



AGENDA
FOR THE
FINANCE AND AUDIT COMMITTEE MEETING
TO BE HELD IN
THE COUNCIL CHAMBERS, YALGOO
ON FRIDAY, 27 MARCH 2020
COMMENCING 9.00 AM



SHIRE OF YALGOO

NOTICE OF FINANCE AND AUDIT COMMITTEE MEETING

THE MEETING OF FINANCE AND AUDIT COMMITTEE WILL BE HELD IN THE YALGOO COUNCIL CHAMBERS, YALGOO ON FRIDAY 27 MARCH 2020 COMMENCING AT 9.00 AM.

John Read

Acting Chief Executive Officer



CONTENTS

1.	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS	2
2.	RECORD OF ATTENDANCE/APOLOGIES	2
3.	DISCLOSURE OF INTERESTS.....	2
4.	CONFIRMATION OF MINUTES	3
	4.0 FINANCE AND AUDIT COMMITTEE MEETING HELD 31 JANUARY 2020	3
5.	BUSINESS AS NOTIFIED	4
	5.1 REPORT ON COMPLIANCE AUDIT RETURN 2018	4
	5.2 REPORT ON 2019-20 ANNUAL BUDGET REVIEW	6
	5.3 REGULATION 17 REVIEW - D. LONG & ASSOCIATES	12
6.	URGENT BUSINESS.....	13
7.	MEETING CLOSED	13



Agenda for the Finance and Audit Committee Meeting
to be held in the Council Chambers, 37 Gibbons Street, Yalgoo
on Friday, 27 March 2020 commencing at 9:00 am.

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

At its Finance and Audit Committee held on the 29 November 2019, Cr Gregory Payne were elected Chairperson for both the Finance and Audit Committee and Cr Gail Trenfield were elected Deputy Chairperson for both the Finance and Audit Committee.

2. RECORD OF ATTENDANCE/APOLOGIES

MEMBERS

STAFF

GUESTS

OBSERVERS

APOLOGIES

3. DISCLOSURE OF INTERESTS

Disclosures of interest made before the Meeting

4. CONFIRMATION OF MINUTES

4.0 FINANCE AND AUDIT COMMITTEE MEETING HELD 31 JANUARY 2020

Background

Minutes of the Finance and Audit Committee meeting held on 31 January 2020 were previously distributed to members.

Voting Requirements

Simple majority

OFFICER RECOMMENDATION

MINUTES OF THE FINANCE COMMITTEE MEETING

That the minutes of the Finance Committee meeting held on 31 January 2020, as circulated, be confirmed as a true and correct record of proceedings.

Moved:

Seconded:

Motion put and carried/lost

5. BUSINESS AS NOTIFIED

5.1 REPORT ON COMPLIANCE AUDIT RETURN 2018

AUTHOR:	DOMINIC CARBONE
INTEREST DECLARED:	NO INTEREST TO DISCLOSE
DATE:	6 MARCH 2020
ATTACHMENTS :	2019 COMPLIANCE AUDIT RETURN

MATTER FOR CONSIDERATION

That the Committee give consideration to the Compliance Audit Return 2019 and recommend to Council that the Compliance Audit Return be adopted and certified by the President and Chief Executive Officer and a copy to be forwarded to the Department of Local Government Sport and Culture Industries by 31st March 2020.

BACKGROUND

Regulation 14 and 15 of the Local Government (Audit) Regulations 1996 requires that the Council carry out a Compliance Audit for the period 1st January to the 31st December in each year and be submitted to the Executive Director by the 31st March of the following year.

STATUTORY ENVIRONMENT

Local Government Act 1995

7.13. Regulations as to audits

- (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.
- (3)
 - (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.
 - (4) (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
 - (5) (a) presented to the council at a meeting of the council; and
 - (6) (b) adopted by the council; and
 - (7) (c) recorded in the minutes of the meeting at which it is
 - (8) 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 next 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.

BUSINESS IMPLICATIONS

Nil

CONSULTATION

Nil

COMMENT

The Shire of Yalgoo is required to carry out an Annual Compliance Audit for the period 1st January 2019 to 31st of December 2019. The Compliance Return for 2019 has been completed online on the Department of Local Government Sport and Culture Industries website and is attached for consideration.

The Compliance Return is to be adopted by Council and certified by the President and the Chief Executive Officer along with a copy of the relevant section of the Minutes be forwarded to the Director General by the 31st March 2020.

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RECOMMENDATION

Report on Compliance Audit Return 2019

That Council adopt the Audit Committee recommendation that the 2019 Compliance Audit Return be adopted and certified by the President and Chief Executive Officer and forwarded to the Department of Local Government along with the relevant section of the Minutes.

Moved:

Seconded:

Motion put and carried/lost:

5.2 REPORT ON 2019-20 ANNUAL BUDGET REVIEW

Author:	Dominic Carbone
Interest Declared:	No interest to disclose
Date:	6 March 2020
Attachments :	Statement of Financial Activities , Statement of Surplus/ Deficit, Statement of Closing Funds, Budget Analysis Worksheets

Matter for Consideration

That council review the 2019-20 Annual Budget Review

Background

Regulation 33A of the Local Government Act (Financial Management) Regulations 1996 requires that a Local Government between 1st February and 31st March in each year carry out a review of its Annual Budget for that year. A copy of the review and the determination is to be provided to the Department of Local Government within 30 days of the adoption of the review.

Council adopted a 10% or \$10,000.00 variance or whatever is the greater for the reporting of material variances identified in the annual budget review

Statutory Environment

33A. Review of budget

- (1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.
- (2A) The review of an annual budget for a financial year must —
 - (a) consider the local government’s financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
 - (b) consider the local government’s financial position as at the date of the review; and
 - (c) review the outcomes for the end of that financial year that are forecast in the budget.
- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.

*Absolute majority required.

- (4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

6.8. Expenditure from municipal fund not included in annual budget

- (1) A local government is not to incur expenditure from its municipal fund for an additional purpose except where the expenditure —
 - (a) is incurred in a financial year before the adoption of the annual budget by the local government; or
 - (b) is authorised in advance by resolution*; or
 - (c) is authorised in advance by the mayor or president in an emergency.

- (1a) In subsection (1) —
additional purpose means a purpose for which no expenditure

estimate is included in the local government's annual budget.

(2) Where expenditure has been incurred by a local government —

- (a) pursuant to subsection (1)(a), it is to be included in the annual budget for that financial year; and
- (b) pursuant to subsection (1)(c), it is to be reported to the next ordinary meeting of the council.

Business Implications

Nil

Consultation

Dominic Carbone

Comment

A review of the Shire's 2019-20 Annual Budget has been undertaken in accordance with the Financial Management Regulations and the following worksheets have been prepared;

Statement of Financial Activities	(refer attachments)
Statement of Surplus/ Defecate	(refer attachments)
Statement of Closing Funds	(refer attachments)
Budget analysis Worksheets	(refer attachments)

The review of the 2019-20 Annual Budget revealed:

- 1) An increase in operating revenue amounting to \$23,872 comprising of:

REVENUE

Increase in Rates Levied	\$1,995
Decrease in Non Payment Penalty Interest	(\$8,000)
Decrease in Financial Assistance Grants	(\$34,505)
Increase in FESA Grant Received	\$2,076
Increase in Reimbursements WACHS Health Centre Mtce	\$4,470
Increase in Staff Housing Rent	\$8,000
Increase in Rubbish Collection Charges	\$1,250
Increase in Community Bus Hire	\$1,500
Increase in other Revenue Recreation and Culture	\$2,000
Decrease in Sales Arts and Cultural Centre	(\$12,500)
Increase in MRWA Direct Roads Grant	\$56,347
Increase in Emu Cup Funding	\$15,200
Increase in Caravan Park Fees and Charges	\$15,000
Decrease in prospecting Permits	(\$1,400)
Decrease in Reimbursements Plant Operations Costs	(\$29,585)
Increase in Scrap Metal Sales	\$1,860
Increase in Reimbursements Administration	\$2,031
Decrease in Commission Motor Vehicle Licencing	(\$2,000)
Increase Other Minor Variances	\$133
	<hr/>
	\$23,872
	<hr/>

- 2) An increase in operating expenditure amounting to \$33,263 comprising of:

EXPENDITURE

Decrease in Debt Collection Costs	\$2,000
Decrease in Members Travel claims	\$5,000
Decrease in Members Conference Expenses	\$10,000
Decrease in Election Expenses	\$5,464
Increase in Members Donations	(\$3,500)
Increase in Members Expenses Other	(\$5,000)
Decrease in Animal Ranger Expenses	\$4,000
Decrease in Animal Sterilisation Program	\$2,000
Increase in Health Centre Mtce	(\$4,470)
Increase in Ambulance Services	(\$2,040)
Increase in Staff Housing Electricity Costs	(\$1,500)
Decrease in Staff Housing Water Costs	\$7,000
Increase Yalgoo Refuse Site - Additional Fencing, New Pit ,Rehabilitation	(\$33,500)
Increase Paynes Find Refuse Site - Additional Fencing, New Pit	(\$18,750)
Decrease in Town Planning Scheme Expenses	\$5,000
Decrease in Cemetery Expenses	\$1,471
Decrease in Public Conveniences Maintenance	\$7,104
Decrease in Community Bus Expenses	\$2,450
Decrease in Vacant Land Mtce	\$1,000
Increase in Yalgoo Hall Expenses	(\$11,362)
Increase in Community Park Maintenance	(\$8,388)
Increase in Shamrock Park Maintenance	(\$12,077)
Decrease in Railway Station Building and Ground Maintenance	\$5,536
Decrease in Tennis Court Maintenance	\$2,547
Decrease in Yalgoo Hub Covered Area Maintenance	\$4,349
Increase in Golf Course Maintenance	(\$3,150)
Decrease in Water Park Maintenance	\$6,299
Increase in Community Oval and Pavilion Maintenance	(\$36,704)
Increase in Rebroadcasting Equipment Mtce - install single channel	(\$6,050)
Decrease in Library Expenses	\$1,000
Decrease in Celebration Expenditure	\$3,421
Increase in Museum/Goal Maintenance	(\$10,722)
Decrease in Town Street Maintenance	\$124,715
Decrease in Street Trees and Watering	\$36,131
Increase in Road Inspections After Rain	(\$4,939)
Decrease in Vegetation and Weed Control	\$5,000
Increase in Engineering Consultancy	(\$20,000)
Increase in Rural Road Maintenance	(\$95,524)
Decrease in Repairs Grids	\$4,384
Decrease in Paynes Find Airstrip Mtce	\$5,657
Decrease in Wild Dog Bounty	\$5,000
Increase in Caravan Park Operations	(\$28,508)

	Decrease in Emu Cup Event	\$19,702
	Decrease in Jokers Tunnel Mtce	\$1,508
	Decrease in Banners in the Terrace	\$3,500
	Decrease in Building Consultants Fees	\$2,500
	Increase in Fuel Station Mtce	(\$1,895)
	Increase Other Expenses Unclassified	(\$2,000)
	Decrease Other Minor Variances	(\$6,922)
		<u>(\$33,263)</u>
3)	Gain or loss on sale of assets:	
	Decrease in Proceeds from Sale of Assets	<u>(\$17,499)</u>
	Increase in net loss on sale of assets	<u>(\$17,499)</u>
4)	Furniture and Equipment	
	Additional Expenditure - Air conditioner Administration	(\$7,483)
	Savings - Computer Hardware and Systems Upgrade	<u>\$10,000</u>
		<u>\$2,517</u>
5)	Land and Buildings	
	Savings- Solar Panels Staff Housing	\$66,000
	Additional Expenditure - Disabled Toilets Self Contained Units Caravan Park	(\$30,000)
	Over Expenditure - Concrete Floor machinery Shed Depot	(\$850)
		<u>\$35,150</u>
6)	Plant and Equipment	
	Savings - HCP Vehicle	\$328
	Over expenditure - Admin Vehicle	(\$218)
	Savings - Kubota Ride on Mower	\$1,920
	Savings - Utility Gardener	\$1,319
	Savings -Primer Mover	\$37,000
	Savings - Backhoe	\$11,000
		<u>\$51,349</u>
7)	Roads Infrastructure	
	Savings - Yalgoo Morawa Road Widening	<u>\$2,043</u>
8)	Infrastructure Recreation Facilities	
		<u>\$0</u>

9)	Infrastructure Other	<u>\$0</u>
10)	Reserve Funds	<u>\$0</u>
10)	Book Value of Assets Sold Written Back	<u>\$0</u>
11)	Surplus Brought Forward	
	Additional Accrued Expenses and Employee Entitlements and Adjustment to Provision for Doubtful Debts	<u>(\$43,371)</u>
	Net Estimated Variance- Surplus	<u><u>\$20,798</u></u>

Council is requested to authorise the following expenditure in accordance with Section 6.8 of the Local Government Act 1995.

(1)	Refuse Site Maintenance Yalgoo – new fencing, new pit and rehabilitation	\$33,500
(2)	Disabled Toilets – Self Contained Units Caravan Park	\$30,000

Council is requested to give consideration to and adopt the Annual Budget Review

Voting Requirements

Absolute Majority

COMMITTEE RECOMMENDATION

Report on 2019-20 Annual Budget Review

That the Finance and Audit Committee recommends to Council

- 1.) Adopts the 2019-20 Annual Budget Review together with the variations detailed in the Budget Analysis Worksheet attached to this Report.**
- 2.) A copy of the 2019-20 Annual Budget Review and the determination be provided to the Department of Local Government and Communities.**
- 3.) In accordance with Section 6.8 of the Local Government Act 1995 authorise the following expenditure:**
 - Refuse Site Maintenance Yalgoo – new fencing, new pit and rehabilitation \$33,500**
 - Disabled Toilets – self Contained units caravan park \$30,000**

Moved:

Seconded:

Motion put and carried/lost:

5.3 REGULATION 17 REVIEW - D. LONG & ASSOCIATES

Author:	John Read, Acting Chief Executive Officer
Interest Declared:	No interest to disclose
Date:	20 March 2020
Attachments	Draft Yalgoo FMR & Audit Reg 17 Review Report March 2020

MATTER FOR CONSIDERATION

That the Finance & Audit Committee recommend to Council that the Regulation 17 Report prepared by Darren Long & Associates be received and the CEO be requested to implement changes to administration accounting practices in relation to legislative compliance, internal control and risk management, where practical.

BACKGROUND

The Shire engaged Darren Long & Associates to undertake the Regulation 17 review and Mr Long has delivered a comprehensive report covering all aspects of financial management, legislative compliance, internal controls and risk management.

STATUTORY ENVIRONMENT

Local Government Act 1995

Regulation 17 of the Local Government (Audit) Regulations 1996

STRATEGIC IMPLICATIONS - Nil**CONSULTATION - Nil****COMMENT**

Mr Long's findings detailed at Section 19 are as follows:

“OPINION – Financial Management Review

The review of the Financial Management Systems & Procedures developed by the Shire of Yalgoo indicates that, except for those matters identified in the findings and recommendation section of this report, they are appropriate and effective for the particular operations and size of the Shire.

In addition the review has concluded that, except where indicated in the report, the Shire has observed the requirements of the Local Government Act 1995 and the Local Government (Financial management) Regulations 1996”

Review of Legislative Compliance, Internal Controls and Risk Management

The review of the legislative compliance, internal controls and risk management mechanisms developed by the Shire of Yalgoo indicates a series of weaknesses in various processes, procedures and systems. The matters identified in the findings section of this report range from minor to major in nature. The recommendations detailed in this report present an opportunity for the local government to consider suggested improvements to internal procedures, processes and systems to enhance the overall control environment.”

While required improvements are acknowledged, the Shire is limited in the number and experience level of its very small administration/accounting staff. To put it bluntly, at the expense of around \$750,000.00 plus housing, vehicles, etc. per year, the Shire could employ (hopefully) additional suitably qualified and experienced administration staff to remedy the shortcomings of internal control detailed in the report. There has been no report or evidence at all that the shortcomings have actually brought the Shire into risk and financial loss through fraud etc. as a result of the lack of internal controls. However, we do have a duty to improve internal controls in respect of financial management, etc. to the best of our ability.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION		
<u>Regulation 17 Review - D. Long & Associates</u>		
THAT the Finance & Audit Committee recommend to Council that the Regulation 17 Report prepared by D. Long & Associates be received and the CEO requested to implement changes to administration’s accounting practices in relation to legislative compliance, internal control and risk management, where practical.		
Moved:	Seconded:	Motion put and carried:

6. URGENT BUSINESS

7. MEETING CLOSED

There being no Further Business, the Finance and Audit Committee Chairperson, declared the Finance and Audit Committee meeting closed at.