

SHIRE OF PEPPERMINT GROVE



AUDIT COMMITTEE MEETING

AGENDA

TO BE HELD ON THE

13 AUGUST AT 5.00PM



Shire of Peppermint Grove

NOTICE OF MEETING

Dear Committee Member

It is advised that the **Audit Committee Meeting** will be held in the Council Chamber of the **Shire of Peppermint Grove**, 1 Leake Street, Peppermint Grove, on 13 August 2019 at 5.00pm.

MEETING AGENDA ATTACHED

Yours faithfully

A handwritten signature in black ink, appearing to read 'Don Burnett', is positioned above the printed name.

Mr Don Burnett
CHIEF EXECUTIVE OFFICER



Shire of Peppermint Grove

AUDIT COMMITTEE MEETING AGENDA

13 August 2019

1 DECLARATION OF OFFICIAL OPENING

At _____ pm, the Shire President declared the meeting open and requested that the Affirmation of Civic Duty and Responsibility be read aloud by a Councillor and requested the recording of attendance and apologies.

Council recognises that it is permissible to record the Shire's Council and Forum Meetings in the written, sound, vision medium (or any combination of the mediums) when open to the public, however, people who intend to record meetings are requested to inform the Presiding Member of their intention to do so.

The Presiding Member will cause the Affirmation of Civic Duty and Responsibility to be read aloud by Councillor _____.

Affirmation of Civic Duty and Responsibility

I make this Affirmation in good faith on behalf of Councillors and Officers of the Shire of Peppermint Grove. We collectively declare that we will duly, faithfully, honestly, and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgment and ability. We will observe the Shire's Code of Conduct and meeting procedures to ensure the efficient, effective and orderly decision making within this forum.

2 RECORDING OF ATTENDANCE, APOLOGIES AND LEAVES OF ABSENCE

2.1 ATTENDANCE

Shire President	Cr R Thomas
Deputy Shire President	Cr C Hohnen
Elected Member	Cr P Macintosh
Chief Executive Officer	Mr D Burnett
Manager Corporate and Community Services	Mr M Costarella

Gallery Members of the Public
 Members of the Press

2.2 APOLOGIES

2.3 LEAVES OF ABSENCE

2.4 NEW REQUEST FOR A LEAVE OF ABSENCE

3 DELEGATIONS AND PETITIONS

3.1 DELEGATIONS

NIL

3.2 PETITIONS

NIL

4 PUBLIC QUESTION TIME

The Presiding Member will open the public question time by asking the gallery if there were any questions or deputation for Council.

- The Agenda
- Question to Council and
- Deputation Forms

Have been placed at the end of the Council Meeting table in front of the public gallery, for the public, as well as on the Shire Webpage.

Rules for Council Meeting Public Question Time

- (a) *Public Question Time provides the public with an opportunity to put questions to the Council. Questions should only relate to the business of the Council and should not be a statement or personal opinion.*
- (b) *During the Council meeting, after Public Question Time no member of the public may interrupt the meeting's proceedings or enter into conversation.*
- (c) *Whenever possible, questions should be submitted in writing at least 48 hours prior to the start of the meeting.*
- (d) *All questions should be directed to the President and only questions relating to matters affecting Council may be answered at an Ordinary meeting, and at a Special meeting only questions that relate to the purpose of the meeting may be answered. Questions may be taken on notice and responded to after the meeting, at the discretion of the President.*
- (e) *The person presiding will control Public Question Time and ensure that each person wishing to ask a question should state his or her name and address before asking the question. If the question relates to an item on the agenda, the item number should also be stated. In general, persons seeking to ask a question will be given 2 minutes within which to address their question to the Council. The person presiding may shorten or lengthen this time in their discretion.*

4.1 RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE FROM A PREVIOUS MEETING

NIL

4.2 QUESTIONS FROM MEMBERS OF THE PUBLIC

4.3 DEPUTATIONS OF THE PUBLIC

5 DECLARATIONS OF INTEREST

Councillors / Staff are reminded of the requirements of section 5.65 of the Local Government Act 1995, to disclose any interest during the meeting when the matter is discussed, and also of the requirement to disclose an interest affecting impartiality under the Shire's Code of Conduct. Councillors / staff are required to submit declarations of interest in writing on the prescribed form.

5.1 FINANCIAL INTEREST

A declaration under this section 5.60 of the Act requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.

Other members may allow participation of the declarant if the member further discloses the extent of the interest and the other members decide that the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

5.2 PROXIMITY INTEREST

A declaration under this section 5.60 of the Act requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.

Other members may allow participation of the declarant if the member further discloses the extent of the interest and the other members decide that the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

5.3 IMPARTIALITY INTEREST

Councillors and staff are required (Code of Conduct), in addition to declaring any financial interest, to declare any interest that might cause a conflict. The member / employee is also encouraged to disclose the nature of the interest. The member / employee must consider the nature and extent of the interest and whether it will affect their impartiality. If the member / employee declares that their impartiality will not be affected then they may participate in the decision making process.

5.4 INTEREST THAT MAY CAUSE A CONFLICT

Councillors and staff are required (Code of Conduct), in addition to declaring any financial interest, to declare any interest that might cause a conflict. The member / employee is also encouraged to disclose the nature of the interest. The member / employee must consider the nature and extent of the interest and whether it will affect their impartiality. If the member / employee declares that their impartiality will not be affected then they may participate in the decision making process.

5.5 STATEMENT OF GIFTS AND HOSPITALITY

Councillors and staff are required (Code of Conduct), to disclose gifts and acts of hospitality which a reasonable person might claim to be a conflict of interest. Gifts and acts of hospitality which exceed that amount of prescribed by regulation are to be recorded in the Councils Gift Register.

6 ANNOUNCEMENTS BY THE PRESIDING MEMBER (WITHOUT DISCUSSION)

7 CONFIRMATION OF MINUTES

7.1 AUDIT COMMITTEE MEETING 28 MAY 2019

OFFICER RECOMMENDATION – ITEM 7.1

Moved:

Seconded:

That the Minutes of the Audit Committee Meeting, of the Shire of Peppermint Grove held in the Council Chambers on 28 May 2019 be confirmed as a true and accurate record.

8.OFFICER REPORTS

8.1 2017-18 AUDIT MANAGEMENT LETTER– ASSET SUSTAINABILITY RATIO

MANAGEMENT/GOVERNANCE/POLICY

ATTACHMENT DETAILS

Attachment No	Details
Attachment 1 – Item refers	Correspondence from Department of Local Government
Attachment 2 – Item refers	Correspondence from Butler Settineri (Auditor)

Voting Requirement : Simple Majority
Subject Index : FM019C
Disclosure of any Interest : Nil
Previous Items : N/A
Applicant : N/A
Owner : N/A
Responsible Officer : Michael Costarella, Manager Corporate & Community Services

COUNCIL ROLE

- ☐ **Advocacy** *When Council advocates on its own behalf or on behalf of its community to another level of government / body / agency.*
- ☒ **Executive** *The substantial direction setting and oversight role of the Council eg. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.*
- ☐ **Legislative** *Includes adopting local laws, town planning schemes & policies.*
- ☐ **Review** *When Council reviews decisions made by Officers.*
- ☐ **Quasi-Judicial** *When Council determines an application / matter that directly affect a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of quasi-judicial authority include town planning applications, building licences, applications for other permits / licences (eg under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.*

PURPOSE OF REPORT

To provide information to Council regarding correspondence received from the Department of Local Government, Sport and Cultural Industries.

SUMMARY AND KEY ISSUES

- To provide a response to the Department of Local Government, Sport & Cultural Industries on the adverse findings by the Auditor in relation to the Asset Sustainability ratio for the 2017/18 Financial year.
- Publish a copy of the report on the Shire of Peppermint Grove website in accordance with Section 7.12A (4)

LOCATION

N/A

BACKGROUND

On the 15 January 2019, the Shire's Auditor provided a report to Council on the results of the audit findings. The report referred to the following issues:-

- Financial Ratios
- Separation of Duties
- Employees Records
- Timesheets; and
- Purchase Orders

The Shire provided responses that satisfied to most issues included in the Management Letter, however the matter relating to the Financial ratios, in particular, the Asset Sustainability Ratio required further information and action.

Advice received from the Department of Local Government, Sport and Cultural Industries

requested that the Shire needed to address the Asset Sustainability ratio as it did not meet the Department's benchmark. i.e the benchmark set by the Department is 90% and the Shire 73%. (as shown on page 69 of the 2017/18 Annual Report).

For the information of the Committee and Council, The Asset Sustainability Ratio equates to the amount of funds expended on the Shire's Capital Works (for renewal and replacement) in comparison to the Depreciation expense.

The Shire had expended \$ 318,335 for its renewal and replacement of Assets (excluding proceeds on Sale of Assets and New Assets). However to achieve the Department's benchmark it was required to expend \$397,800 (This is 90% of the total

Depreciation of \$442,267). The reasons that it did not reach the benchmark is included in the Officer comment below.

CONSULTATION

Ongoing meetings at an officer level have been held between Claremont, Cottesloe and ourselves.

STRATEGIC IMPLICATIONS

Strategy 2.1.1 -Develop & Implement Asset Management Plans throughout the district

Strategy 3.1.1 - Develop & maintain a long-term financial plan to support the annual budgets.

POLICY IMPLICATIONS

Asset Management Policy (3.4) To set the broad framework for decision making by Council in undertaking asset management in a structured, coordinated and organised approach.

STATUTORY IMPLICATIONS.

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.

[Section 7.12A inserted: No. 49 of 2004 s. 8; amended: No. 5 of 2017 s. 19.]

FINANCIAL IMPLICATIONS

Nil

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications at this time.

SOCIAL IMPLICATIONS

The renewal of the Shire's Assets through its annual capital works program, ensures that the Assets are maintained to an acceptable level of service. This enable the Community to better utilise the Assets.

OFFICER COMMENT

The Auditor's correspondence provides information on the capital works that were not completed by the 30 June 2018 and which would have enabled the Shire to reach the Department's benchmark.

These include:-

- | | | |
|---|-----------------------|----------|
| • | Hobbs Place | \$25,000 |
| • | Pavilion | \$15,000 |
| • | Right of Way Upgrades | \$30,000 |
| • | Replacement Website | \$20,000 |

Had these four projects proceeded as planned, the 90% benchmark would have been easily attained.

At the September 2018 Council meeting, Council adopted key performance indicators for the CEO performance including the financial and asset ratios to meet or exceed the Department of Local Government guidelines by 30 June 2019.

OFFICER RECOMMENDATION/S – ITEM NO 8.1

That the Audit Committee recommends to Council:

1. Council receives the correspondence from the Department of Local Government, Sport and Cultural Industries dated the 28 June 2019;
2. Council receives the Management Letter from Butler Settineri (Audit) Pty Ltd dated the 15 January 2019;
3. Advises the Department of Local Government, Sport and Cultural Industries that the Asset Sustainability benchmark would have been met if the following projects had been completed by the 30 June 2018. i.e
 - a. Hobbs Place \$25,000
 - b. Pavilion \$15,000
 - c. Right of Way Upgrades \$30,000
 - d. Replacement Website \$20,000

9. CONFIDENTIAL REPORTS

7.1 2018-19 DRAFT INTERIM AUDIT MANAGEMENT LETTER–BUTLER SETTINERI

10. CLOSURE

There being no further business, the meeting closed at