

# **SHIRE OF PEPPERMINT GROVE**



## **AUDIT COMMITTEE**

# **MINUTES**

**OF THE MEETING HELD ON THE**

**13 August 2019**



# Shire of Peppermint Grove

## AUDIT COMMITTEE MEETING MINUTES

13 August 2019

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### 1. OFFICIAL OPENING

The Shire President declared the meeting open at 5:04pm and welcomed those present.

### 2. ATTENDANCE AND APOLOGIES

#### 2.1 ATTENDANCE

Shire President  
Deputy Shire President  
Councillor  
Chief Executive Officer  
Manager Corporate & Community Services

Cr R Thomas  
Cr C Hohnen  
Cr P Macintosh ( from 5.11pm)  
Mr D Burnett  
Mr M Costarella

#### 2.2 APOLOGIES

Nil

#### 2.3 OBSERVER

Nil

### 3. DECLARATION OF INTEREST

Nil

**4. CONFIRMATION OF MINUTES**

**4.1 AUDIT COMMITTEE MEETING (28 MAY 2019)**

**OFFICER RECOMMENDATION/COMMITTEE RESOLUTION**

**Moved Cr Thomas**

**Seconded Cr Hohnen**

That the Minutes of the Audit Committee meeting held on 28 May 2019 be confirmed as a true and accurate record of proceedings.

**CARRIED 2/0**

## 5. OFFICER REPORTS

### 5.1 2017-18 AUDIT MANAGEMENT LETTER – ASSET SUSTAINABILITY RATIO

#### MANAGEMENT/GOVERNANCE/POLICY

#### ATTACHMENT DETAILS

<u>Attachment No</u>	<u>Details</u>
<b>Attachment 1</b>	<b>1.</b> Correspondence from Department of Local Government
<b>Attachment 2</b>	<b>2.</b> Correspondence from Butler Settineri (Auditor)

Voting Requirement : Simple Majority  
Subject Index : Multiple  
Responsible Officer : Michael Costarella

#### 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/COMMITTEE RESOLUTION 5.1**

**MOVED: Cr R Thomas**

**SECONDED: Cr C Hohnen**

**That Council:**

- 1. Receives the correspondence from the Department of Local Government, Sport and Cultural Industries dated the 28 June 2019**
- 2. 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 reasons the Asset Sustainability benchmark was not achieved, were included in the letter from the Auditor of the 15 January 2019. This related to the non completion of the following projects: as at 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**

**CARRIED 3/0**

## **6. CONFIDENTIAL ITEMS OF BUSINESS**

*This matter was considered with members of the public excluded from the Chamber under Clause 5.23 (2) (b) of the Local Government Act 1995 as the Officer report discussed information of a matter affecting employee records*

**MOVED: Cr R Thomas**

**SECONDED: Cr C Hohnen**

**That the Committee move behind closed doors at 5.15pm.**

**CARRIED 3/0**

**6.1 2018-19 DRAFT INTERIM AUDIT MANAGEMENT LETTER- BUTLER SETTINERI (AUDITOR)**

### **OFFICER/COMMITTEE RESOLUTION ITEM 6.1**

**MOVED: Cr R Thomas**

**SECONDED: Cr C Hohnen**

**That Council notes the information included in the draft interim audit report.**

**CARRIED 3/0**

**Moved Cr Thomas**

**Seconded Cr Hohnen**

**That the Committee come out from behind closed doors at 5.27pm.**

**CARRIED 3/0**

## **7. CLOSURE**

There being no further business to discuss the Shire President closed the meeting at 5.28pm.