



**MINUTES**  
**AUDIT AND RISK MANAGEMENT**  
**COMMITTEE**  
**held on**  
**Thursday, 15 October 2020**



*DISCLAIMER*

*No responsibility whatsoever is implied or accepted by the Shire of Morawa for any act, omission, statement or intimation occurring during Council or Committee Meetings. The Shire of Morawa disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission, and statement of intimation occurring during Council or Committee Meetings.*

*Any person or legal entity that acts or fails to act in reliance upon any statement, act or omission occurring in a Council or Committee Meeting does so at their own risk. The Shire of Morawa advises that any person or legal entity should only rely on formal confirmation or notification of Council resolutions.*

**Item 1 Opening of Meeting**

The Presiding Member declared the meeting open at 5.15pm.

**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 (by teleconference)  
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
Executive Manager Works 7 Assets	Paul Buist
Economic Development Manager	Ellie Cuthbert

**Members of the Public**

Nil

**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**

Executive Assistant, Rondah Toms

**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
- Deputy President Councillor Dean Carslake
- Councillor Jane Coaker
- Councillor Debbie Collins
- Councillor Yvette Harris
- Councillor Shirley Katona
- Councillor Ken Stokes

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

**201001 Moved: Cr Coaker Seconded: Cr Katona**

**That the Audit Committee Meeting Minutes held on Thursday, 17 September 2020 are confirmed to be a true and correct record.**

**CARRIED BY SIMPLE MAJORITY 7/0**

*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 Response to Outstanding Actions from Regulation 17 Risk Audit Review**

**Author:** Acting Chief Executive Officer

**Authorising Officer:** Acting Chief Executive Officer

**Disclosure of Interest:** The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

**OFFICER'S RECOMMENDATION/RESOLUTION**

**201002 Moved: Cr Coaker Seconded: Cr Collins**

**That with respect to the Response to Outstanding Actions from Regulation 17 Risk Audit Review, the Audit and Risk Management Committee recommends to Council as follows:**

- 1. Note the Response to Outstanding Actions from Regulation 17 Risk Audit Review, as presented in Attachment 1.**

**CARRIED BY SIMPLE MAJORITY 7/0**

**PURPOSE**

To update the Audit and Risk Management Committee ('Committee') on the legislative compliance issues identified in the April 2020 Regulation 17 of the *Local Government (Audit) Regulations 1996* Audit report.

**DETAIL**

At the Committee meeting of 16 April 2020, Committee recommended to Council as follows:

*“That with respect to the Regulation 17 - Risk Audit Report March 2020, the Audit Committee recommends to Council as follows:*

1. *That Council notes the Regulation 17 Risk Audit prepared by the Town of Victoria Park (as per Attachment 10.1A) and its suggested improvements/opportunities, and forwards a copy to the Minister for Local Government as required;*
2. *That Council notes the Outstanding Actions from Regulation 17 of the Local Government (Audit) Regulations 1996 Review along with the CEO’s response (as per Attachment 10.1 B) which describes how the suggested improvements/opportunities will be implemented, including actions completed, progressing items and those requiring further consideration; and*
3. *That Council notes further reports will be provided to the Audit Committee for its consideration, outlining recommended positions on those improvement opportunities offered in the Risk Audit, but yet to be actioned.”*

At the 16 April 2020 Ordinary meeting of Council, the above recommendation was adopted.

As noted in Part 3 of the Recommendation, there were several matters associated with the Audit that required on-going attention. *Attachment 1* provides an updated response to the Regulation 17 Audit outcomes addressing the outstanding actions from April 2020 Audit Review. Committee will note that all outstanding matters have either been addressed or are programmed to be addressed at the 19 November 2020 Ordinary meeting of Council.

**LEVEL OF SIGNIFICANCE**

Medium – requirement under *Local Government (Audit) Regulations 1996*.

**CONSULTATION**

Senior Management Team

**LEGISLATION AND POLICY CONSIDERATIONS**

*Local Government Act 1995*

*Local Government (Administration) Regulations 1996*

*Local Government (Rules of Conduct) Regulations 2007*

*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.*
  - (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.*
  - (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
    - (a) *presented to the council at a meeting of the council; and*
    - (b) *adopted by the council; and*

*(c) recorded in the minutes of the meeting at which it is adopted.*

*[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]*

*Local Government Operational Guidelines Number 09 - Audit in Local Government – Revised September 2013*

## **FINANCIAL AND RESOURCES IMPLICATIONS**

Related audit fees were incorporated into the Shire’s Annual Budget. Implementing the recommendations of the Report that have financial impacts have been processed through normal budgetary processes.

## **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.

## **CONCLUSION**

*Attachment 1* contains the *Outstanding Actions from Regulation 17 Risk Audit Review* for Committee/Council’s consideration and addressing the areas covered by the Audit:

1. Risk Management;
2. Internal Controls; and
3. Legislative Compliance.

The response describes how the suggested improvements/opportunities have been or are to be implemented.

## **ATTACHMENT**

*Attachment 1 – 10.1 Response to Outstanding Actions from Regulation 17 Risk Audit Review*

**10.2 Asset Valuation and Impairment Consideration**

**Author:** Executive Manager Corporate and Community Services

**Authorising Officer:** Acting Chief Executive Officer

**Disclosure of Interest:** The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

**OFFICER'S RECOMMENDATION/RESOLUTION**

**201003 Moved: Cr Stokes Seconded: Cr Collins**

That with respect to Asset Valuation and Impairment Consideration, the Audit and Risk Management Committee recommends to Council as follows:

1. That *Asset Valuation and Impairment Consideration Memorandum (Memorandum)* as per Attachment 1 be received; and
2. Authorises the Chief Executive Officer to provide the *Memorandum* to the Shire's Auditor for the Financial Year 2019/2020 Audit.

**CARRIED BY SIMPLE MAJORITY 7/0**

**PURPOSE**

To present the Audit and Risk Management Committee ('Committee') with the *Asset Valuation and Impairment Consideration Memorandum (Memo)* pertaining to Shire owned and operated assets over a broad range of categories.

**DETAIL**

Annually, the Council is required to indicate potentially significant external and internal effects to its assets. There are multiple categories and potential reasons. For example, when the perceived market value is less than the carrying value according to the local government's balance sheet, it is required to be written down to its current market value.

Market value is determined mostly by external variables such as the sale of land, or buildings in the recent past. Any modifications to buildings or one in need of repairs will also affect its market value. Any perceived resale price of plant and equipment may also influence the market value.

'Book Value' is determined on the basis of accounting policies and comprises the purchasing price, the estimated useful life and residual value (or expected resale value) at the end of its estimated useful life. Periodically, assets are depreciated by use of the straight-line method (i.e. a fixed percentage/amount) per year. Depreciation is a non-cash expense to account for the use of that asset and the need to replace it in the future.

The Old Morawa Hospital has been included as a potential asset which may see an impairment in Financial Year 2020/2021 (FY20/21).



No other assets have been identified as being significantly impacted by changing market values or its condition. The Memo outlines the requirements of asset valuations and impairments for a broad range of asset classes. For Financial Year 2020/21, a comprehensive (re)valuation assessment is planned to be undertaken.

## LEVEL OF SIGNIFICANCE

**High** – Council owned and operated assets make up a significant portion of Council’s total financial exposure. Potential effects – external and internal – should be considered when appropriate to ensure adequate presentation of values and conditions of those assets.

## CONSULTATION

Senior Management team  
Bob Waddell Consultant  
Griffin Valuations

## LEGISLATION AND POLICY CONSIDERATIONS

The periodical and regular assessment of assets is required under s.17A(4) of the *Local Government (Financial Management) Regulations*. Any impairment of assets is guided by Australian Accounting Standards Board (AASB)136.9 which are the Australian Accounting Standards as used by local governments to report on their financial activities in any given period.

Assets are to be (re)-valued every 3 to 5 years and a revaluation assessment of several Council assets is scheduled for FY2020/2021. Council is within the 3 to 5 year valuation window as required under legislation.

*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.

## FINANCIAL AND RESOURCES IMPLICATIONS

The financial implications from the contents of the memo are small. However, in case of actual impairments or revaluations, the financial figures may be affected significantly. Shire staff have engaged external parties to determine the market value of its assets and the potential financial and/or resources implications.

## RISK MANAGEMENT CONSIDERATIONS

Low – Council is within its 3 to 5 year assessment window and is aware of the potential impairment for the Old Hospital as a risk assessment has been conducted recently.

## CONCLUSION

The Memo outlines the requirements of asset valuations and impairments for a broad range of asset classes.

With exception of the Old Hospital, no significant changes to market value of assets is expected. For Financial Year 2020/21, a comprehensive (re)valuation assessment is planned to be undertaken.

**ATTACHMENT**

*Attachment 1 – 10.2 Asset Valuation and Impairment Consideration Memorandum*

**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 5.20 pm.



..... Presiding Member

<b>Item 11    Motions of Which Previous Notice Has Been Given</b>
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Nil

<b>Item 12    New Business of an Urgent Nature</b>
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Nil

<b>Item 13    Closure</b>
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There being no further business, the Presiding Member declared the meeting closed at 5.20 pm.