

#### VOTING REQUIREMENT

Simple majority.

#### OFFICER'S RECOMMENDATION

**That Audit (Finance and Risk) Committee:**

- 1. notes the quarterly reporting for Regulation 17 actions**
- 2. reports the quarterly reporting for Regulation 17 actions to Council for endorsement.**

#### PURPOSE

To review the progress of actions undertaken in respect of the *Local Government (Audit) Regulations 1996*, Regulation 17 review of 2016.

#### NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices

#### BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

Department of Local Government Circular No. 05-2013 of February 2013 detailed amendments to the *Local Government (Audit) Regulations 1996* which would come into effect on 9 February 2013.

These amendments require a local government's Chief Executive Officer to review the local government's systems and procedures in regard to risk management, internal control and legislative compliance on a periodic basis and provide a report of that review to the local government's audit committee for their consideration.

This expansion of the responsibilities for the Audit (Finance & Risk) Committee should provide for enhanced management of risk and legislative compliance within the Shire, increasing transparency and involvement for elected members.

Council has previously made resolutions in respect of the Regulation 17 review, as for AC432-20 of December 2016 which committed the Audit (Finance & Risk) Committee to reporting the results of the review quarterly to Council and providing Council a copy of the report.

Council has since considered Regulation 17 actions as they were contained in the Corporate Business plan 2016/17 to 2019/20, being endorsed via resolution 11495 in March 2017. Prior to this Council endorsed via resolution 11555 of December 2016 the CEO's review of systems and procedures under Regulation 17.

Reporting is further noted as an action in support of strategy 1.4.1 of the Corporate Business Plan, that being that a quarterly Regulation status report for Audit (Finance and Risk) Committee is developed and maintained.

### **STATUTORY IMPLICATIONS**

*Local Government (Audit) Regulations 1996* specifically regulation 17 stipulate that:

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

- (a) risk management; and
- (b) internal control; and
- (c) legislative compliance.

(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 at least once every 2 calendar years.

(3) The CEO is to report to the audit committee the results of that review.

*[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]*

Additionally, the Shire's Risk Management Policy commits the Shire to demonstrating consideration of the Shire's Risk Management Framework in the development of local laws.

### **POLICY IMPLICATIONS**

Policies in development pursuant to the Regulation 17 actions include:

- Insurance Strategy and Policy - Research is underway in which a range of policy materials and options have been reviewed and are under consideration. A draft policy will be available for review in Q3.
- Record Keeping Compliance Policy - Intended to remain within the ICT Policy CP/ICT-3260 which is due for review December 2017
- Local Planning Policy Manual - Further review is pending approval of draft Local Planning Scheme by Western Australian Planning Commission.

## **FINANCIAL IMPLICATIONS**

The financial implications of ensuring the items listed in the attachment have been provided for in the 2017/18 budget where necessary. Should additional funds be needed to complete any of the items these will be dealt with in the mid year budget review.

The IT Disaster Recovery plan is the item that requires the most funding as it will incur expenditure on either cloud backup services or local backup installation costs depending on connectivity to an alternate site. This will be implemented in conjunction with the replacement of the servers in the main administration building. The costs associated with the replacement of the servers and the installation of the backup servers at the alternate site has been factored into the 2017/18 budget.

## **STRATEGIC IMPLICATIONS**

*Strategic Community Plan 2012-2022*

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved services

Strategy 1.4.1 : Ensure legislative compliance and follow best practice principles in planning and service delivery

## **RISK IMPLICATIONS**

Development of the risk management framework is ongoing, toward facilitating the remaining goal of a risk register by the end of the financial year.

**Risk:** Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

**Control:** Review policies and procedures in accordance with review schedule.

## **COMMUNITY ENGAGEMENT**

The Shire of Wyndham East Kimberley CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

Community engagement may be undertaken for Community Complaints handling procedure.

## **COMMENTS**

By the first quarter reporting date, two of 17 items are complete, three are at 50 percent completion with the remaining ten at 25 percent or less complete, this includes two items carried over from the previous year. The progress for the first quarter is sufficient to expect

that the items listed in the attachment should be complete by the end of the financial year. An update will be tabled at the next Audit (Finance and Risk) Committee meeting.

A matter to note is that an amendment to Regulation 17(2) is being prepared by the Department of Local Government Sport and Cultural Industries that will require the CEO to undertake a review of audit systems and procedures no less than once in every three financial years as opposed to once every two years as is currently the case. The Shire will, once the amendment is passed, conduct the reviews of risk management, internal controls and legislative compliance no less than once in every three financial years.

The Shire had all three matters addressed in the 2015/16 financial year and the recommendations from that review were being implemented from the 2016/17 year. As provided under the amended Regulation 17(2), the Shire proposes to address legislative compliance, risk management and internal controls on a rotational basis on a three yearly cycle. The Shire is addressing legislative compliance this financial year as its Regulation 17(2) review.

The legislative compliance review may be made easier by acquiring a software solution by licensing a legislative compliance subscription service to catalogue the full extent of the Shire's exposure to regulatory frameworks. The software solution will enable the assigning, tracking and accounting for individual legislative obligations amongst roles at the Shire with the aim of strengthening internal compliance monitoring against staff turnover and changes to legislation. The cost of such software based on investigations is estimated to be approximately \$5,000 per annum. Shire officers will need to document a cost benefit analysis to support this acquisition before the procurement process can commence.

## **ATTACHMENTS**

Attachment 1 - R17 Action Register 2017-2018

## 7.5. STANDING ITEM - LEASES

<b>DATE:</b>	29 November 2017
<b>AUTHOR:</b>	Coordinator Financial Management
<b>RESPONSIBLE OFFICER:</b>	Vernon Lawrence, Director Corporate Services
<b>FILE NO:</b>	CP.07 and CP.16
<b>DISCLOSURE OF INTERESTS:</b>	Nil

### VOTING REQUIREMENT

Simple Majority

### OFFICER'S RECOMMENDATION

**That the Committee recommends to the Council that it notes the Confidential Lease Schedule and the New and Renewal Lease Schedule attached.**

### PURPOSE

To consider the attached Confidential Lease Report as at 15 November 2017.

### NATURE OF COUNCIL'S ROLE IN THE MATTER

Provider - provide physical infrastructure and essential services.

### BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

The Shire of Wyndham East Kimberley administers over thirty five leases ranging from airport leases, community and commercial leases.

In December 2007 the Audit (Risk and Finance) Committee resolved:

**Minute No. A066**

**Moved: Cr Keith Wright**

**Seconded Cr Frederic Mills**

- 1. That the Audit Committee note that the responsibility for the management of leases and periodical contracts is that of the Executive Manager Corporate Services.**
- 2. That the Audit Committee note that the Executive Manager Corporate Services monitors the leases and coordinates the lease database and reporting to Executive Managers, the Audit Committee and Council.**

3. ***That the Audit Committee request staff to present an updated Lease Spreadsheet certified by Executive Manager Corporate Services to each Audit Committee meeting as a standing item.***

***Carried Unanimously 4/0***

## **STATUTORY IMPLICATIONS**

### ***Local Government Act 1995***

#### ***Part 5, Division 2***

#### ***5.23. Meetings generally open to public***

- (2) *If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following —*
- (a) *a matter affecting an employee or employees; and*
  - (b) *the personal affairs of any person; and*
  - (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting; and*
  - (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting; and*
  - (e) *a matter that if disclosed, would reveal —*
    - (i) *a trade secret; or*
    - (ii) *information that has a commercial value to a person; or*
    - (iii) *information about the business, professional, commercial or financial affairs of a person, where the trade secret or information is held by, or is about, a person other than the local government; and*
  - (f) *a matter that if disclosed, could be reasonably expected to —*
    - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; or*
    - (ii) *endanger the security of the local government's property; or*
    - (iii) *prejudice the maintenance or enforcement of a lawful measure for protecting public safety; and*
  - (g) *information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1971; and*
  - (h) *such other matters as may be prescribed.*
- (3) *A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.*

## **POLICY IMPLICATIONS**

CP/PMG-3780 Leasing of Council Managed Reserve Land – Community is relevant.

CP/PMG-3781 Leasing of Council Managed/Owned Land – Commercial is relevant.

## **FINANCIAL IMPLICATIONS**

There are no financial implications from the preparation of this report.

## **STRATEGIC IMPLICATIONS**

*Strategic Community Plan 2012-2022*

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved services

Strategy 1.4.1 : Ensure legislative compliance and follow best practice principles in planning and service delivery

Strategy 1.4.2 : Improve the efficiency and productivity of Shire services

Strategy 1.4.3 : Maintain Council's long term financial viability

## **RISK IMPLICATIONS**

Strategic Risk: Loss of corporate knowledge with staff turnover.

Control: Documentation of service procedures.

Strategic Risk: Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

Control: Review policies and procedures in accordance with review schedule.

## **COMMUNITY ENGAGEMENT**

The Shire of Wyndham East Kimberley CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

No community engagement is required.

## **COMMENTS**

The Shire has finalised several outstanding leasing issues over the past 12 months. Shire staff are following up on outstanding leases on a regular basis and aim to resolve the remaining leases during the last quarter of 2017. While there are some leases that remain outstanding, it demonstrates a positive move forward in relation to overall lease management.

## **ATTACHMENTS**

Confidential Attachment 1 - Lease Schedule

Confidential Attachment 2 - New and Renewal Lease Schedule



## 7.6. AUDIT AND MANAGEMENT REPORT 2016/17

<b>DATE:</b>	29 November 2017
<b>AUTHOR:</b>	Vernon Lawrence, Director Corporate Services
<b>RESPONSIBLE OFFICER:</b>	Director Corporate Services
<b>FILE NO:</b>	FM.02.16
<b>DISCLOSURE OF INTERESTS:</b>	Nil

### **VOTING REQUIREMENT**

Simple Majority

### **OFFICER'S RECOMMENDATION**

**That the Audit (Finance and Risk) Committee recommends to Council that it notes the officer report and associated attachments.**

### **PURPOSE**

The purpose of the report is to table the correspondence with the Shires Auditors following the 2016/17 audit and to comment on the management report presented to the Shire.

### **NATURE OF COUNCIL'S ROLE IN THE MATTER**

Leader - plan and provide direction through policy and practices

Regulator - enforce state legislation and local laws

### **BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE**

The Department of Local Government, Sport and Cultural Industries published "A Guide to Local Government Auditing Reforms" in September 2017. This guide highlighted legislative changes that will require local governments to examine an audit report it receives and implement appropriate action in respect of the significant matters that are raised.

Local governments must prepare a report on what action they have taken or intend to take in respect of the significant matters reported. This report must then be provided to the Minister within three months of receiving the audit report and the CEO must publish a copy on the Shire website within 14 days of giving the report to the Minister.

### **STATUTORY IMPLICATIONS**

***Local Government Act 1995***

## **Division 4 — General**

### **7.12A. Duties of local government with respect to audits**

- (1) A local government is to do everything in its power to —
  - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and
  - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
  - (aa) examine an audit report received by the local government; and
  - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
  - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —
  - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
  - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

## **Local Government (Audit) Regulations 1996**

### **10. Report by auditor**

- (1) An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.
  - (2) The report is to give the auditor's opinion on —
    - (a) the financial position of the local government; and
    - (b) the results of the operations of the local government.
  - (3) The report is to include —
    - (a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government; and
    - (b) any matters indicating non-compliance with Part 6 of the Act, the Local Government (Financial Management) Regulations 1996 or applicable financial controls in any other written law; and
    - (c) details of whether information and explanations were obtained by the auditor; and
    - (d) a report on the conduct of the audit; and
    - (e) the opinion of the auditor as to whether or not the following financial ratios included in the annual financial report are supported by verifiable information and reasonable assumptions —
      - (i) the asset consumption ratio; and
      - (ii) the asset renewal funding ratio.
- (4A) In subregulation (3)(e) —

*asset consumption ratio has the meaning given in the Local Government (Financial Management) Regulations 1996 regulation 50(2);*

*asset renewal funding ratio has the meaning given in the Local Government (Financial Management) Regulations 1996 regulation 50(2).*

*(4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.*

## **POLICY IMPLICATIONS**

There are no policy implications from this report.

## **FINANCIAL IMPLICATIONS**

There are no financial implications from the preparation of the report. Any financial implications that may arise out of the implementation of any actions that result from actions taken because of this report will be considered as part of the budget and long term financial planning process.

## **STRATEGIC IMPLICATIONS**

*Strategic Community Plan 2012-2022*

Goal 1: Strong leadership and governance that underpins a more strategic approach to community engagement, regional development and organisational sustainability

Objective 1.4: Business innovation, efficiency and improved services

Strategy 1.4.1 : Ensure legislative compliance and follow best practice principles in planning and service delivery

Strategy 1.4.3 : Maintain Council's long term financial viability

## **RISK IMPLICATIONS**

**Risk:** Failure to comply with legislative requirements leading to damage of reputation and/or financial loss.

**Control:** Annual audit performed.

## **COMMUNITY ENGAGEMENT**

The Shire of Wyndham East Kimberley's CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

No community engagement is required.

## **COMMENTS**

The Shires auditors, Moore Stephens have conducted their audit of the Shire's financial statements at 30 June 2017 and their audit opinion states that the financial report gives a true and fair view of the Shires financial position, its performance and cash flows for the year ended 30 June 2017. It further states that the financial report is compliant with Australian Accounting Standards.

The audit opinion also states that there are no matters that indicate adverse trends in the financial position and financial management practices. There are no matters indicating non-compliance with specific finance and audit legislation.

The audit opinion is a "clean" opinion and reflects well on the financial governance of the Shire. No significant matters have been identified that need to be addressed as contemplated by *Section 7.12A(4) of the Local Government Act, 1995*.

Moore Stephens also provides the Shire with a management report that sets out the Shires performance against the ratios that have been developed by the Department of Local Government, Sport and Cultural Industries. The Department devised these ratios to allow local government to benchmark themselves and identify where they need to improve. They developed three separate standards: basic, improving and advanced. It must be noted that the Target Ratios in the Moore Stephens management report to the Shire indicate that the Shire is being measured against the advanced standard ratios.

The analysis of the 5 year trend shows that the Shire is improving in four and declining in two. The two that are declining are the Asset Sustainability Ratio and the Current Ratio.

The Asset Sustainability Ratio is low for the 2016/17 year due to the impact of the flood damage on the capital works program. The Shire fully expects that the shortfall in the capital works program of 2016/17 will be made up in the 2017/18 year. In order to achieve the benchmark of 1.1 for 2017/18 the Shire needs to spend approximately \$7m on its infrastructure and plant. This has been substantially achieved for the 2017/18 year.

The Current Ratio is the other ratio that is below the benchmark and the trend is indicating down. The Shire placed significant funds into the Capital Works Reserve (\$2,26m.) which it had not done in previous years. The reason for doing this is to quarantine funds allocated to capital works so that in the long term the Shire can meet its asset management renewal obligations. Unfortunately these funds are regarded as restricted and excluded from the calculation of the ratio. But for this adjustment the Shire would have met the benchmark and the trend would be up. Shire officers however believe that restricting capital works funding will lead to better outcomes from a sustainability point of view. The current ratio will improve over time to reach the benchmark as the Shires Operating Surplus Ratio improves.

The Shire has achieved the basic level for the Asset Renewal Funding Ratio and the improving level on the Asset Consumption Ratio, Own Source Revenue Ratio and Debt Service Cover Ratio.

The Operating Surplus Ratio is the one area where the Shire needs to be putting in significant effort to improve. Targeting consistent operating surpluses will provide sufficient funds for both recurrent service levels and asset renewal and upgrade requirements. There are two main ways the Shire can achieve this. Firstly, to continue to improve the annual budgeting and long term financial planning process. Secondly, the Shire continues to improve the asset management process so that there is a clear distinction between what is renewal expenditure and what is operating maintenance. These are ongoing process that will take a number of iterations to improve.

With respect to the balance of the management report the Shire Officers concur in general with the comments made by Moore Stephens.

### **ATTACHMENTS**

Attachment 1 - 2017 CEO Letter Audit and Management Report - Final.

## 8. MATTERS BEHIND CLOSED DOORS

### 8.1. CONFIDENTIAL ITEM - UPDATE ON THE RECOVERY OF OUTSTANDING RATES - ASSESSMENTS A2574, A2569 AND A411

<b>DATE:</b>	29 November 2017
<b>AUTHOR:</b>	Coordinator Financial Operations
<b>RESPONSIBLE OFFICER:</b>	Vernon Lawrence, Director Corporate Services
<b>FILE NO:</b>	FM.11.94, A2574D, A2569D, A411D
<b>DISCLOSURE OF INTERESTS:</b>	Nil

This item is to be considered behind closed doors as per the *Local Government Act 1995*:

#### 5.23. **Meetings generally open to public**

(2) *If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following —*

- (a) *a matter affecting an employee or employees; and*
  - (b) *the personal affairs of any person; and*
  - (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting; and*
  - (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting; and*
  - (e) *a matter that if disclosed, would reveal —*
    - (i) *a trade secret; or*
    - (ii) *information that has a commercial value to a person; or*
    - (iii) *information about the business, professional, commercial or financial affairs of a person, where the trade secret or information is held by, or is about, a person other than the local government; and*
  - (f) *a matter that if disclosed, could be reasonably expected to —*
    - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; or*
    - (ii) *endanger the security of the local government's property; or*
    - (iii) *prejudice the maintenance or enforcement of a lawful measure for protecting public safety; and*
  - (g) *information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1971; and*
  - (h) *such other matters as may be prescribed.*
- (3) *A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.*

## **VOTING REQUIREMENT**

Simple Majority

## **PURPOSE**

For the Audit (Finance and Risk) Committee to report to the Council the further investigations and actions undertaken regarding options for the recovery of outstanding rates for Assessments A2574, A2569, and A411 in accordance with relevant legislation.

**9. DATE OF NEXT MEETING**

**10. CLOSURE**