



TOWN OF  
VICTORIA PARK



## Audit Committee Agenda – 15 July 2019

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**WE'RE OPEN**  
**VIC PARK**

Please be advised that an **Audit Committee** meeting will be held at **5:30 pm** on **Monday 15 July 2019** in the **Council Chambers**, Administration Centre at 99 Shepperton Road, Victoria Park.

**Mr Anthony Vuleta – Chief Executive Officer**  
11 July 2019

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## 1 OPENING

## 2 ATTENDANCE

### **Banksia Ward**

Cr Claire Anderson  
Cr Karen Vernon (Deputy Presiding Member)

### **Jarrah Ward**

Cr Jennifer Ammons Noble (Presiding Member)  
Cr Brian Oliver

### **Chief Financial Officer Manager Corporate Services**

Mr Michael Cole  
Mr Graham Patrick

### **Secretary**

Mr Liam O'Neill

### 2.1 Apologies

### 2.2 Approved Leave Of Absence

## 3 DECLARATIONS OF INTEREST

Declarations of interest are to be made in writing prior to the commencement of the meeting, (a form to assist elected members and staff is attached at the end of this agenda).

### **Declaration of financial interest**

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision-making procedure relating to the matter the subject of the declaration. An employee is required to disclose their financial interest and if required to do so by the Council must disclose the extent of the interest. Employees are required to disclose their financial interests where they are required to present verbal or written reports to the Council. Employees are able to continue to provide advice to the Council in the decision making process if they have disclosed their interest.

### **Declaration of proximity interest**

Elected members (in accordance with Regulation 11 of the Local Government [Rules of Conduct] Regulations 2007) and employees (in accordance with the Code of Conduct) are to declare an interest in a matter if the matter concerns: a) a proposed change to a planning scheme affecting land that adjoins the person's land; b) a proposed change to the zoning or use of land that adjoins the person's land; or c) a proposed development (as defined in section 5.63(5)) of land that adjoins the persons' land.

Land, the proposed land adjoins a person's land if: a) the proposal land, not being a thoroughfare, has a common boundary with the person's land; b) the proposal land, or any part of it, is directly across a thoroughfare from, the person's land; or c) the proposal land is that part of a thoroughfare that has a common boundary with the person's land. A person's land is a reference to any land owned by the person or in which the person has any estate or interest.

### **Declaration of interest affecting impartiality**

Elected Members (in accordance with Regulation 11 of the Local Government [Rules of Conduct] Regulations 2007) and employees (in accordance with the Code of Conduct) are required to declare any interest that may affect their impartiality in considering a matter. This declaration does not restrict any right to participate in or be present during the decision-making process. The Elected Member/employee is also encouraged to disclose the nature of the interest.

## **4 CONFIRMATION OF MINUTES**

### **RECOMMENDATION**

**That the Audit Committee confirms the minutes of the Finance and Audit Committee held on 29 April 2019.**

## **5 PRESENTATIONS**

### **5.1 Presentations**

## **6 METHOD OF DEALING WITH AGENDA BUSINESS**

### **RECOMMENDATION:**

**That clause 6.10 Speaking Twice of the Town of Victoria Park Standing Orders Local Law 2011 be suspended for the duration of this meeting.**

## 7 REPORTS

### 7.1 Draft Interim Audit Report 2018-2019 Financial Year

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Ann Thampoe
<b>Responsible officer</b>	Graham Pattrick
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. 2018-2019 Draft Interim Audit Management Report <b>[7.1.1 - 9 pages]</b>

#### Recommendation

That the Audit Committee

1. Accepts the comments arising from the Auditor's 2018-2019 Draft Interim Audit.
2. Recommends Council support the Management Responses to those comments as contained within the body of this report.

#### Purpose

This report is to present the findings of the Interim audit, together with the responses from Management for the Committee's review and acceptance.

#### In brief

The 2018-2019 Interim audit was conducted by the Auditors appointed by the Auditor General's Office. The Interim Audit is primarily concerned with a review of internal controls, policies, procedures and management's compliance with those controls. The interim audit reports on an exception basis those items that require management's attention.

#### Background

1. Each year, as part of Council's audit process, an interim audit is undertaken to ascertain areas of potential review associated with Council's financial systems / processes. The advice received through the interim audit is then assessed by Management who note the comments and take action as required.
2. Management has reviewed the matters raised and consider them to be appropriate and have either already resolved or recognised actions to be taken.
3. These matters raised by the Auditor, and Management's response to each matter, are listed within the 2018-2019 Draft Interim Management Report which is attached.

## 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.	Ensure Town meets its legislative responsibility in accordance with part 7 of the <i>Local Government Act 1995</i>

## Engagement

Internal engagement	
All Service Areas	All Service areas were engaged as part of the Interim audit process and the auditors were provided access to the relevant staff members for consultation.

## Legal compliance

[Part 7 of the Local Government Act 1995](#)

## Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
<b>Compliance:</b> Council not accepting auditor recommendation which may leave the Town open to fraud, error or non-compliance	Moderate	Unlikely	Moderate	Provide reasoning and detailed explanations to Council to enable informed decision making.
<b>Financial Impact:</b> Management not implementing auditor recommendations which will lead to poor financial management and control.	Major	Unlikely	Moderate	Consideration impacts of the recommendation on resource / system requirements. Once resources and/or systems are available implement recommendations.

## Financial implications

<b>Current budget impact</b>	Budget allocated within the 2019/2020 budget is sufficient to implement the auditor recommendations
<b>Future budget impact</b>	Not applicable

## Analysis

- Management content with the audit findings and will implement the recommendations as noted within the management's response that is attached to the report. It is therefore recommended the Audit committee support the management responses to those comments as attached.

## Relevant documents

Not applicable

## 7.2 Asset Sustainability Ratio - Audit Opinion

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Ann Thampoe
<b>Responsible officer</b>	Graham Pattrick
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	Nil

### Recommendation

That the Audit Committee

1. Notes the adverse trend over the past three years of the Asset Sustainability Ratio;
2. In accordance with Section 7.12A(4) of the Local Government Act 1995 receives the report on the Asset Sustainability Ratio;
3. Notes the action to be taken to monitor the ratio over the 2019/2020 financial year;

### Purpose

This report is to present matters identified as significant within the 2017-2018 Independent auditor's report, together with actions taken or intended to be taken by Management for the Audit Committee's review and acceptance.

### In brief

The Independent Auditor's Report for the financial year ended 30 June 2018 identified an adverse trend in the financial position or the financial management practices of the Town, due to the asset sustainability ratio being below the Department of Local Government , Sport and Cultural Industries standard for the past three financial years. The Town's asset sustainability ratio indicates an improvement in the trend and is expected to meet the Department's standard of 0.9 within the 2019-2020 financial year.

### Background

1. Each year, as part of Council's audit process, an Independent Audit is undertaken to assess Council's Annual Financial Report and the legitimacy and accuracy of Council's accounts. An Independent audit report is then produced by the Auditor.
2. The Auditor, after completing the audit, is to forward a copy of the audit and / or management report to –
  - o The Mayor;
  - o The Chief Executive Officer; and
  - o The Minister, via the Department of Local Government, Sport and Cultural Industries.



3. The Independent Auditor's Report formed part of Council's 2017-2018 Annual Report. Any issues arising from the Independent audit report are to be investigated and action taken to resolve those issues.
4. The independent Auditor's report for the financial year ended 30 June 2018 was presented to the Finance and Audit Committee at its meeting of 26 November 2018. As part of the report the Auditor noted there was a significant adverse trend within the asset sustainability ratio which has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the last three years as follows:

- |                               | <b>2018</b> | <b>2017</b> | <b>2016</b> |
|-------------------------------|-------------|-------------|-------------|
| 5. Asset sustainability ratio | 0.72        | 0.61        | 0.28        |
6. According to the DLGSCI Operational Guideline, the standard is met if the ratio can be measured and is 90% (or 0.90). The standard is improving if this ratio is between 90% and 110% (or 0.90 and 1.10).
  7. Section 7.12A(4) of the Local Government Act 1995, requires a local government to 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. 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. Due to an oversight, this has not occurred.
  8. While the Town's ratio has improved each year since 2016 from 0.28 in 2016, 0.61 in 2017 and 0.72 in 2018, it is still below 0.9. In order to achieve 0.9, the Town would need to increase expenditure on capital renewal and replacement.
  9. It should be noted that the ratio is calculated on actual expenditure for the year as at 30 June 2018. It should also be noted that as at 30 June 2018, there was a significant carry over of planned capital renewal works totaling \$1,378,000.
  10. Had most of this work been completed, the ratio for 2017/2018 would have improved to 0.88.
  11. In addition to the above, the proposed asset renewal program as listed in the adopted budget for 2019/2020 together with estimated depreciation expenses is projected to result in an Asset Sustainability Ratio of \$1.01 which is above the DLGSCI standard and is shown as follows:

Asset Renewal Expenditure	2019/2020
Land and Buildings	\$ 1,276,400
Plant and Machinery	\$ 1,265,000
Furniture and Equipment	\$ 183,400

Information Technology	\$ 130,000
Roads	\$ 2,427,000
Drainage	\$ 165,000
Pathways	\$ 663,000
Parks	\$ 2,953,670
Other	\$ 370,000
<b>Total</b>	<b>\$ 9,433,470</b>
<b>Total Depreciation</b>	<b>\$ 9,381,500</b>
<b>Projected Asset Sustainability Ratio</b>	<b>1.01</b>

12. In addition to the above, the Town will be conducting a comprehensive revaluation of its non-current asset, which would provide the Town with fair values for its non-current assets, asset conditions and updated depreciation rates.

## 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 report on matters identified by the auditor as significant in regard to adverse trends and recognise actions intended to be taken with respect to those matters.

## Engagement

Internal engagement	
All Service area leaders and senior management	All Service area leaders who have responsibility in asset renewal and senior management teams have been informed of the adverse trend within the Asset Sustainability Ratio and provided guidance on actions to be taken to improve the ratio

## Legal compliance

[Section 7.12A\(4\) of the Local Government Act 1995](#)

## Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
<b>Financial impact</b> Town not allocating sufficient funds towards renewal or replacement of assets.	Major	Unlikely	Moderate	Town to allocate sufficient budget and resources towards renewing or replacing assets that are reaching the end of its useful life relative to depreciation expense.  Ensure condition of assets monitored and recorded in a centralised database.  Funds to be allocated for the proactive maintenance of these assets to ensure longevity of the assets.  Assets are revalued and measured at fair value to ensure an effective calculation of depreciation.

## Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the 2019-2020 budget for required capital renewal works as well as a comprehensive revaluation of non-current assets.
<b>Future budget impact</b>	To overcome the adverse trend within the Asset Sustainability Ratio the Town would need to prioritise funding towards asset renewal and replacements.

## Analysis

- The Town's Asset Sustainability Ratio is improving each year. Funds allocated for renewal and replacement expenditure within the adopted budget for 2019/2020 is projected to meet the standard. Progress towards completing the capital works program will be monitored throughout the year and reported on a monthly basis to Council.
- In addition, the Town's depreciation expense will be revised as required as part of the ongoing review of asset data, condition monitoring etc for the Town's Asset Management Plans under the Integrated Planning and Reporting Framework.

15. The Town will also be conducting a comprehensive revaluation of its non-current assets within the 2019-2020 financial year, which would provide updated fair values for these assets as well as revised depreciation rates which in turn would provide an accurate reflection on the asset sustainability .

## **Relevant documents**

Not Applicable

### 7.3 Next Meeting Dates

<b>Location</b>	Town-wide
<b>Reporting officer</b>	Liam O'Neill
<b>Responsible officer</b>	Danielle Uniza
<b>Voting requirement</b>	Simple majority
<b>Attachments</b>	1. Audit Committee Schedule <b>[7.3.1 - 1 page]</b>

#### Recommendation

That the Audit Committee sets the meeting dates for the remainder of its term for Monday, 12 August and Monday, 14 October.

### Purpose

To determine the date of the next meeting of the Audit Committee.

### In brief

- The Audit Committee currently has no set meeting dates for the remainder of its term which expires on 19 October 2019.
- At its meeting held 21 May 2019, Council resolved to adopt a workplan for the Audit Committee, which has been included in this report as Attachment 7.3.1. In accordance with this workplan, the Committee has to hold further meetings in August and October.
- It is proposed that the Audit Committee sets the date of the meetings required for August and October.

### Background

1. The Audit Committee currently has no set meeting dates for the remainder of its term which expires on 19 October 2019.
2. At its meeting held 21 May 2019, Council resolved to adopt a workplan for the Audit Committee, which has been included in this report as Attachment 7.3.1. In accordance with this workplan, the Committee has to hold further meetings in August and October.

### Strategic alignment

<b>Civic Leadership</b>	
Strategic outcome	Intended public value outcome or impact
CL08 - Visionary civic leadership with sound and accountable governance that reflects objective decision-making.	Ensuring the Audit Committee meets demonstrates sound governance.

### Engagement

Not applicable.

## Legal compliance

Meeting Procedures Local Law 2019

### Risk management consideration

Risk and consequence	Consequence rating	Likelihood rating	Overall risk analysis	Mitigation and actions
<b>Compliance</b> The Audit Committee does not complete the workplan required by Council.	Moderate	Unlikely	Moderate	The Audit Committee holds a further meeting.

### Financial implications

<b>Current budget impact</b>	Sufficient funds exist within the annual budget to address this recommendation.
<b>Future budget impact</b>	Not applicable.

### Analysis

3. To better align with the Council meeting schedule, it is proposed that the Audit Committee holds its meetings on the second week of both months.
4. It is proposed that the remaining meeting dates be set to Monday, 12 August and Monday, 14 October.

**8 MOTION FOR WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

**9 MEETING CLOSED TO THE PUBLIC**

**9.1 Matters For Which The Meeting May Be Closed**

**9.2 Public Reading Of Resolutions That May Be Made Public**

**10 CLOSURE OF COMMITTEE MEETING**