

## 7.1 Independent Audit Report and Annual Financial Report 2019-2020

<b>Location</b>	<b>Town-wide</b>
<b>Reporting officer</b>	Bonnie Hutchins
<b>Responsible officer</b>	Michael Cole
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	<ol style="list-style-type: none"><li>02750 Annual Report 19-20 Revised A 4- Low Res [7.1.1 - 34 pages]</li><li>Annual Financial Statements - V 14 Audit &amp; Risk [7.1.2 - 58 pages]</li></ol>

### Recommendation

That the Audit and Risk Committee recommends that Council:

1. Receives the Audit Completion Report and draft Independent Auditor's Report (Note – yet to be provided).
2. Accepts the Annual Report 2019/2020 and the Annual Financial Report for the 2019-2020 financial year, as attached.
3. Requests the Chief Executive Officer to convene a Special Council Meeting, to be held at 6pm on Tuesday 4 May 2021 in the Council Chambers, 99 Shepperton Road, Victoria Park WA 6100, for the purpose of considering the Independent Audit Report and Annual Financial Report 2019-2020.
4. Requests the Chief Executive Officer to convene the Annual Meeting of Electors, to be held at 6pm on Thursday 20 May 2021 in the Council Chambers, 99 Shepperton Road, Victoria Park WA 6100, for the purpose of presenting the annual report for 2019/2020 and any other general business.

### Purpose

To present the Audit Completion Report, Draft Independent Auditor's report and the Annual Report 2019-2020, inclusive of the Annual Financial Report for that year, and set the date for the Annual Meeting of Electors.

### In brief

- As part of the Council's committee structure, the Audit and Risk Committee has been established to review areas of an audit or risk/compliance nature. The Audit completion report, draft Independent Auditor's report and the audited Annual Financial report are presented as attachments to this report.
- The Annual Financial Report gives a true and fair view of the financial position of the Town of Victoria Park as at 30 June 2020 and of its financial performance for the year ended on that date.
- The Annual Financial Report complies with the *Local Government Act 1995*, the *Local Government (Financial Management) Regulation 1996* and the Australian Accounting Standards.

## Background

1. Each year, as part of Council's audit process, an Independent Audit is undertaken to assess the Annual Financial Report and the legitimacy and accuracy of the Town's accounts. An independent Audit Report is then produced by the Auditor. The Auditor, after completing the audit, is to forward a copy of the audit and / or management report to -
  - (a) The Mayor
  - (b) The Chief Executive Officer
  - (c) The Minister, via the Department of Local Government, Sport and Cultural Industries
2. The Independent Audit Report is also required to be included in Council's Annual Report. Any issues arising from the Independent Audit Report are to be investigated and action taken to resolve those issues.

## Strategic alignment

Civic Leadership	
Strategic outcome	Intended public value outcome or impact
CL06 - Finances are managed appropriately, sustainably, and transparently for the benefit of the community.	To make available timely and relevant information on the annual financial position and performance of the Town so Council and public can make informed decisions for the future.
CL10 - Legislative responsibilities are resourced and managed appropriately, diligently, and equitably.	Ensure Town meets its legislative responsibility in accordance with Sect. 7 of the Local Government Act 1995.

## Engagement

Internal engagement	
Service Area Leaders and Senior Management	Service area leaders were consulted and engaged during the external annual audit to provide information and responses to auditor enquiries.

External engagement	
Tamala Park Regional Council	Tamala Park Regional Council were contacted to obtain responses to additional auditor enquiries.
Mindarie Regional Council	Mindarie Regional Council were contacted to obtain responses to additional auditor enquiries.
Griffin Valuers	Griffin valuers were contacted to obtain responses to additional auditor enquiries.
Tallis	Tallis were contacted to obtain responses to additional auditor enquiries.

## Legal compliance

[Local Government Act 1995 Sect 7](#)

[Local Government Act 1995 Sect 5.27](#)

[Local Government \(Financial Management\) Regulation 1996](#)

[Australian Accounting Standards](#)

## Risk management consideration

Risk impact category	Risk event description	Consequence rating	Likelihood rating	Overall risk level score	Council's risk appetite	Risk treatment option and rationale for actions
Financial	Council not accepting Independent Auditor's report	Moderate	Unlikely	Medium	Low	TREAT Risk by providing reasoning and detailed explanations to Council to enable informed decision making.
	Misstatement or significant error in Annual Financial Report	Major	Unlikely	Medium	Low	TREAT risk by conducting daily and monthly reconciliations and internal audits. External internal audits and audit of annual report.
	Fraud and illegal acts	Major	Unlikely	Medium	Low	TREAT risk by ensuring stringent internal controls, internal audits and segregation of duties.
Environmental	Not Applicable					
Health and	Not Applicable					

safety						
Infrastructure/ ICT systems/ utilities	Not Applicable					
Legislative compliance	Annual financial report not complying with the requirement of the <i>Local Government (Financial Management) Regulations 1996</i>	Moderate	Unlikely	Medium	Low	TREAT risk by engaging with external auditors to audit the annual financial statements.
Reputation	Council does not accept the Independent Auditor's report, and this delays the Annual Meeting of Elector's	Moderate	Likely	High	Low	TREAT risk by ensuring council have been kept up to date in relation to current delays with the external audit, which have been out of the Town's control. The proposed meeting date is the soonest possible date following adoption of the Auditors report post OCM and within regulatory requirements.
Service delivery						

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation.
<b>Future budget impact</b>	Acceptance of the Annual financial report will confirm the closing financial position for the 2019-2020 financial year which was estimated during the preparation of the 2020-2021 Annual Budget. Once accepted, a report will be forwarded to council with recommendations on any adjustments which may be required to the 2019-2020 budget to accommodate movements within opening position and adjustments to carry forward budgets.

## Analysis

### Audited Financial Report 2019-2020

5. The Annual Financial Report was audited by the Office of Auditor General and given there were no identified areas of non-compliance, it is recommended that the Committee recommend to Council to accept the 2019-2020 Annual Financial Report. In accordance with the *Local Government Act 1995* (Section 7.12a – Duties of local government with respect to audits) a representative(s) who conducted the audit, will also be in attendance at the meeting to speak to the audit and take questions from committee members.
6. That said, a few matters were identified by the auditor in their report which is explained in further detail below. (Note – to be updated, if any, on receipt of OAG report)
7. The auditor notes that the financial report:
  - (a) Gives a true and fair view of the financial position of the Town of Victoria Park as at 30 June 2020 and its financial performance for the year ended on that date; and
  - (b) Complies with the *Local Government Act 1995* (as amended) and the *Australian Accounting Standards*.
  - (c) In the auditor report the previous material matter of significant adverse trend in the financial position of the Town in relation to the Asset Sustainability Ratio has been rectified and is on an upward trend at 30 June 2020. The ratio is now above the Department of Local Government after being below for the previous 3 years.
8. The Auditors have provided the following recommendation/s: (Note – to be updated on receipt of OAG report).
9. The Town's comment to the above is as follows: (as above – to be updated on receipt of OAG report).

### Annual Report 2019-2020

10. In accordance with s5.53(2) of the *Local Government Act*, it is proposed that the additional information (attached as Annual Report 2019-2020) be adopted by Council alongside the Annual Financial Report 2019-2020.
11. Once the above content and the audited financial statement are adopted by Council, the final Annual Report 2019-2020 will be collated and published shortly after.

### Annual Meeting of Electors

12. Section 5.27 of the *Local Government Act 1995* requires that the Annual General Elector's Meeting be held on a day and time selected by the local government, but not more than 56 days after the annual report is accepted. The Town also needs to give 14 days' public notice of the meeting.
13. In order to comply with its statutory obligations, following the adoption of the Annual Report 2019-2020, it is recommended that the Annual Meeting of Electors be held on 20 May 2021, commencing at 6pm in the Council Chambers (99 Shepperton Road, Victoria Park WA 6100) for the purpose of discussing the annual report and any other general business.
14. To hold the Annual Meeting of Electors on this date, a Special Council Meeting will need to be convened to allow for Council to accept the Annual Report 2019/2020 and the Annual Financial Report for the 2019-2020 financial year.

## Relevant documents

[Policy 053 – Meetings of electors](#)