



# AGENDA

Audit Committee Meeting

Monday

13 February 2023

Shire of Victoria Plains  
Council Chambers,  
Calingiri AND  
via E-Meeting Protocol

Commencing  
12.00noon

## DISCLAIMER:

The recommendations contained in this document are officers' recommendations only and should not be acted upon.

The decisions of the Committee are not considered final until the minutes of the Committee meeting are adopted by Council at a subsequent meeting or advised in writing by the CEO or authorised person.

Members of the public should also note that they act at their own risk if they enact any resolution prior to receiving official written notification.

Please note that meetings may be recorded for minute taking purposes.

### E – Disclaimer

It is the Presiding Member's responsibility to preserve order in the meeting and this can be more difficult in an eMeeting. Therefore, each Council Member must consistently and respectfully follow the Local Government's Meeting Procedures Local Law, any additional eMeeting guidance provided by the Local Government and support the Presiding Member in their conduct of the eMeeting.

The pace of an eMeeting should be slow and orderly. The following practices will help avoid confusion and support effective eMeetings:

Speak clearly and slowly, as connections may be distorted or delayed;

Always state your name to indicate to the Presiding Member that you wish to speak. Restate your name if the Presiding Member has not heard you at first;

In debate, only speak after the Presiding Member has acknowledged you. Then state your name, so that others know who is speaking;

Follow the Presiding Member's directions and rulings;

If you are unclear about what is happening in an eMeeting, immediately state your name to draw the Presiding Member's attention and enable you to then seek clarification from the Presiding Member;

Avoid looking for opportunities to call Points of Order; instead, politely and respectfully gain the Presiding Member's attention and explain any deviation from your Meeting Procedures, the Local Government Act or any other relevant matter.

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# AGENDA

## Shire of Victoria Plains Audit Committee Meeting

To be held in the Council Chambers and via E-meeting protocol, 28 Cavell Street, Calingiri on Monday 13 February 2023, commencing at 12 noon

### 1. DECLARATION OF OPENING

#### 1.1 Opening

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#### 1.2 Announcements by Presiding Member

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Members

Staff

Apologies

Approved leave of absence            Nil

Members of the public                N/A

### 2. REMOTE ATTENDANCE BY ELECTED MEMBERS

**THAT:**

- Under regulation 14C (2)(b) of the Admin Regulations, the Shire President can approve Elected Member attendance by electronic means;
- In doing so, under r.14C (5) the Shire President must have regard as to whether the location that the Elected Member intends to attend the meeting, and the equipment intended to be used to attend the meeting, are suitable;
- Electronic means includes, as per r.14CA(2) by telephone or video conference;
- Suitable equipment would include an electronic device that can hold a Teams meeting, and perhaps, the use of headphones;
- In accordance with r.14CA (5) the Elected Member must declare that they are able to maintain confidentiality during the meeting. Under r.14CA(7), the declaration by the Elected Member is recorded in the minutes of the meeting;

- Summarily, according to Departmental guidance, a suitable location is one that is quiet and private e.g. a private room in your house. If there are other people at the location at the time of the meeting, an Elected Member may be required to close a door and wear headphones.

**Approval to Attend and Declaration of Confidentiality**

**THAT:**

Cr \_\_\_\_\_ has been approved to attend the \_\_\_\_\_ by electronic means as approved by the Shire President and that a declaration has been received regarding confidentiality and other requirements as noted in Section 2 herewith.

**3. DISCLOSURES OF INTEREST**

	Type	Item	Person / Details
3.1	Financial		
3.2	Proximity		
3.3	Impartiality		

**4. PUBLIC QUESTION TIME**

Not required – Committee has no delegated authority.

**5. CONFIRMATION OF MINUTES**

**VOTING REQUIREMENTS**

Absolute Majority Required: No

**Officer Recommendation / Committee Recommendation**

Moved:

Seconded:

That the Minutes of the Audit Committee Meeting held 12 December 2022 as circulated, be **CONFIRMED** as a true and correct record.

**For / Against**

**6. REPORTS REQUIRING DECISION****6.1 Annual Audit - Consideration of the Auditor's Report (Opinion), The Management Letter and the Annual Financial Report (Statements) for 2021-2022**

<b>File reference</b>			
<b>Report date</b>	03 Feb 2022		
<b>Applicant/proponent</b>	Audit Committee		
<b>Officer disclosure of interest</b>	Nil		
<b>Previous meeting references</b>	Audit Committee Meeting 12 Dec 2022		
<b>Prepared by</b>	Colin Ashe, MFA		
<b>Authorised by</b>	Sean Fletcher, CEO		
<b>Attachments</b>			
Attachment 1	Page	2	Independent Auditor's Report (Opinion)
Attachment 2	Page	2	Management Letter with Responses from MFA – <i>Confidential Cover</i>
Attachment 3	Page	6	Annual Financial Report (Statements) 2021-2022
Attachment 4	Page	49	Report on Significant Matter

**PURPOSE**

That the Audit Committee considers and advises Council on the:

1. 2021/2022 Auditor's Report (Opinion) regarding its key findings;
2. The Management Letter with Responses from the MFA; and
3. 2021-2022 Annual Financial Report (Annual Financial Statements).

**BACKGROUND**

The Shire received its audit report for the annual financial statements 2021-22 on the 16 Dec 22 and within the timeframe of 31 Dec 22 as set out in S7.9 of the Local Government Act 1995.

Under S7.12A (4) and (5) of the Local Government Act 1995, The Shire is required to:

- prepare a report addressing any matters identified as significant by the auditors,
- provide a copy of this report to the Minister within 3 months of receiving the audit report and;
- publish a copy of this report with 14 days after submission to the Minister.

With respect to the outcomes of the Annual Audit, the Audit Committee is required to assist the local government in carrying out the functions related to audits (Part 7 of the Act) and specifically, oversee the implementation of action required to be taken from S7.12A (Regulation 16 of the Local Government (Audit) Regulations 1996).

**COMMENT****Independent Auditor's Report (Attachment 1)**

The Auditor General's delegate, states that in his opinion, the 2021/2022 annual financial report is

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of that period
- in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

**Management Report (Attachment 2)**

The Auditor General reported the following:

**Significant Matters**

Finding:

The Shire has not performed an assessment to determine whether its infrastructure assets represent fair value.

Recommendation:

We recommend that the Shire consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of Infrastructure Assets.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year.

Shire Management Comment:

The Shire completed a revaluation cycle on Property, Plant and Equipment during 2021-22 which the normal cycling being a revaluation of Infrastructure Assets in 2022-23. An impairment of assets (are the assets doing what they are meant to do) was also carried out and did not identify any deficiencies.

The Shire does acknowledge changes in the macro economic environment, such as inflation or weather events may impact on replacement costs and will ensure such factors are explicitly addressed in future assessments. A good example of this may be where flood damage has occurred on a road and as at 30 June, the value of that road in the asset register may not be correct at that point in time.

It should be noted that The Office of the Audit General informally advised this was a finding across all local governments.

Action:

The Shire will include in its Accounting Policy to engage an independent valuer prior to the end of financial year to make an assessment if any prevailing market factors are likely to impact the value of shire assets materially. If that is found to be the case, then a desktop valuation of the impact is to be provided for inclusion in the Annual Financial Statements if possible, or if not, by way of note.

Full details on this policy to be completed prior to 31 May 2023.

**Other Management Findings**

As this document is confidential in nature as per the requirements of the Office of the Auditor General, further discussion is provided under confidential cover as part of Attachment 2. For the public record, there were no other significant risks. However, there was one (1) moderate risk and five (5) minor risks.

The MFA will provide a status report to the Audit Committee as many of these findings have now been address and for those that have not, report each quarter on the progress.

**Annual Financial Report (Statements) 2021-2022 (Attachment 3)**

The Shire of Victoria Plains completed the financial year 2021/2022 with \$1.265 million in cash and cash equivalents.

Of this however, \$1.479 million was considered restricted funds which equated to an actual negative unrestricted balance of some \$214,424 and consequently was noted as a moderate adverse finding in the Auditors Management Letter. This has been addressed in 2022/23 with the establishment of a Restricted Funding Bank Account, complementing the Reserve Fund.

It will strengthen financial discipline in providing greater clarity on the real unrestricted cash balance and therefore decision making on expenditure.

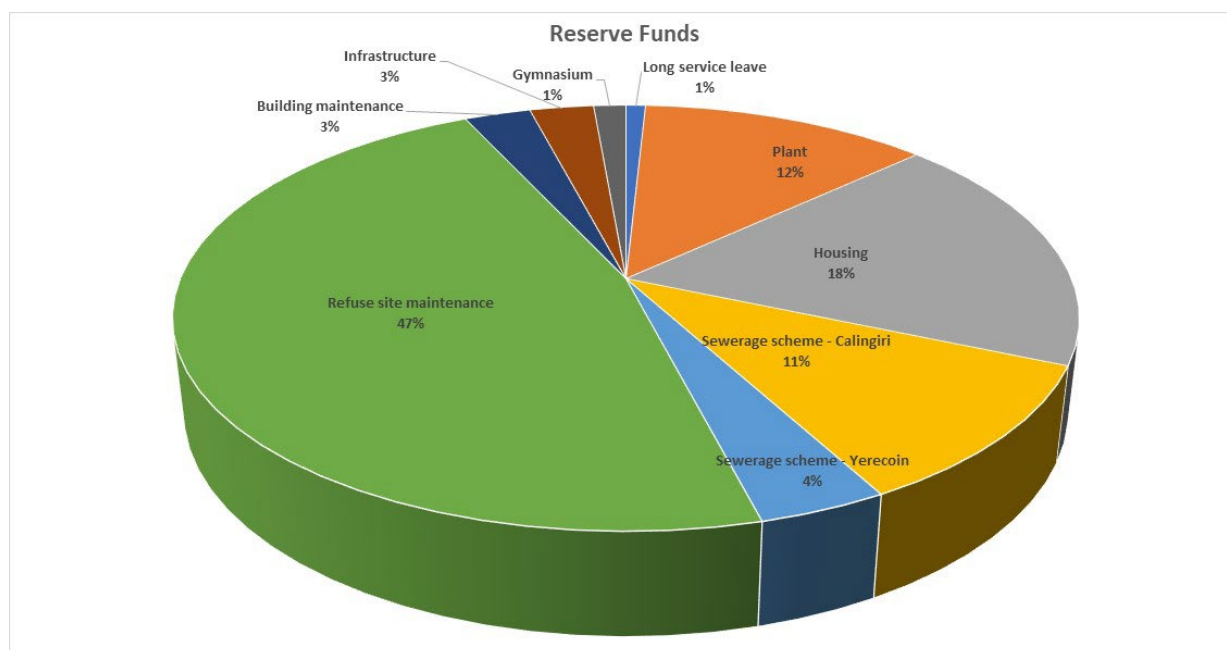
## RESERVES

The Reserve accounts are Restricted Cash Assets, created for specific purpose to fund the future projects.

The budgeted closing balance of \$603,233 included a transfer to the Plant Reserve of \$75,120 and a transfer of \$12,000 from the Building Maintenance Reserve. No transfers occurred during the financial year with a small amount of interest received.

Consequently, as at 30 June 2022, the Cash-Backed Reserves balance was \$539,517, down from the budgeted amount.

The breakdown of the Reserve Fund is depicted graphically as follows:



## BORROWINGS

As at 30 June 2022 had a relatively small amount of borrowings totalling \$427,648. Of this, Council borrowed \$200,000 during 2021/22 to partially fund a Grader and Roller and \$162,735 remains as a closing balance for the Calingiri Football Club's self-supporting loan.

## REVENUE AND EXPENSES

The Shire's total revenue for 2022 Financial Year was \$7.064 million, expenditure, \$9.235 million and a revaluation of assets amounting to \$2.439 million. This has resulted in a book value surplus of \$267,390.

In real cash terms as depicted in the cashflow statement to the year end 2022 the following summary is provided:

- Operating Funds of \$5.862m including \$2.966m from rates.
- Operating Expenditure of \$5.534m including \$3.461m expended on materials and contracts.
- Non-operating Grants and subsidies of \$1.446m.
- Capital Expenditure of \$2.822m.

The net cash result was a balance of \$1.265 million however as alluded to earlier in this report, \$1.479 million was Restricted (i.e. funds needed to be quarantined as received with conditions on expenditure).



The Restricted Funding comprised of:

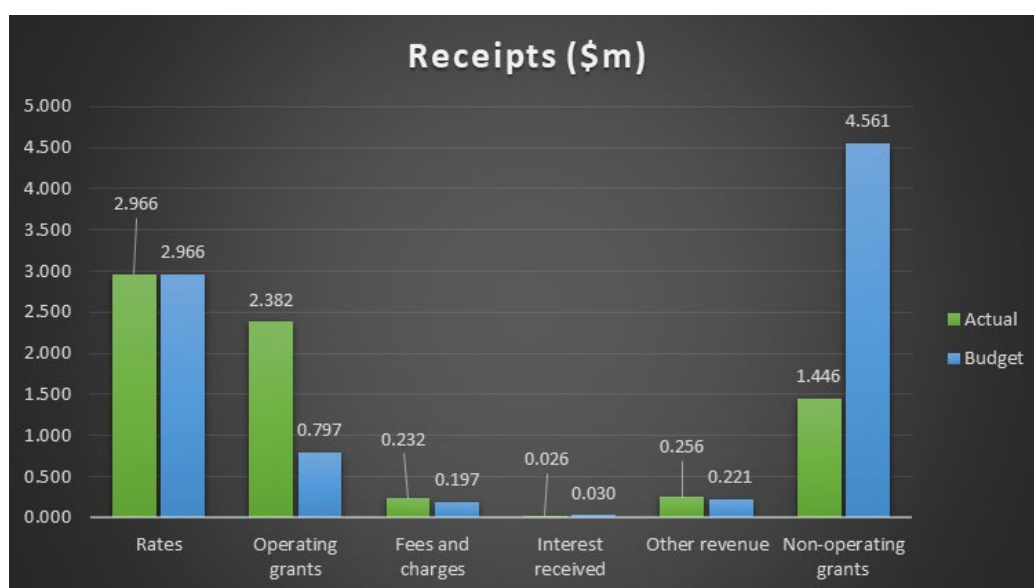
- Reserve Funding - \$539,517
- Grant Funding Received but not expended - \$1,029,682
- Bonds and Deposits - \$21,589

It should be noted that Councils from time to time will go into overdraft and ideally having a relatively small amount of cash on hand at the end of the financial year broadly means raising of revenue (rates) has not been excessive.

However as noted by the Auditors, there needs to be a positive cashflow that will allow the Shire to 'trade' until such time as rates for the new final year have been raised.

The component of these revenue and expenses from the cashflow statement are illustrated in the range of following charts:

**REVENUE**



In terms of variations to budget the following explanation is provided:

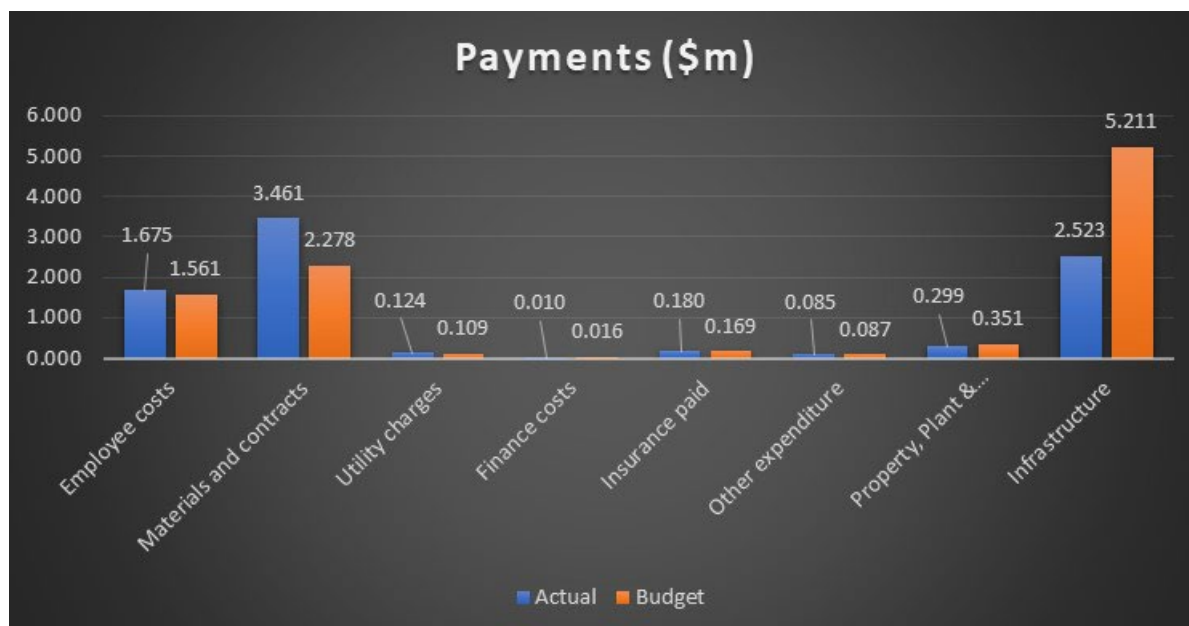
**Operating Grants:**

Funds exceeding the budget allocation was received from Financial Assistance Grants, Fire Mitigation activity and Insurance Claims.

**Non-Operating (Capital) Grants:**

The funding primarily was sourced from Road Construction grants and the reason for the variation is due to the works unable to be completed. This has resulted in the need to create a liability in the Annual Financial Statements (i.e. the Shire has an obligation to carry out the works it has received the grants for). Unfortunately, this funding was not quarantined placing some additional pressure on the 2022/23 budget.

**EXPENSES**



In terms of variations to budget the following explanation is provided:

### Employee Costs:

In adequate budgeting, staff turnover requiring pay outs and over expenditure due to the lack of a senior management team to control.

### Materials and Contracts;

Gravel purchases, flood damage yet to be approved for recoupment and legal costs of which there was an Audit Management point raised all contributed to this over expenditure.

### Infrastructure:

Inability to complete the capital program caused an under expenditure in this activity offset by operating spend over expenditure in the above areas did not harvest any savings, contributing to the less than ideal financial position.

### CAPITAL EXPENDITURE

The Council budgeted \$5,561,938 for capital expenditure, \$298,609 was spent on Property, Plant and Equipment, and \$2,522,637 on Infrastructure procurement.

The variance in expenditure was primarily attributed to the Calingiri – New Norcia (Ag-Lime funding) Road and Mogumber-Yarawindah Road (Wheatbelt Secondary Freight Network) which were carried forward into the 2022/23 budget.

### Property, Plant and Equipment

Expenditure included:

- CESM Vehicle - \$77,000
- 2013 Komatsu Grader - \$160,000
- 2002 Multi Tyre Roller - \$35,000

### Infrastructure

Expenditure included:

- Road Construction - \$2,371,951
- Footpath / Bike path - \$37,342
- Calingiri Playground - \$34,809
- Shire building carpark - \$27,210
- Piawaning Standpipe Swipe access - \$27,966

- Refuse and Hockey Field Fencing - \$16,885

## FAIR VALUE

The fair value of land, buildings and infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

A revaluation of Land and buildings was undertaken for the 2021/22 resulting in a positive increment of \$2,433,737 and which has been reflected in the financial statements (Assets).

## CONCLUSION

The 2021/22 financial year was particularly challenging for the existing personnel due to long time vacancies and turnover. However as evidenced by the audit, there were few adverse findings and the finance staff with support from RSM contract staff should be commended for continuing to provide good governance during a period of vacancies, particularly in senior management roles.

With consideration of the Annual Financial Statements and the Auditor's Report, these can now proceed as part of the Shire's 2021-2022 Annual Report. This means that once the Annual Report is accepted by Council, the Annual General Meeting of Electors can be set and the Annual Report, including the 2021-2022 Annual Financial Statements, presented to that meeting.

## CONSULTATION

Sean Fletcher, CEO  
Glenn Deocampo – Coordinator Financial Services  
Travis Bate, RSM

## STATUTORY CONTEXT

### Local Government Act

#### 5.53. Annual reports (in part)

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
  - (f) the financial report for the financial year; and
  - (h) the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year.

#### 6.4. Financial report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
  - (a) be prepared and presented in the manner and form prescribed; and
  - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —
  - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
  - (b) the annual financial report of the local government for the preceding financial year.

#### 5.54. Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted\* by the local government no later than 31 December after that financial year.  
\* *Absolute majority required.*
- (2) If the auditor's report is not available in time for the annual report for a financial year to be

accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor’s report becomes available.

**7.2. Audit**

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

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

- (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.

**Audit Regulations**

**16 Functions of Audit Committee (in part)**

- (e) to support the auditor of the local government to conduct an audit and carry out the auditor’s other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
  - (i) is required to take by section 7.12A(3); and
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
  - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
  - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c).

**CORPORATE CONTEXT**

**Strategic Business Plan/Corporate Business Plan**

STRATEGIC PRIORITIES	WE KNOW WE ARE SUCCEEDING WHEN
<b>4. CIVIC LEADERSHIP</b>	
4.3 Proactive and well governed Shire	External audits and reviews confirm compliance
	We have sound financial management policies and attract external funding to help achieve our goals
	Councillors attend training and feel supported in their role
	Council is supported by a skilled team

Strategic Priority 4.3 is relevant as part of sound financial management policies.

**Corporate Business Plan**

- 4.3 e - Continue to meet compliance with statutory and regulatory requirements (Calendar, CAR, FMR, R17)

f. - Review financial and asset management policies and practices.

### Risk Management (Risk Procedures)

Consequence	Consequence Rating:	Likelihood Rating:	Risk Rating	Risk Acceptance/ Controls	Mitigation and Outcome
Compliance	Extreme (5)  Non-compliance results in termination of services or imposed penalties to Shire/Officers	Unlikely (2)  The event could occur at some time	High (10)	Senior Management Team / CEO  Risk acceptable with excellent controls, managed by senior management / executive and subject to monitoring from CEO & Council (and Audit Committee)	Policies and processes including preparation by Finance staff ensure that the residual risk is moderate.

### FINANCIAL IMPLICATIONS

Ongoing strategies to address all the findings are set out in the body of this agenda item and management responses to Auditor's Management Report.

### VOTING REQUIREMENTS

Absolute majority required: No

### Officer's Recommendation / Committee Resolution

Moved Cr \_\_\_\_\_

Seconded Cr \_\_\_\_\_

That the Audit Committee:

1. **REVIEWS** the Auditor's Report (Opinion) in Attachment 1, Management Report in Attachment 2 and Shire of Victoria Plains Annual Financial Report (Statements) as set out in Attachment 3.
2. **ACCEPTS** the draft Report (Attachment 4) by the CEO to the Minister for Local Government regarding the significant finding the Shire has not performed an assessment to determine whether its infrastructure assets represent fair value and the suggested improvements required by Section 7.12A of the *Local Government Act 1995*.
3. **ASSISTS** the CEO regarding the Action Plan to address the Moderate and Minor Risks identified in the Shire's Management Letter and comments as set out in Attachment 2.
4. **RECOMMENDS** that Council in accordance with:
  - a. Section 7.2 of the *Local Government Act 1995*, **ADOPTS** the 2021/2022 Annual Financial Report including the Auditor's Report (Opinion) from the Office of the Auditor General as per Attachments 1 and 3.
  - b. Section 7.12A of the *Local Government Act 1995*, **ACCEPTS** the CEO's Report in Point 2 (Attachment 4) and that this report is:
    - i. Submitted to the Minister within 3 months;
    - ii. Publishes this report on the Shire's website within 14 days after the report is given to the Minister.

- c. **NOTES** the Manager Finance and Administration response to the moderate and minor findings the Management Letter in Point 3 as the Action plan to implemented if not already in place.

For \_\_\_\_\_ / Against \_\_\_\_\_

**6. MEETING CLOSED TO PUBLIC**

*Matters for which the meeting may be closed in accordance with the Local Government Act 1995 s.5.23(2).*

*Public reading of resolutions made during a closed meeting.*

**7. CLOSURE OF MEETING**

There being no further business, the presiding member declared the meeting closed at \_\_\_\_\_ PM.

**CERTIFICATION**

These minutes were confirmed at the Audit Committee Meeting held on \_\_\_\_\_

Signed \_\_\_\_\_ Date \_\_\_\_\_  
(Presiding member at the meeting which confirmed the minutes)

**Committee –**

- **Minutes are unconfirmed until adopted at the following meeting of Committee.**
- **Committee decisions may be authorised by Council, or by CEO authority.**