

I hereby certify that the Minutes of the Audit (Finance and Risk) Committee Meeting are a true and accurate record of the proceedings contained therein.

Chairperson

Date



SHIRE OF WYNDHAM | EAST KIMBERLEY

MINUTES AUDIT (FINANCE AND RISK) COMMITTEE

5 November 2018

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**SHIRE OF WYNDHAM EAST KIMBERLEY
MINUTES OF THE AUDIT (FINANCE AND RISK)
COMMITTEE
KUNUNURRA COUNCIL CHAMBERS
HELD ON MONDAY, 5 NOVEMBER 2018 AT 5:00 PM**

1. DECLARATIONS OF OPENING

Cr Chafer declared the meeting open at 5.05pm and read out the following disclaimer:

Members of the Public are advised that recommendations to Council contained within this Agenda and decisions arising from the Council meeting can be subject to alteration.

Applicants and other interested parties should refrain from taking any action until such time as written advice is received confirming Council's decision with respect to any particular issue.

An audio and/or video record will be made of these proceedings to assist in the taking of minutes.

2. RECORD OF ATTENDANCE/APOLOGIES

ATTENDANCE

Cr T Chafer	Deputy Shire President	Chair of Committee
Cr G Lodge	Councillor	Deputy Chair of Committee
Cr M McKittrick	Councillor	
C Askew	Chief Executive Officer	
V Lawrence	Director Corporate Services	
N Kearns	Director Planning and Community Development	
F Hamilton	Minute Taker	

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

Nil

4. DECLARATION OF INTEREST

- Financial Interest

Nil

- Impartiality Interest

Nil

- Proximity Interest

Nil

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

That the Minutes of the Audit (Finance and Risk) Committee meeting of 13 August 2018 be accepted as a true and accurate record of proceedings.

Note: The Minutes of the Audit (Finance and Risk) Committee are provided under separate cover via www.swek.wa.gov.au

COMMITTEE RESOLUTION

Minute Number: 05/11/2018 AC406

Moved: Cr G Lodge

Seconded: Cr M McKittrick

That the Minutes of the Audit (Finance and Risk) Committee meeting of 13 August 2018 be accepted as a true and accurate record of proceedings.

Decision: 3/0

6. DEPUTATIONS/PRESENTATIONS/SUBMISSIONS/NOTICES OF MOTIONS

Nil

7. REPORTS

7.1. PROPOSED MEETING DATES FOR THE AUDIT (FINANCE AND RISK) COMMITTEE FOR 2019

DATE:	5 November 2018
AUTHOR:	Vernon Lawrence - Director Corporate Services.
RESPONSIBLE OFFICER:	Director Corporate Services
DISCLOSURE OF INTERESTS:	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 2019 are held in accordance with the following dates, times and place:		
Date	Time	Place
Monday, 11 February 2019	5:00 pm	Council Chambers, Kununurra
Monday, 13 May 2019	5:00 pm	Council Chambers, Kununurra
Monday, 12 August 2019	5:00 pm	Council Chambers, Kununurra
Monday, 4 November 2019	5:00 pm	Council Chambers, Kununurra
2. That local public notice of the meetings outlined in recommendation (1) above is provided in accordance with Regulation 12 of the <i>Local Government (Administration) Regulations 1996</i>.		

COMMITTEE RESOLUTION

Minute Number: 05/11/2018 AC407

Moved: Cr M McKittrick

Seconded: Cr G Lodge

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

1. That the Audit (Finance and Risk) Committee meetings for 2019 are held in accordance with the following dates, times and place:

Date	Time	Place
Monday, 11 February 2019	5:00 pm	Council Chambers, Kununurra
Monday, 13 May 2019	5:00 pm	Council Chambers, Kununurra
Monday, 12 August 2019	5:00 pm	Council Chambers, Kununurra
Monday, 4 November 2019	5:00 pm	Council Chambers, Kununurra

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*.

Decision: 3/0

PURPOSE

To consider the proposed dates, times and place for the Audit (Finance and Risk) Committee meetings to be held for 2019 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 2017 Audit (Finance and Risk) Committee meeting, the following Committee Resolution was reached:

Minute No. 29/11/2017- AC362

Moved: Cr Lodge
Seconded: Cr McKittrick

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:

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

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*.

Carried 3/0

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 28 August 2018 Ordinary Council Meeting, the delegation for which is reflected in Item 50 of the Council Delegations Register 2018/19.

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 2018/19 Annual Budget.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2017-2027

Focus Area 3: Economic Prosperity

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire's financial viability

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

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

Engagement will take place in accordance with the Shire's 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 2019 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 Council Briefing Sessions in 2018 as it 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 Council Briefing Sessions to be held in the Kununurra Council Chambers on:

- Monday, 11 February
- Monday, 13 May
- Monday, 12 August
- Monday, 4 November.

ATTACHMENTS

Nil

Cr T Chafer advised the Committee that whilst there were no confidential reports, there were a number of confidential attachments in relation to reports 7.2 – 7.6. For the benefit of any members of the public he suggested that if any committee members needed to raise matters related to any of the confidential attachments, Committee move into camera “once” and deal with all items before re-opening the meeting to deal with all remaining reports. Committee agreed with this process and indicated a need to discuss a number of matters within the confidential items.

COMMITTEE RESOLUTION

Minute Number: 05/11/2018 AC408

Moved: Cr G Lodge

Seconded: Cr M McKittrick

**That the Committee move in-camera to discussed confidential attachments at 5:09pm.
Officers to remain.**

Decision 3/0

COMMITTEE RESOLUTION

Minute Number: 05/11/2018 AC409

Moved: Cr G Lodge

Seconded: Cr M McKittrick

That the Committee move out of camera at 5:22pm.

Decision 3/0

7.2. INSURANCE CLAIMS REPORT

DATE:	5 November 2018
AUTHOR:	Director Corporate Services
RESPONSIBLE OFFICER:	Vernon Lawrence, Director Corporate Services
FILE NO:	RM.01.2
DISCLOSURE OF INTERESTS:	Nil

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee recommends to Council that it notes the Insurance Claims Report and associated attachments.

COMMITTEE RESOLUTION

Minute Number: 05/11/2018 AC410

**Moved: Cr G Lodge
Seconded: Cr T Chafer**

That the Audit (Finance and Risk) Committee recommends to Council that it notes the Insurance Claims Report and associated attachments.

Decision:3/0

PURPOSE

To report to the Audit (Finance and Risk) Committee (the Committee) the insurance claims that have been lodged for the 2016/17 and 2017/18 financial year, the associated costs and the status of the claims.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices

BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

The Committee has as one of its functions to facilitate the effective management of financial and other risks and the protection of Council assets. The Shire administration is allocating

more time and resources to risk management and it is appropriate that the Shires risk performance is reported to the Committee as a standard report on a quarterly basis.

STATUTORY IMPLICATIONS

Not applicable

POLICY IMPLICATIONS

The following Shire documents are relevant to this report:

- Corporate Insurance Strategy
- Risk Management Policy

FINANCIAL IMPLICATIONS

Insurance premiums have been considered in the 2018/19 budget process. There are no other financial implications arising out of the preparation of this report.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2017-2027

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire's financial viability

Goal: 4.3: Ensure a strong and progressive organisation delivering customer focused services

Strategy 4.3.2: Create a culture that encourages innovation, collaboration, best practice and organisational discipline to improve efficiency, effectiveness and productivity

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

RISK IMPLICATIONS

Risk: Inadequate insurance cover leading to damage of reputation and/or financial loss.

Control: Annual review of insurance cover.

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 Terms of Reference for the Audit (Finance and Risk) Committee set out as one of the objectives is to facilitate the effective management of financial and other risks and the

protection of Council assets. Part of the *Local Government Operational Guidelines Number 09 - Audit in Local Government* identifies that “good audit committee practices in monitoring internal control and risk management programs typically include: assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.”

The attachments detail the 2017/18 financial year and first quarter of the 2018/19 financial year to date, the cost of claims across four categories where claims were made. These can be summarised as follows:

	2017/18 (Q1 - Q4)		2018/19 (Q1)	
	Estimated Costs	Number of Claims	Estimated Costs	Number of Claims
Motor Vehicle	\$0	0	\$0	0
WorkCare	\$52,564	6	\$280	1
Property	\$69,738	4	\$1,627	1
Liability	\$363	2	\$0	0
Total	\$122,665	12	\$1,907	2

The table above shows no Motor Vehicle claims were made during the 2017/18 year or in 2018/19 year to date.

One WorkCare claim has been lodged year to date in 2018/19, which is finalised for \$280. Estimated cost for 2017/18 decreased by \$10,287 with reference to previous report. The total cost incurred of \$14,730 and estimated future costs of \$37,834 for 4 open claims. Shire Officers have provided advice that the claims have subsequently been closed and the forecast costs of \$37,834 have not materialised.

The number and the quantum of claims for WorkCare matters in the prior year can be attributed to having a more rigorous Occupational Safety and Health (OSH) system in place. Shire Officers consider that the reporting of incidents will improve significantly with the appointment of a dedicated staff member who is responsible for OSH matters. This may not change the number of insurance claims made, but incident reporting will provide data to enable the Shire to better manage its risk. This will have positive implications for the cost of insurance. The Shire is continuing the recruitment process to recruit a Safety and Wellbeing Officer to assist in the development, implementation and management of the Shire’s Workplace OSH processes, procedures, as well as coordinating health and wellbeing programs and initiatives. This should improve both the quality of reporting and make a positive financial impact.

There was one claim for property damage in the first quarter of 2018/19 which was related to vandalism at the Kununurra Airport. 2017/18 includes an estimate of \$65,000 for damage to the Wyndham Swimming Pool and this claim is still not finalised as yet. The claims made are

principally due to factors that are beyond the control of the Shire. Positive impacts can be expected to be made with the implementation of the CCTV project.

There are no Liability claims for 2018/19 yet. All the claims related to previous years have been finalised. There is the possibility of two claims being reopened if responses are received from the claimants.

ATTACHMENTS

Attachment 1 - Confidential claims report 2018/19 Q1

7.3. STANDING ITEM - RATES DEBTORS

DATE:	5 November 2018
AUTHOR:	Senior Rates Officer
RESPONSIBLE OFFICER:	Vernon Lawrence, Director Corporate Services
FILE NO:	FM.11.1
DISCLOSURE OF INTERESTS:	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.

COMMITTEE RESOLUTION

Minute Number: 05/11/2018 AC411

**Moved: Cr T Chafer
Seconded: Cr G Lodge**

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.

Decision:3/0

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. Should debts become not recoverable it affects the cash position of the Shire. Provision is made for debts that are not recoverable at the end of each financial year.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2017-2027

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire's financial viability

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

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's 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

Rates & Services Levied 2018/19 (including arrears)	Overdue at 23 October 2018
\$ 13,451,730.93	\$1,805,170.21

Rates for the financial year of 2018/19 were raised on 5 July 2018 and issued on the 13 July 2018. Interim rating occurs periodically throughout the year. The Overdue amount of \$1,805,170.21 is analysed in the Confidential Attachment 1.

Comparison of rates received 2017/18 and 2018/19

NB: It should be noted that the table below includes Rates, Waste Management Charges, Waste Receptacle Charges, Back Rates, ESL & Deferred Rates.

		2017/18			2018/19		
Days from Billing		Total Outstanding	Received	% of Billing	Total Outstanding	Received	% of Billing
		\$	\$	%	\$	\$	%
0	Notices Issued	12,943,820			13,418,076		
7		12,543,019	400,801	3.10%	12,910,025	508,051	3.79%
14		10,426,388	2,116,631	16.35%	12,042,246	867,779	6.47%
21		9,307,423	1,118,965	8.64%	9,409,788	2,632,457	19.62%
28		8,274,170	1,033,253	7.98%	8,558,338	851,450	6.35%
35		5,248,725	3,025,445	23.37%	5,645,622	2,903,716	21.64%
42		4,765,947	482,778	3.73%	4,957,835	696,786	5.19%
2nd Instalment Due Date		3,595,310	1,170,637	9.04%	3,564,154	1,393,681	10.39%
Final Instalment Due Date		1,498,563	2,097,747	16.21%			
30 June Following		1,040,091	457,472	3.53%			
Total			11,903,729	91.96%		9,853,920	73.45%

*17/18 figures do not include ESL or Deferred Rates.

Instalment Status Report at 23 October 2018

Instalment Option	Number of Properties	% Total Properties*	Properties up to date	Properties Behind	Instalments Overdue** \$	% of Properties Overdue
2 instalments	207	7.48%	168	39	-19,610.20	18.84%
4 Instalments	511	18.46%	362	149	98,629.82	29.16%
All instalment payers	718	25.94%	530	188	79,019.62	26.18%

*2768 excluding non-rateable properties

**Instalments overdue for 2 instalments is showing a credit due to rate assessments being in credit.

ATTACHMENTS

Confidential Attachment 1 - Rates Debtors at 23 October 2018 (Confidential Attachment provided under separate cover).

7.4. AUDIT AND MANAGEMENT REPORT 2017/18

DATE:	5 November 2018
AUTHOR:	Vernon Lawrence, Director Corporate Services
RESPONSIBLE OFFICER:	Director Corporate Services
FILE NO:	FM.02.16
DISCLOSURE OF INTERESTS:	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.

COMMITTEE RESOLUTION

Minute Number: 05/11/2018 AC412

**Moved: Cr M McKittrick
Seconded: Cr G Lodge**

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

Decision:3/0

PURPOSE

The purpose of the report is to table the correspondence with the Shires Auditors following the 2017/18 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.

This matter was considered by the Audit (Finance and Risk) Committee at the meeting held on 29 November 2017.

COMMITTEE RESOLUTION

Minute No: 29/11/2017- AC365

Moved: Cr Lodge

Seconded: Cr Chafer

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

Carried 3/0

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 2017-2027

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire's financial viability

Goal: 4.3: Ensure a strong and progressive organisation delivering customer focused services

Strategy 4.3.2: Create a culture that encourages innovation, collaboration, best practice and organisational discipline to improve efficiency, effectiveness and productivity

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

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 2018. Their audit opinion states that the financial report;

- a) is based on proper accounts and reports; and
- b) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2018 and the financial position of the Shire for the period then ended.

It further states that the financial report is not inconsistent with the provisions of the Local Government Act, 1995 and the Australian Accounting Standards.

The audit opinion also states that all required information and explanations were obtained by Moore Stephens, that all audit procedures were satisfactorily completed and that the asset consumption ratio and the asset renewal ratio were supported by verifiable information and reasonable assumptions.

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. In previous years this report set out the Shires performance against the ratios that were 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.

The current year does not report on these items but the report reflects more what the format will be once the Shire has transitioned to Auditor General managed audits.

The current year report reflects on one ratio that does not meet the benchmark. The adjusted Operating Surplus Ratio has been negative for the last 5 years. The report further states that a sustained period of deficits will erode the Shires ability to service debt and maintain both its operating service levels and its asset base. It further suggests that Council and management will need to monitor the ratio and consider ways to improve the ratio to the acceptable benchmark.

Shire officers and the Executive broadly agree with the Moore Stephens comments. It should be noted that the adjusted Operating Surplus Ratio not meeting the benchmark does not mean that the Shire is not in a sound financial position. The Department of Local Government and Communities in 2016 established a Financial Health Indicator. This indicator is reported on in the financial statements of the Shire. In the last two financial years the indicator has been 69 and 70 respectively. A score of 70 indicates sound financial health.

The Shire has started to address the problem in its Long Term Financial Plan that was adopted in July 2017. This version of the plan addressed the issue conceptually, not on the basis of identifying the sustainable funding of base service levels and detailed forward capital works programs. The next review of the Long Term Financial Plan will better address these issues.

Shire officers have become increasingly aware that the distinction between expenditure of a capital nature and that of a revenue nature is not strictly adhered to. A better allocation of expenses that should be capitalised rather than written off as operating will go some way to addressing the problem. Furthermore, Shire overhead allocations need to be reviewed as this also has an impact on the capital versus revenue apportionment.

The negative adjusted Operating Surplus Ratio over the period has not had any significant impact on the cash position of the Shire. The Shire continues to be able to meet its current liabilities within the terms granted by suppliers and maintain its reserves to be fully backed by cash.

Shire Officers agree that the Operating Surplus Ratio is the one area of financial management 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 three main ways the Shire can achieve this. Firstly, to continue to improve the planning processes. These are mainly the annual budgeting process 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. Finally, for the Shire to improve the recording process to ensure that there is the optimum allocation of expenditure between what is operating and what is capital. These are ongoing process that will take a number of iterations to improve.

ATTACHMENTS

Attachment 1 - 2018 CEO Letter and Reports - Final.

7.5. SUNDRY DEBTORS REPORT NOVEMBER 2018

DATE:	5 November 2018
AUTHOR:	Senior Finance Officer
RESPONSIBLE OFFICER:	Vernon Lawrence, Director Corporate Services
FILE NO:	FM.07.02
DISCLOSURE OF INTERESTS:	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

COMMITTEE RESOLUTION

Minute Number: 05/11/2018 AC413

**Moved: Cr G Lodge
Seconded: Cr T Chafer**

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.

Decision:3/0

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 2017-2027

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire's financial viability

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

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's 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 30 October 2018

Categories	90 Days		60 Days	30 Days	Current	Total
	No	\$	\$	\$	\$	\$
Sundry Debtors	21	122,944	10,059	117,548	391,129	641,680

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 30 October 2018

Categories	90 Days		60 Days	30 Days	Current	Total
	No	\$	\$	\$	\$	\$
Kununurra Airport	24	49,775	9993	118,719	134,766	313,253
Wyndham Airport	2	1,989	315	3,763	2,255	8,322
Total	25	51,764	10,308	122,482	137,021	321,575

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

ATTACHMENTS

Confidential Attachment 1 - Sundry Debtors at 31 October 2018 (Confidential attachment provided under separate cover).

7.6. STANDING ITEM - LEASES

DATE:	5 November 2018
AUTHOR:	Senior Finance Officer
RESPONSIBLE OFFICER:	Vernon Lawrence, Director Corporate Services
FILE NO:	CP.07 and CP.16
DISCLOSURE OF INTERESTS:	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.

COMMITTEE RESOLUTION

Minute Number: 05/11/2018 AC414

Moved: Cr G Lodge

Seconded: Cr M McKittrick

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

Decision:3/0

PURPOSE

To consider the attached Confidential Lease Report as at 31 October 2018.

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 2017-2027

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire's financial viability

Goal: 4.3: Ensure a strong and progressive organisation delivering customer focused services

Strategy 4.3.2: Create a culture that encourages innovation, collaboration, best practice and organisational discipline to improve efficiency, effectiveness and productivity

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

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's CP/GOV-3100 Community Engagement Policy has been considered in relation to this item. No community engagement is required.

COMMENTS

The Shire has finalised numerous outstanding leasing issues over the past 24 months. Shire staff are following up on three remaining outstanding lease issues on a regular basis. While it would be good if the remaining leases can be finalised before the end of the financial year, control over the timeline in progressing the leases is not vested in the Shire. Two of the three leases are now in the last stages of being finalised and officers anticipate these to be

finalised before the financial year end. Details on outstanding issues are contained in Attachment 2.

ATTACHMENTS

Confidential Attachment 1 - Lease Schedule

Confidential Attachment 2 - New and Renewal Lease Schedule

8. MATTERS BEHIND CLOSED DOORS

Nil

9. DATE OF NEXT MEETING

As indicated in Committee Resolution from report 7.1; subject to Council endorsement.

10. CLOSURE

Cr T Chafer declared the meeting closed at 5:32pm