



MINUTES
AUDIT AND RISK MANAGEMENT
COMMITTEE
held on
Thursday, 16 July 2020



WESTERN AUSTRALIA'S
WILDFLOWER COUNTRY

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Item 1 Opening of Meeting

The Presiding Member declared the meeting open at 5.17pm.

Item 2 Acknowledgement of Traditional Owners and Dignitaries

The Presiding Member acknowledges the traditional custodians, the Yamatji people, and recognises the contribution of Yamatji elders past, present and future, in working together for the future of Morawa.

'This meeting is being recorded on audio tape and to assist with minute taking purposes. The public is reminded that in accordance with Section 6.16 of the Shire of Morawa Meeting Procedures Local Law 2012 that nobody shall use any visual or vocal recording device or instrument to record the proceedings of Council without the written permission of the presiding member.'

Item 3 Recording of Attendance

3.1 Attendance

Committee Members

President Councillor Karen Chappel (Presiding Member)
 Deputy President Councillor Dean Carslake
 Councillor Jane Coaker
 Councillor Debbie Collins
 Councillor Yvette Harris
 Councillor Shirley Katona
 Councillor Ken Stokes

Staff

Acting Chief Executive Officer	Robert Paull
Executive Manager Corporate & Community Services	John van der Meer
Economic Development Manager	Ellie Cuthbert
Executive Assistant	Rondah Toms

3.2 Attendance by Telephone / Instantaneous Communications

In accordance with section 14 of the *Local Government (Administration) Regulations 1996* "Meetings held by electronic means in public health emergency or state of emergency (Act s. 5.25(1)(ba))", the President to declare that this Meeting may take place via instantaneous communication. All Councillors and staff are to be available either via telephone (teleconference) or in person.

3.3 Apologies

Nil

3.4 Approved Leave of Absence

Nil

3.5 Disclosure of Interests

Nil

Item 4 Applications for Leave of Absence

Nil

Item 5 Response to Previous Questions

Nil

Item 6 Questions from Members without Notice

Nil

Item 7 Announcements by Presiding Member without Discussion

Nil

Item 8 Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting

The Elected Members to declare that they had given due consideration to all matters contained in the agenda.

President Councillor Karen Chappel (Presiding Member)
Councillor Jane Coaker
Councillor Debbie Collins
Councillor Shirley Katona
Councillor Ken Stokes

Item 9 Confirmation of Minutes of Previous Meeting**OFFICER'S RECOMMENDATION/RESOLUTION**

200701 Moved: Cr Stokes Seconded: Cr Coaker

That the Audit Committee Meeting Minutes held on Thursday, 21 May 2020 are confirmed to be a true and correct record.

CARRIED BY SIMPLE MAJORITY 5/0

Disclaimer

Members of the public are cautioned against taking any action on Council decisions, on items in this agenda in which they may have an interest, until formal notification in writing from the Shire has been received. Decisions made at this meeting can be revoked pursuant to the Local Government Act 1995.

Item 10 Reports of Officers**10.1 Reserve Accounts – Transfers ‘In and ‘Out’**

Author:	Executive Manager Corporate and Community Services
Authorising Officer:	Acting Chief Executive Officer
Disclosure of Interest:	The Author and the Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER’S RECOMMENDATION/RESOLUTION

200702 Moved: Cr Stokes Seconded: Cr Coaker

That with respect to Reserve Accounts – Transfers ‘In and ‘Out’, the Audit and Risk Management Committee recommends to Council as follows:

- 1. That Council notes the Report.**

CARRIED BY SIMPLE MAJORITY 5/0

PURPOSE

To inform Committee on the transfers to and from the Shire’s reserve accounts. The transfers are part of the Financial Year 2019/20 Adopted Budget with subsequent reviews and amendments as addressed in the Memo.

DETAIL

In accordance with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*, a Local Government Authority (LGA) must reserve money for specific purposes in the future in designated reserve accounts.

The Shire has multiple reserve accounts with specified purposes allocated to the reserves. Reserves may be used to fund purchases (transfer from reserve to Municipal account also referred to as ‘Muni’) or general income is transferred to the reserve account to ‘save for future use’.

In its 2019/2020 adopted Cash Budget, the subsequent Budget Review (March 2020) and the Special Meeting in April 2020, Council resolved to use funds from reserve and transfer money from general income to reserves as stipulated below. Periodically, interest on the reserve accounts is earned and allocated to the reserve accounts.

For a complete overview of the current reserves, consult the *Forecast Statement of Reserve Movements* as completed in the *May 2020 Financial Activity Statements*. The following figures and data are extracted from that particular overview.

Interest earned

The interest earned on the reserve accounts has significantly decreased due to lower interest rates on the reserve accounts and the three (3) Term Deposits (TDs). Currently, the interest rate is 0.5% for the reserve accounts and 1.25% for the 3 TDs - April-June 2020 months. The interest Council receives on these accounts/deposits is to be allocated/transferred to the reserve account(s).

Reserve account transfer

Council’s reserve account comprises the following reserve which are to be used to fund purchases and/or be funded from the general income or Muni account.

Transfer from Muni to reserve accounts for Future Use

GL#	Description	Amount*
14655	General provision of leave reserve	\$5,000
12352	Plant reserve additions	\$250,000
09152	Building reserve addition	\$20,000
10314	Transfer to sewerage reserve (25% of Income -/- Expenditure)	\$50,000
13767	Business Units reserve	\$20,000
11271	Swimming Pool reserve	\$20,000
Totals		\$365,000

* Please note that the additions to the Reserves are actuals in such that the transfers are not subject to e.g. market prices or operational activities.

Transfers from reserve accounts to Muni account for Plant Reserve

At the beginning of the year, the preferred purchased for PPE are included in the budget based on estimations. During the year, the actual purchases, trade ins and sales take place and may be different to the estimations. The table below indicates the purchases for Plant in the Financial Year 2019/20.

GL#	Description	Estimated purchase price	Funding information	Actuals (net)
12340	A299/P262: New roller	\$170,000	Purchased	\$143,438.00
12340	A301/P261: Grader	\$382,880	Traded P007 in for \$100,000	\$282,880.00
12340	A260/P260: Work Ute	\$34,000	Traded A256 in for \$15,000	\$40,260.80
12340	A254/P254: Tow behind roller	\$60,000	Purchased	\$55,435.00
12340	A253P253: EMWA Ute	\$37,000	Purchased	\$38,257.07
11360	A300/P263: Tractor	\$33,050	Purchased	\$31,402.68
Totals		\$716,930		\$591,673.55

* Please note that these amounts are estimations only based on available information at the time of setting and adopting the budget. The actual financial records are different as the PPE additions are done on a net basis (i.e. excluding GST and after trade-ins if applicable).

Transfers from reserve accounts to Muni account for Other Reserves

GL#	Description	Amount
13775	Economic Development*	\$100,000
10340	Sewerage upgrade	\$75,000

* As directed by the COVID-19 Recovery Package, \$110,000 from the Economic Development reserve was allocated to the COVID-19 Reserve, no further action required.

GL #13765 – Morawa Future Fund Reserves

Annually, the interest earned on the reserve accounts and the TDs is partially used to fund community projects which are submitted to the Morawa-SinoSteel Future Fund Committee (Committee) two times per year. The set-up is that 85% of the interest earned on the Morawa Future Funds Reserve is to be transferred to the Future Funds Interest Reserve from which the grants are funded when approved. The budgeted versus actual figures are depicted below.

GL #	Type	Description	Budget	Actual 24-6
13759	Capital Expenditure	Reserve Funds ex Muni (Future Fund)	\$37,539	\$23,659
13777	Capital Revenue	Transfer from Future Funds Reserve GEN (85% of 13759)	\$31,908	\$32,492
13706	Operating Expenditure	Morawa Future Fund Community Allocation Expenditure	\$31,908	\$36,531

Accordingly, interest earned in the previous financial year based on actual figures, will be transferred to the Future Funds and 85% of that interest earned will be transferred to the Morawa Future Funds Interest reserve. From the Morawa Future Fund Interest Reserve, the funds should be transferred to the Municipal Account ('Muni') to fund the operating expenditure in GL# 13706 which are comprised of the approved community grants as submitted to the Committee

In this case, the allocation should be 85% of \$23,659 which is \$20,110. This will have to be updated at the end of the year to ensure the correct interest is transferred based on actual interest earned. Please note that on 30 June 2020, the 3 TDs also mature, and the interest earned will be transferred to the reserve accounts, as well.

COVID-19 / Corona Virus Recovery Package – Reserve money

On 2 April 2020, Council resolved to adopt the *COVID-19 Community Response Package* in which money from existing reserves was allocated to a new reserve "COVID-19 Emergency Response Reserve". The funds used (capital expenditure) were:

- \$110,000 from the Economic Development Reserve
- \$30,000 from the Plant Reserve
- \$50,000 from the Morawa Community Future Funds Reserve
- \$190,000 to (capital revenue was 07472) – Reserves for Health

So far, approximately \$40,000 has been spent locally in relation to the COVID-19 measures with some outstanding Purchase Orders valued at approximately \$10,000. It is suggested to transfer \$50,000 from the COVID-19 reserve 07472 to the Municipal Account.

LEVEL OF SIGNIFICANCE

High – financial compliance is mandatory.

CONSULTATION

Senior Management Team

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

FINANCIAL AND RESOURCES IMPLICATIONS

Limited - as many of the recommendations have been funded by the operational budget of the pool.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Shire of Morawa Community Strategic Plan 2018-2028 (Desktop Review June 2020)

Outcome 4.3 A local government that is respected, professional and accountable.

Outcome 4.5 Long term financial viability.

RISK MANAGEMENT CONSIDERATIONS

Shire of Morawa Risk Management Governance Framework

Appropriate governance of risk management within the Shire of Morawa provides:

- Transparency of decision making.
- Clear identification of the roles and responsibilities of the risk management functions.
- An effective Governance Structure to support the risk framework.

Compliance with the standards ensures efficient, effective and low risk operations of the swimming pool regarding staff and visitor safety.

CONCLUSION

In relation to the processes as described above the following actions have been undertaken:

- **Transfer from Plant Reserve to Muni:** the amount of \$591,673.55 where the corresponding GL accounts will be credited (capital expenditure) as required and the Muni bank account will be debited.
- **Transfer from Muni to Reserves:** the amount of \$365,000 as stipulated in table 1 in the corresponding GL accounts. The Muni account will be credited as a result for the full amount.
- **Transfer from the Sewerage reserve to Muni:** an amount of \$75,000 to be transferred from the reserve to the Muni bank account.
- **Transfer from COVID-19 to Muni:** the amount of \$50,000 to be credited in the COVID-19 reserve and debited in the Muni Bank account with corresponding GL accounts, too.

The actual interest earned on the Morawa Future Funds Reserve should be calculated after receiving the actual interest on the reserve accounts and the 3 TDs in a separate calculation.

Committee is requested to recommend Council note the Report.

ATTACHMENTS

Nil

Item 11 Motions of Which Previous Notice Has Been Given

Nil

Item 12 New Business of an Urgent Nature

Nil

Item 13 Closure

There being no further business, the Presiding Member declared the meeting closed at 5.23pm.



..... Presiding Member