

# Shire of Tammin

## SPECIAL COUNCIL MEETING

### AGENDA



### NOTICE OF MEETING

Dear Elected Member

Please be advised that a Special Meeting of Council of the Shire of Tammin will be held on Tuesday, 22 December 2020 in Council Chambers, 1 Donnan St, Tammin, commencing at **5:00pm**.

Neville Hale  
Chief Executive Officer

22 December 2020

### MISSION STATEMENT

*"Together with the people of Tammin we will provide leadership, vision and progress to achieve sustainability and growth"*

Special Council Meeting Agenda – 22 December 2020

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## **AGENDA**

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

The Shire President will declare the meeting open at \_\_\_\_\_ pm.

**2. PRESENT / IN ATTENDANCE / LEAVE OF ABSENCE PREVIOUSLY GRANTED / APOLOGIES**

**Present:**

Cr M Greenwood	President
Cr G Batchelor	Deputy President
Cr T Daniels	Member
Cr T Nicholls	Member

**In Attendance:**

Neville Hale	Chief Executive Officer
Morgan Ware	Manager of Finance & Administration

**Leave of Absence previously granted:**

Nil

**Apologies:**

Cr N Caffell	Member
Cr C Thomson	Member
Fabian Houbrechts	Manager of Works & Services

**3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE**

**4. PUBLIC QUESTION TIME**

**5. APPLICATIONS FOR LEAVE OF ABSENCE**

**6. DECLARATION OF MEMBER'S INTERESTS IN AGENDA ITEMS**

**7. DECLARATION OF RELATED PARTY DISCLOSURE IN AGENDA ITEMS**

**8. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

Nil

**9. ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION**

**10. PETITIONS/DEPUTATIONS/PRESENTATIONS/SUBMISSIONS**

## 11. MATTERS FOR CONSIDERATION – FINANCE

### 11.1 Annual Audit Report 2019/20 Financial Year

<b>Location:</b>	Shire of Tammin
<b>Applicant:</b>	Manager of Finance and Administration
<b>Date:</b>	22 December 2020
<b>Author:</b>	Morgan Ware
<b>Item Approved by:</b>	Chief Executive Officer
<b>Disclosure of Interest:</b>	Nil
<b>File Reference:</b>	Nil
<b>Attachments:</b>	Attachment Item 11.1 – RSM and OAG Exit Meeting Agenda Attachment Item 11.1 – Audit Report 30 June 2020 Attachment Item 11.1 – Auditors Closing report 30 June 2020 Attachment Item 11.1 - Annual Financial Statement 30 June 2020 Attachment Item 11.1 - Management Letter 30 June 2020 Attachment Item 11.1 – Draft Audit Opinion 30 June 2020 Attachment Item 11.1 – Annual Report 30 June 2020

#### PROPOSAL / SUMMARY

For Council to consider the recommendations of the Audit and Risk Committee and is requested to:

- a) accept the recommendations of the Audit and Risk Committee meeting held on 22 December 2020,
- b) accept the Annual Report for the 2019/20 Financial Year inclusive of the Auditors Report, and
- c) set a date for the holding of the Annual General Meeting of Electors.

#### BACKGROUND

Section 7.12A, clause 2, of the *Local Government Act 1995* requires that a local government is to meet with the auditor as least once in each financial year. RSM were engaged to conduct the 2019/20 audit to present to the Office of Auditor General (OAG).

Following the receipt of the Audit Report for the year ended 30 June 2020, the Shire's Audit and Risk Committee met at 4:00pm today, Tuesday 22 December 2020. The committee has recommended that Council adopt the 2019/2020 Financial Statements (Attachment Item 11.1 – Annual Financial Statement 30 June 2020), Audit Report and Management Letter from the Auditor General for the 2019/20 financial year.

The Annual Report (Attachment Item 11.1 – Annual Report 30 June 2020), which includes the Annual Financial Statements and the Audit Report referred to above, is now submitted for acceptance by Council.

Having accepted the Annual Report, a date is to be set for the Annual General Meeting of Electors.

Notwithstanding, the Auditor's Report noted the following matters, although they will not require any modification to the audit opinion, are of such importance to require additional communication in the Auditors report in the form of an Emphasis of Matter paragraph.

1. Vested Improvements on vested land  
Regulation 17A of the Financial Management Regulations requires the Shire to measure vested improvement at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases, which required the Shire to also measure vested improvements at zero cost.
2. Land under roads  
Note 10 to the financial statement describe the basis of accounting for land under roads. In respect of the comparatives for the previous year ended 30 June 2019, the former regulation 16 of the Financial Management Regulation did not allow the Shire to recognise some categories of land, including under roads, as assets in the financial statements.
3. Report on other legal and regulatory requirements  
In accordance with the *Local Government (Audit) Regulations 1996* RSM report that:
  - i. The following financial ratio, which is disclosed in the note 30 to the financial report, indicates significant adverse trends in the financial position or the financial management practices of the Shire:  
The Operating Surplus Ratio as reported is below the Department of Local Government, Sport and Cultural industries standard of zero (0) for the last three financial years.
  - ii. No instance of material non-compliance with Part 6 of the LG Act, the Regulations or applicable financial controls of any other written law were identified during our audit
  - iii. All required information and explanations were obtained by us.
  - iv. All audit procedures were satisfactorily completed.
  - v. In our opinion, the Asset Consumption Ratio and the Asset Renewal ration, disclosed in the notes to the financial report, were supported by verifiable information and reasonable assumptions.
4. Control weaknesses  
Two moderate findings were reported during the 2019/20 Interim Audit that have been resolved, the daily cash count and changes to the supplier and employee master file. No control weaknesses were identified during the 2019/20 final audit.
5. Unadjusted audit differences  
The effects of uncorrected misstatement are immaterial, both individually and in the aggregate, to the financial report taken as a whole. This includes, Contract liabilities and lottery west grant

Notwithstanding the above, it is noted within the Audit Closing Report, issued by RSM, that it will be recommending to the Office of the Auditor General that an unqualified audit opinion be issued on the financial statements.

## **COMMENT**

A copy of the Audit Committee agenda and the Annual Report has been circulated to Councillors. The Annual report inclusive of the 2019/20 Annual Financial Statement and the Auditors Report.

Following adoption of the Annual Report the Shire is required to hold its Annual Electors Meeting within 56 days being no later than 11 February 2021.

The adverse trend in the Operating Surplus Ratio has been reported in previous Audit Reports and has been the subject of a previous report from management, namely:

### **“Significant Matter Identified by OAG**

*“Significant adverse trend in the financial position: Operating Surplus Ratio below the Department standard for the last three years.”*

*Where the Operating Surplus Ratio is calculated as:*

*Operating revenue (AAS) LESS Contributions to capital outlays LESS operating expense (AAS)  
DIVIDED BY Own Source Revenue (FR50)*

*Department Standard - Basic Standard between 0% and 15% and advanced with ratio greater than 15%.*

### **Implication**

*DLGSC Guidelines on Financial Ratios offers the following comment:*

*The ‘Operating Surplus Ratio’ is a measure of the Shire’s financial performance. A positive operating surplus ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.*

### **Management Comment**

*It is difficult to quantify the impact of this ratio given that some 110 of 137 local governments failed to meet the required standard for the 2017/18 financial year.*

*The CEO has sought independent comment on the Operating Surplus Ratio results following a self-assessment that identified a number of contributing factors influencing the Ratio outcome. Factors such as recognition of Federal Assistance Grants being inconsistent from year to year and the impact of non-cash depreciation.*

*Notwithstanding these issues, the CEO discussed the adverse trend with Mr Ron Back, a recognized specialist in the field of local government financial management who has amassed a data base of financial records for almost all shires going back a number of years. Having reviewed data relating to the Shire of Tammin, Mr Back noted:*

*“Irrespective of the views on the adequacy of this performance indicator, the legislation requires the Shire to calculate and report this ratio in its annual financial report.*

*In responding to the Departmental enquiry, it should be noted that the trend for this ratio is improving, from -166% to -51% to -50% in the last three years. The operations of the Shire have not materially changed; indeed, the operations of the Shire have not changed over many decades.*

*Considering the net operating: (before capital contributions and after adjustment for FAG’s) the results over the past three years is \$ (1,221,050), \$(1,136,034) and \$(696,653). The trend is improving and being monitored by the Shire.*

*When considering the operating results including capital contributions the trend shows a similar improvement, from \$ (476,582) to \$(198,077) in 2017/18.*

*The Shire has increased its rate revenue by 6.0%, 8.8% and 5.5% over this period which has contributed to the better performance, however it has been mindful of difficult economic climate and the impost on ratepayers. In addition, the results have been achieved despite the substantial increases arising from State charges. The Shire has also experienced a real reduction in its untied grants over the same period.”*

**Action Taken or Intended to be Taken**

*The Shire of Tammin has noted that whilst the Ratio has been below the required standard over the past three years, it has been improving.*

The Shire will continue to monitor the Ratio results and identify factors within its control that can be addressed with a view to improving the Ratio outcome.

**Completion or Proposed Completion Date**

Ongoing monitoring. The recognition of Federal Assistance Grants within the year to which they apply will go a long way to reducing the fluctuations currently experienced.”

Should the Auditor General determine that this matter be recognized as a significant finding then s7.12A(4) of the Local Government Act requires a report to be prepared and forwarded to the Minister within 3 months after the audit report is received by the local government.

It is noted that other matters reported during prior audits have been satisfactorily resolved.

**CONSULTATION**

Nil

**STATUTORY ENVIRONMENT**

**Local Government Act 1995**

### **5.53. Annual reports**

- (1) *The local government is to prepare an annual report for each financial year.*
- (2) *The annual report is to contain —*
  - (a) *a report from the mayor or president; and*
  - (b) *a report from the CEO; and*
  - [(c), (d)deleted]*
  - (e) *an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and*
  - (f) *the financial report for the financial year; and*
  - (g) *such information as may be prescribed in relation to the payments made to employees; and*
  - (h) *the auditor’s report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and*
  - (ha) *a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and*
  - (hb) *details of entries made under section 5.121 during the financial year in the register of complaints, including —*
    - (i) *the number of complaints recorded in the register of complaints; and*
    - (ii) *how the recorded complaints were dealt with; and*
    - (iii) *any other details that the regulations may require; and*
  - (i) *such other information as may be prescribed.*

### **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.*

### **5.55. Notice of annual reports**

*The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.*

#### **5.55A. Publication of annual reports**

*The CEO is to publish the annual report on the local government’s official website within 14 days after the report has been accepted by the local government.*



**Local Government (Administration) Regulations 1996**

**19B. Information about numbers of certain employees to be included (Act s. 5.53(2)(g))**

*For the purposes of section 5.53(2)(g) the annual report of a local government for a financial year is to contain the following information —*

- (a) the number of employees of the local government entitled to an annual salary of \$100 000 or more;*
- (b) the number of those employees with an annual salary entitlement that falls within each band of \$10 000 over \$100 000.*

**5.27. Electors' general meetings**

- (1) A general meeting of the electors of a district is to be held once every financial year.*
- (2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.*
- (3) The matters to be discussed at general electors' meetings are to be those prescribed.*

**POLICY IMPLICATIONS**

Nil

**FINANCIAL IMPLICATIONS**

Nil

**STRATEGIC IMPLICATIONS**

Nil

**RECOMMENDATION**

That Council adopt the recommendations of the Audit Committee meeting held on 22 December 2020, being to;

- 1) Accept the 2019/20 Annual Report inclusive of the Audit Report;
- 2) Adopts the 2019/20 Annual Report inclusive of the audited Financial Statements;
- 3) Receive the "Unqualified" Audit Report and Management Letter from the Office of the Auditor General for the 2019/20 financial year
- 4) Authorise the Chief Executive Officer to give local public notice of the availability of the Annual Report;
- 5) Instruct the CEO to prepare a S17.12A(4)(a) Report on the Operating Surplus Ratio for the February 2021 Ordinary Council Meeting; and,
- 6) Publish the Annual Report on the Shire's official website.
- 7) Hold the Annual General Electors Meeting on Thursday 4 February 2021 commencing at 6.00pm at the Shire of Tammin Lesser Hall, 3 Donnan Street, Tammin.

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

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

Vote: Absolute Majority

Carried/Lost: \_\_\_/\_\_\_

**12. MATTERS FOR CONSIDERATION – ADMINISTRATION**

Nil

**13. MATTERS FOR CONSIDERATION – BUILDING & HEALTH**

Nil

**12. CLOSURE OF MEETING**

There being no further business the Shire President declared the meeting closed at \_\_\_\_pm.