



SHIRE OF WYNDHAM | EAST KIMBERLEY

# AGENDA

## AUDIT (FINANCE AND RISK) COMMITTEE

8 February 2021

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**SHIRE OF WYNDHAM EAST KIMBERLEY  
AGENDA OF THE AUDIT (FINANCE AND RISK)  
COMMITTEE  
KUNUNURRA COUNCIL CHAMBERS  
HELD ON MONDAY, 8 FEBRUARY 2021 AT 5:00 PM**

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**1. DECLARATION OF OPENING**

Members of the Public are advised that recommendations to Council contained within this Agenda and decisions arising from the Committee 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**

**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**

**That the Minutes of the Audit (Finance and Risk) Committee meeting of 9 NOVEMBER 2020 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](http://www.swek.wa.gov.au)

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

## 7. REPORTS

### 7.1. STANDING ITEM - RATES DEBTORS

<b>DATE:</b>	8 February 2021
<b>AUTHOR:</b>	Rates Officer
<b>RESPONSIBLE OFFICER:</b>	Felicity Heading, 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 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 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 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**

The following Council Policies are relevant to this item:

*CP/FIN-3212 Rates and Charges Debt Collection*

*CP/FIN-3219 Covid-19 Financial Hardship - Rates and Sundry Debtors*

*CP/COM-3582 Community Grant Program*

### **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 adequately resource and manage funding requirements which meet the needs of the Shire's service delivery requirements and strategic objectives.

Controls:

Policies updated in accordance with schedule and operational requirements.

Implementation of Long Term Financial Plan and Annual Budget.

## **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**

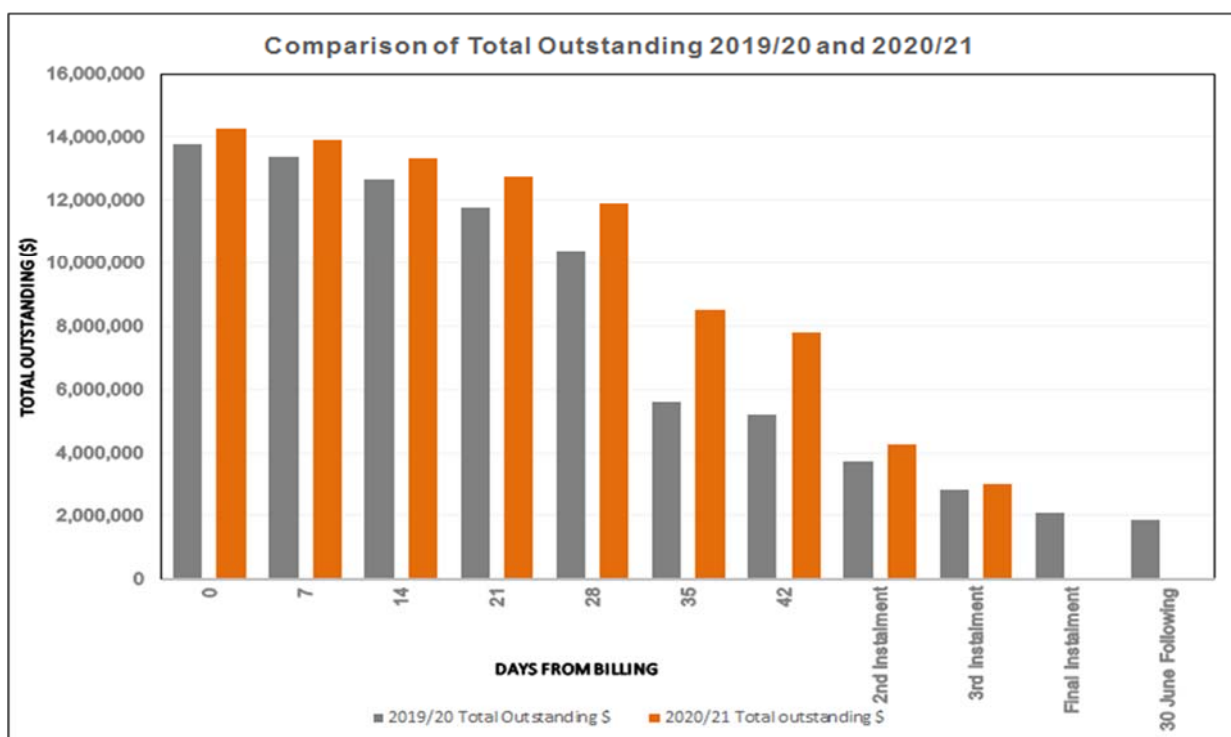
<b>Rates &amp; Services Levied 2020/21 (including arrears) at 01 February 2021</b>	<b>Overdue at 01 February 2021</b>
<b>\$ 14,527,325</b>	<b>\$2,162,927</b>

Rates for the financial year of 2020/21 were raised on 10 July 2020 and notices issued on the 17 July 2020. Interim rating occurs periodically throughout the year. The Overdue amount of \$2,162,927 is analysed in the Confidential Attachment.

## Comparison of Rates received 2019/20 and 2020/21

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

		2019/20			2020/21		
Days from Billing		Total Outstanding	Received	Total % of of Billing Received	Total outstanding	Received	Total % of of Billing Receive
		\$	\$	%	\$	\$	%
0	Notices Issued	13,755,411			14,250,592		
7		13,387,247	368,164	2.68%	13,917,365	333,227	2.34%
14		12,670,945	1,084,466	7.88%	13,314,408	936,184	6.57%
21		11,772,160	1,983,251	14.42%	12,730,868	1,519,724	10.66%
28		10,384,303	3,371,108	24.51%	11,877,067	2,373,525	16.66%
35		5,615,165	8,140,246	59.18%	8,526,843	5,723,749	40.16%
42		5,203,347	8,552,064	62.17%	7,809,394	6,441,198	45.20%
2nd Instalment		3,744,575	10,010,837	72.78%	4,265,205	9,985,387	70.07%
3rd Instalment		2,848,867	10,906,545	79.29%	3,033,878	11,216,713	78.71%
Final Instalment		2,093,115	11,662,297	84.78%			
30 June Following		1,854,201	11,901,210	86.52%			
<b>Total</b>			<b>11,901,210</b>				



#### Instalment Status Report at 01 February 2021

Instalment Option	Number of Properties	% Total Properties*	Properties up to date	Properties Behind	Instalments Overdue \$	% of Properties Overdue
2 Instalment	165	5.92%	120	45	\$28,866	27.27%
4 Instalment	496	17.81%	366	130	\$49,681	26.21%
<b>All Instalment Payers</b>	<b>661</b>	<b>23.73%</b>	<b>486</b>	<b>175</b>	<b>\$78,547</b>	<b>26.48%</b>
2,785	*excluding non-rateable properties					

#### Additional Information

##### Impact of COVID-19

It should be noted that in response to the COVID-19 pandemic a number of initiatives have been put in place to assist ratepayers, businesses and the community in general that impact the Shire's debt collection processes. These include the adoption of Council policy *CP/FIN-3219 COVID-19 Financial Hardship - Rates and Sundry Debtors* to allow those experiencing financial hardship to apply for debt relief including the waiver of interest and fees and charges, and minor amendments to the existing policy *CP/FIN-3212 Rates and Charges Debt Collection* to allow for extended payment arrangement terms and for greater discretion in debt collection. In addition legal action has been placed on hold for most outstanding rates debtors.

To date nine applications for Financial Hardship have been received from ratepayers. Seven of these have been approved and one is under assessment. Outstanding balance of approved assessments totals \$123,511.

The total percentage of rates collected for this period in 2019/20 financial year was 79.29% compared to 78.71% this financial year.

This financial year the Shire has seen less people take up the Instalment payment options, however there has been a similar number opting for a Payment Arrangement.

### **ATTACHMENTS**

*(Confidential Attachment provided under separate cover).*

Confidential Attachment - Rates Debtors February 2020

## 7.2. STANDING ITEM - SUNDRY DEBTORS

<b>DATE:</b>	8 February 2021
<b>AUTHOR:</b>	Financial Accountant
<b>RESPONSIBLE OFFICER:</b>	Felicity Heading, 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 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 Audit (Finance and Risk) Committee (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 Audit 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**

Policies relevant to this item:

Council Policy *CP/FIN-3214 Sundry Debt Collection*

Council Policy *CP/FIN-3219 Covid-19 Financial Hardship - Rates and Sundry Debtors*

### **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 'Debt collection and 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 adequately resource and manage funding requirements which meet the needs of the Shire's service delivery requirements and strategic objectives.

*Control:* Policies updated in accordance with schedule and operational requirements.

## **COMMUNITY ENGAGEMENT**

The Shire of Wyndham East Kimberley CP/COM-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 31 January 2021**

<b>Categories</b>	<b>90 Days</b>		<b>60 Days</b>	<b>30 Days</b>	<b>Current</b>	<b>Total</b>
	<b><u>No</u></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Sundry Debtors</b>	<b>20</b>	<b>362,611</b>	<b>160,774</b>	<b>20,016</b>	<b>443,429</b>	<b>986,830</b>

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 31 January 2021**

<b>Categories</b>	<b>90 Days</b>		<b>60 Days</b>	<b>30 Days</b>	<b>Current</b>	<b>Total</b>
	<b><u>No</u></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Kununurra Airport	14	57,933	1,061	58,771	76,717	194,482
Wyndham Airport	1	59	0	0	57	116
<b>Total</b>	<b>16</b>	<b>57,992</b>	<b>1,061</b>	<b>58,771</b>	<b>76,774</b>	<b>194,598</b>

Note: The information in the above table is provided by Avdata. The revenue is recognised on a monthly basis from invoicing details provided.

## **Additional Information**

### **Virgin Administration**

It should be noted that Virgin Australia Holdings Limited and its related entities were placed into Voluntary Administration effective from 20 April 2020. Further details are provided in confidential attachment 1.

**Impact of COVID-19**

In response to the COVID-19 pandemic the Shire has put in place a number of initiatives to assist ratepayers, businesses and the community in general that have an impact on the Shire's debt collection processes. These include the adoption of Council policy *CP/FIN-3219 Financial Hardship - Rates and Sundry Debtors* to allow those experiencing financial hardship to apply for debt relief including the waiver of interest and fees and charges, and minor amendments to the existing policy *CP/FIN-3214 Sundry Debt Collection* to allow for extended payment arrangement terms. In addition to this legal action has been placed on hold all for outstanding sundry debtors.

**ATTACHMENTS**

Confidential Attachment 1 - Sundry Debtors at 31 January 2021 (Confidential attachment provided under separate cover).

### 7.3. STANDING ITEM - INSURANCE CLAIMS

<b>DATE:</b>	8 February 2021
<b>AUTHOR:</b>	Director Corporate Services
<b>RESPONSIBLE OFFICER:</b>	Felicity Heading, Director Corporate Services
<b>FILE NO:</b>	RM.01.2
<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 Insurance Claims Report and associated attachments.**

#### **PURPOSE**

To report to the Audit (Finance and Risk) Committee (the Committee) the insurance claims that have been lodged for the 2019/20 and 2020/21 financial years, 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 Audit (Finance and Risk) 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 currently allocating time and resources to risk management and it is appropriate that the Shire's risk performance is reported to the Committee as a standard report on a quarterly basis.

#### **STATUTORY IMPLICATIONS**

This item in a Council Meeting needs to be discussed behind closed doors under Section 5.23.(2)(a) and Section 5.23.(2)(e)(iii) of the *Local Government Act 1995* because the item deals with a matter affecting an employee or employees, and because the item may disclose information about the business, professional, commercial or financial affairs of a person.

## **POLICY IMPLICATIONS**

The following Shire documents are relevant to this report:

- Corporate Insurance Strategy
- CP GOV-3108 Risk and Opportunity Management Policy

## **FINANCIAL IMPLICATIONS**

Insurance premiums have been considered in the 2019/20 and 2020/21 budget processes. The Shire has in terms of its insurance policy, insurance excesses that it has to absorb as a “first loss” in the event of a claim. These excesses are set out in the detailed insurance schedules accompanying the insurance policies.

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: Failure to manage the appropriateness and effectiveness of the Shire’s systems and procedures in relation to risk management, internal control and legislative compliance.

Control: Audit Regulation 17 Conducted every two years and recommendations implemented.

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 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 cost of claims across four categories where claims were made for the financial years 2019/20 and 2020/21. These can be summarised as follows:

	<b>2019/20 (Q1 - Q4)</b>		<b>2020/21 (Q1 - Q2)</b>	
	<b>Estimated Costs</b>	<b>Number of Claims</b>	<b>Estimated Costs</b>	<b>Number of Claims</b>
WorkCare	\$96,764	10	\$140,000	4
Property	\$22,792	3	\$33,440	5
Liability	\$0	0	\$1,500	1
Motor Vehicle	\$12,502	4	\$1,405	1
<b>Total</b>	<b>\$132,058</b>	<b>17</b>	<b>\$176,345</b>	<b>11</b>

Ten WorkCare claims were lodged during the 2019/20 year, of which two are listed as current on the attached report. Both of the listed current claims have been rejected. The total paid to date for accepted claims is \$96,764 and there are no further costs anticipated for these claims. There have been four claims submitted to date in 2020/21 with the total paid to date of \$5,945 and estimated total costs of \$140,000.

The Shire recruited a Safety and Wellbeing Officer in 2019 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. The Shire has also been working closely with its insurers, LGIS, to provide training to all staff on their responsibilities for maintaining a safe workplace. This has resulted in more instances of reporting but has not changed the number of claims made. Incident reporting has provided valuable data to enable the Shire to better manage its risk. This has positive implications for the cost of insurance.

There were three claims for property damage lodged during the 2019/20 year totaling \$22,792. There have been five claims lodged to date in 2020/21 with the total paid to date of \$2,900 and estimated total costs of \$33,440.

There was one liability claim lodged for the 2019/20 year with estimated total costs of \$1,500. There have been no claims lodged to date in 2020/21.

Four Motor Vehicle claims were lodged for the 2019/20 year with costs totaling \$12,502. There has been one claim to date in 2020/21 with total costs of \$1,405.

### **ATTACHMENTS**

*(Confidential Attachments provided under separate cover).*

Attachment 1 - LGIS WorkCare Claims Report

Attachment 2 - LGIS Property Claims Report

Attachment 3 - LGIS Liability Claims Report

Attachment 4 - LGIS Motor Vehicle Claims Report

#### 7.4. STANDING ITEM - LEASES

<b>DATE:</b>	8 February 2021
<b>AUTHOR:</b>	Financial Accountant
<b>RESPONSIBLE OFFICER:</b>	Felicity Heading, 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 Council that it notes the Confidential Lease Schedule and the New and Renewal Lease Schedule attached.**

#### **PURPOSE**

To consider the attached Confidential Lease Schedule and New and Renewal Lease Schedule.

#### **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 including airport leases, commercial leases and leases to community organisations.

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**

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.

### **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 direct financial implications from the preparation of this report however a number of lessees have applied for financial hardship relief either under the Shire's Covid-19 Financial Hardship Policy or through requests for deferment or waivers of lease fees. Council approved waivers of lease fees and other charges for three lessees in the ordinary council meeting held on 27 October 2020 totaling \$24,041.44. The Annual Budget process estimated that the revenue from lease income is expected to reduce by approximately \$48,700, which is approximately half of the regular lease income.

### **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 provide community services which meet the needs and expectations of the community to support social cohesion and participation.

Control: Review policies and procedures in accordance with review schedule

Risk: Failure to secure land which promotes heritage and meets the operational and service delivery requirements of the Shire.

Control: The Shire will be required to develop a Heritage List, which will replace the previous Municipal Heritage Inventory.

### **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**

Shire officers are currently working on eight outstanding new and renewal leases. While the Shire is making every attempt to finalise the remaining leases as soon as possible, control over the timeline in progressing the leases is not vested entirely in the Shire. Details of outstanding leases are contained in Attachment 2.

Due to Covid-19 restrictions on movement and gatherings some organisations have not been able to meet in order to pass resolutions. This has affected Shire Officers in being able to progress aspects of those leases that are not as yet finalised.

As stated above there is an expectation that lease revenue for the financial year will be halved due to the impact of Covid-19.

### **ATTACHMENTS**

Confidential Attachment 1 - Lease Schedule

Confidential Attachment 2 - New and Renewal Lease Schedule

## 7.5. COMPLIANCE AUDIT RETURN 2020

<b>DATE:</b>	8 February 2021
<b>AUTHOR:</b>	Executive Officer to the CEO
<b>RESPONSIBLE OFFICER:</b>	Vernon Lawrence, Chief Executive Officer
<b>FILE NO:</b>	CM.01.1
<b>DISCLOSURE OF INTERESTS:</b>	Nil

### **VOTING REQUIREMENT**

Absolute Majority

### **OFFICER'S RECOMMENDATION**

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

- 1. Note the 2020 Compliance Audit Return has been completed.**
- 2. Authorise the Shire President and the CEO to certify the 2020 Compliance Audit Return.**
- 3. Authorise the Chief Executive Officer to submit the 2020 Compliance Audit Return to the Department of Local Government by 31 March 2021.**

### **PURPOSE**

The Chief Executive Officer is required to complete and submit a Compliance Audit Return to the Director General of the Department of Local Government together with a copy of the relevant Minute as approved by Council at the Ordinary Council Meeting, by 31 March each year.

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

Regulator - Responsible for the enforcement of statutory requirements.

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

Each local government is required to carry out a Compliance Audit for the period 1 January to 31 December against the requirements of the Compliance Audit Return. The return is completed online.

After the Compliance Audit Return has been presented to the Audit Committee, it is then presented to Council for adoption. A certified copy of the return along with the relevant section of the minutes and any additional information explaining or qualifying the Compliance Audit is to then be submitted to the Director General of the Department of Local Government.

The Compliance Audit Return is one of the tools that allows Council to monitor how the organisation is functioning in regard to compliance with the various legislation that pertains to local government administration and decision making. The Department of Local Government Compliance Framework is aimed at providing transparency about the Shire's approach to compliance as well as giving the sector and the public certainty about its approach to managing complaints made against the sector (or individuals within it).

## **STATUTORY IMPLICATIONS**

*Local Government Act (1995)*

*Part 7, Division 4*

### **7.13. Regulations as to audits**

*(1) Regulations may make provisions as follows —*

*(i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are —*

*(i) of a financial nature or not; or*

*(ii) under this Act or another written law.*

*Local Government (Audit) Regulations 1996*

### **14. Compliance audits by local governments**

*(1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*

*(2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*

*(3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*

*(3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*

*(a) presented to the council at a meeting of the council; and*

*(b) adopted by the council; and*

*(c) recorded in the minutes of the meeting at which it is adopted.*

**15. Compliance audit return, certified copy of etc. to be given to Executive Director**

*(1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —*

*(a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*

*(b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Executive Director by 31 March following the period to which the return relates.*

*(2) In this regulation —*

*certified in relation to a compliance audit return means signed by —*

*(a) the mayor or president; and*

*(b) the CEO.*

**POLICY IMPLICATIONS**

There are no policy implications associated with this report.

**FINANCIAL IMPLICATIONS**

There are no financial implications associated with this report.

**STRATEGIC IMPLICATIONS**

*Strategic Community Plan 2017-2027*

Focus Area 4: Civic Leadership

**RISK IMPLICATIONS**

**Risk:** Failure to manage a governance framework which transparently governs and embraces good governance practices.

**Control:** Annual Completion Compliance Audit Return

**Control:** Interim and Annual Financial Audits

**Control:** Strategic Risk Reporting Quarterly to Audit Finance and Risk Committee

## **COMMUNITY ENGAGEMENT**

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

## **COMMENTS**

The preparation of the compliance return for 2019/20 is substantially the same as the 2018/19 compliance return. There are a number of changes in the document that reflect changes in legislation and the associated regulations. The Shire has met its compliance obligations as set out in Attachment 1.

There were four matters to be noted in the finance section where action is required by the Shire Officers. Under S7.12A(3), S7.12A(4)(a), S7.12A(4)(b) and S7.12A(5) the Shire has determined that the item raised in the Auditor's Report relating to the Operating Surplus Ratio required action. The Shire has further prepared a report stating what action will be taken, will be forwarding a copy of the report to the Minister within three months and will publish a copy of the report on the Shire website.

## **ATTACHMENTS**

Attachment 1 - Compliance Audit Return 2020

## **7.6. AUDIT (FINANCE AND RISK) COMMITTEE TERMS OF REFERENCE REVIEW**

<b>DATE:</b>	8 February 2021
<b>AUTHOR:</b>	Director Corporate Services
<b>RESPONSIBLE OFFICER:</b>	Felicity Heading, Director Corporate Services
<b>FILE NO:</b>	FM.02.8
<b>DISCLOSURE OF INTERESTS:</b>	Nil

### **VOTING REQUIREMENT**

Simple Majority

### **OFFICER'S RECOMMENDATION**

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

- 1. Recommends to the Council that it adopt the reviewed Audit (Finance and Risk) Committee Terms of Reference; and**
- 2. Notes that the Shire's annual financial audit will be conducted by the Office of the Auditor General commencing from the 2020/21 financial year.**

### **PURPOSE**

The Audit (Finance and Risk) Committee is established in accordance with Part 7 of the *Local Government Act 1995* and the *Local Government (Audit) Regulations 1996* which requires all local governments to establish an audit committee.

The Audit Committee (Finance and Risk) Committee Terms of Reference outline the Committee's objectives, powers, composition and membership, terms of membership, meetings, quorum, duties and responsibilities of both the Committee and its members.

This report is for the Audit (Finance and Risk) Committee to consider the reviewed Terms of Reference and recommend to Council that it adopt the Terms of Reference with no changes.

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

Leader - plan and provide direction through policy and practices

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

The Terms of Reference were last reviewed in August 2018 to incorporate changes in Regulations and in line with The Department of Local Government, Sport and Cultural Industries published "A Guide to Local Government Auditing Reforms".

## **STATUTORY IMPLICATIONS**

The relevant legislation relating to the terms of reference are:

- *Local Government Act 1995*, section 5.8 - 5.25 Committees and their meetings and matters affecting council and committee meetings.
- *Local Government Act 1995* - 7.1A Audit committee; 7.1B Delegation of some powers and duties to audit committees; 7.1C Decisions of audit committees.
- *Local Government Act 1995* - 7.13(1)(ab) Regulations as to the functions of Audit Committee and 7.13(2) Regulations may be made under section 5.25 in relation to Committees.
- *Local Government (Audit) Regulations 1996*

## **POLICY IMPLICATIONS**

Nil

## **FINANCIAL IMPLICATIONS**

Nil

## **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 Financial Audit and 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**

Following the proclamation of the *Local Government Amendment (Auditing) Act 2017* all local government audits in Western Australia are to be conducted by the Office of the Auditor General. Where a local government had an existing contract in place with an Auditor this requirement came into effect on the expiry or termination of the existing contract. The Shire had an existing audit contract in place with Moore Australia for the financial years from 2015/16 to 2019/20. This contract expired upon the completion of the audit of the annual financial statements for the 2019/20 financial year. Officers have contacted the Office of the Auditor General to commence planning for the 2020/21 audit.

The above change does not affect the responsibilities of the Audit (Finance and Risk) Committee and there are no requirements to change the Terms of Reference which have been reviewed with no changes made.

## **ATTACHMENTS**

Attachment 1 - Draft Audit (Finance and Risk) Committee Terms of Reference

## **8. MATTERS BEHIND CLOSED DOORS**

## **9. CLOSURE**