

TOWN OF BASSENDEAN
MINUTES
AUDIT AND GOVERNANCE COMMITTEE
WEDNESDAY 10 MARCH 2021, 5.33PM

In accordance with regulation 12(2) and 14D of the *Local Government (Administration) Regulations 1996*, that due to the public health emergency arising from the COVID-19 Pandemic, the Audit and Governance Committee was held by electronic means

1.0 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Presiding Member opened the meeting, welcomed all those in attendance and conducted an Acknowledgement of Country.

2.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

An additional meeting is scheduled for Wednesday 14 April 2021 at 5.30pm, in the Council Chambers. RSM will table the audit plan for 2021.

3.0 ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE

Present

Members

Cr Hilary MacWilliam, Presiding Member
Cr Kathryn Hamilton
Cr Renee McLennan
Cr Chris Barty (from 6.00pm)
Elliott Brannen, Community Rep
Martin Le Tessier, Community Rep

Staff/Consultants

Paul White, Director Corporate Services
Elizabeth Kania, Manager Governance & Strategy
Ron Back, Financial Advisor
Amy Holmes, Minute Secretary

Apologies

Krushna Hirani, RSM
Alasdair Whyte, RSM
Jay Teichert, Office of the Auditor General

4.0 DECLARATIONS OF INTEREST

Nil

5.0 PRESENTATIONS OR DEPUTATIONS

Nil

6.0 CONFIRMATION OF MINUTES

6.1 Audit and Governance Meeting held on 4 November 2020

Committee/Officer Recommendation – Item 6.1 **AGC-1/3/21**

MOVED Martin Le Tessier, Seconded Cr McLennan, that the minutes of the Audit and Governance Committee meeting held on 4 November 2020, be confirmed as a true record.

CARRIED UNANIMOUSLY 5/0

6.2 Audit and Governance Meeting held on 10 February 2021

Committee/Officer Recommendation – Item 6.1 **AGC-2/3/21**

MOVED Elliott Brannen, Seconded Martin Le Tessier, that the minutes of the Audit and Governance Committee meeting held on 10 February 2021, be confirmed as a true record.

CARRIED UNANIMOUSLY 5/0

7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING

Nil

8.0 REPORTS

Item No. 8.1	Town of Bassendean Compliance Audit Return 2020
Property Address (if applicable)	N/A

Landowner/Applicant (if applicable)	N/A
File Ref/ROC	GOVR/LREGLIA/9
Previous Council Reports (if applicable)	N/A
Directorate	Chief Executive
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input checked="" type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.
<input type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.
<input type="checkbox"/> Quasi-Judicial	When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act, Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.
Attachment No. 1	Town of Bassendean Compliance Audit Return 2020

Purpose

The purpose of this report is for the Audit and Governance Committee to consider the Local Government 2020 Compliance Audit Return (CAR) for the Town of Bassendean for the period 1 January 2020 to 31 December 2020, and recommend that Council adopt the Return.

Background

All Local Governments are required to submit a CAR to the Department of Local Government, Sport and Cultural Industries (the Department) by 31 March each year for the previous calendar year. The CAR is used to measure the level of compliance with the *Local Government Act 1995* and associated Regulations.

Proposal

That the Committee consider the Local Government 2020 CAR for the Town of Bassendean for the period 1 January 2020 to 31 December 2020, and recommend its adoption by Council.

Communication and Engagement

The CAR was tabled at the 3 March 2021 Corporate Management Committee meeting for consideration and approval. Relevant staff were requested to

complete those questions of the CAR that related to their service areas. All responses were then collated and incorporated into the CAR by the designated officer.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community</p>	<ul style="list-style-type: none"> • Build understanding and support for the vision and Strategic Community Plan • Demonstrate clear connections between the Strategic Community Plan, project and business as-usual services and operations • Create an organisational culture of performance, innovation and excellence • Develop shared values between Council, administration and the community 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Openness and transparency of decision making • Enhanced staff morale • Staff have appropriate strategic direction • Agreement on the link between projects and Strategic Community Plan • General alignment regarding values
<p>Foster an environment of innovation and leadership</p>	<ul style="list-style-type: none"> • Foster an environment of innovation, where people are encouraged to contribute • Foster leadership: harness the talent of individuals • Recognise and reward innovation and leadership 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Councillors and staff feel empowered to make appropriate decisions • Professional development for staff and councillors • Inductions to professional networks <p>LONG TERM</p> <ul style="list-style-type: none"> • Recognition of excellence by other organisations

Comment

Each Local Government Authority is required to complete a CAR for the period 1 January 2020 to 31 December 2020. The CAR must be submitted to the Director General of the Department by 31 March 2021. The CAR is one of the tools that allows Council to monitor how the organisation is functioning. It places emphasis on the need to bring to Council's attention issues of noncompliance, or issues where full compliance was not achieved. In addition to explaining or qualifying cases of noncompliance, the CAR also requires Council to endorse any remedial action taken or proposed to be taken in regard to instances of noncompliance. The CAR contains over 100 questions in order to assess a local government's compliance with the legislative framework.

Under regulation 14 of the *Local Government (Audit) Regulations 1996*, sub regulation (3A) the audit committee is to review the CAR and report to council the results of that review. The CAR is then to be presented to the Council and adopted by Council and the resolution recorded in the minutes.

The compliance areas include:

TOPIC	NUMBER OF QUESTIONS
Commercial Enterprises by Local Governments	5
Delegation of Power / Duty	13
Disclosure of Interest	21
Disposal of Property	2
Elections	3
Finance	11
Integrated Planning & Reporting	3
Local Government Employees	6
Official Conduct	4
Optional Questions	10
Tenders for Providing Goods and Services	24

Areas of non-compliance

There were five areas of non-compliance, one of which was not the result of any action or inaction by the Town.

1. Delegation of Power/Duty Question 12 – *Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2019/2020 financial year?*

The Register of Delegations underwent a thorough Administrative review in 2019/2020, however, the Register of Delegations was not formally adopted by Council until October 2020 and was therefore not reviewed by Council in the 2019/2020 financial year. Council had considered the draft Register of Delegations at its Concept Workshop on 7 August 2020.

2. Disclosure of interest Question 4 and Question 5 – *Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day? Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2020?*

An audit of the primary and annual return register was undertaken at the Town to identify any historical issues with the register. The audit noted an issue of non-compliance where an officer had not completed a primary return within three months from the start date. The officer subsequently completed a primary return. The audit also noted that there were several officers who had been granted an incorrect delegation which meant they were deemed designated officers under Part 5 of the *Local Government Act 1995* and were therefore required to complete a return. These officers completed a primary return and an annual return. A report was tabled at the Audit and Governance Committee meeting and also subsequently to Council. The

matter was rectified with the incorrect delegation being withdrawn from those officers.

3. Disclosure of interest Question 13 – *When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?*

An audit of the Gift Register was completed that noted historical disclosures retained in the register. These disclosures were subsequently removed from the updated register.

4. Finance Question 5 – *Was the auditor's report for the financial year ended 30 June 2020 received by the local government by 31 December 2021?*

The OAG appointed auditor RSM Australia did not complete the audit of the Town's annual Financial Report until early in 2021. The Auditor's report was received by the Town on 16 February 2021. The non-compliance was the result of a number of significant challenges in the audit process, including:

- The late start to the interim audit, which meant that the Town's limited staff were spread across the interim audit and the 2020/21 annual budget process at the same time;
- The introduction of new income recognition standards AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for Profit Entities, and changes to AASB Leases, all effective from 1 July 2019. Due to a range of factors, these standards were not able to be fully assessed and implemented prior to 30 June 2020; and
- Changes initiated by the Department to the Local Government (Financial Management) Regulations 1996, gazetted on 6 November 2020 with retrospective application to the year ended 30 June 2020.

Statutory Requirements

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.

15. Certified copy of compliance audit return and other documents to be given to Departmental CEO

- (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 Departmental CEO 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.

Financial Considerations

Nil.

Risk Management Implications

Failure to adopt the CAR within the statutory timeframes will place the Town in breach of the Act. This could lead to reputational damage both within the Community and with the Department.

Elizabeth Kania, Manager Governance and Strategy, briefed the committee on the five areas of non-compliance.

Committee/Officer Recommendation – Item 8.1

AGC-3/3/21

MOVED Cr McLennan, Seconded Martin Le Tessier, that the Committee recommends that Council adopts the Local Government 2020 Compliance Audit Return for the Town of Bassendean for the period 1 January 2020 to 31 December 2020, as attached to this report.

CARRIED UNANIMOUSLY 5/0

Item No. 8.2	Local Government (Model Code of Conduct) Regulations 2021
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	GOVR/LREGLIA/9
Previous Council Reports (if applicable)	N/A
Directorate	Chief Executive
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
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<input type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.
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Attachment No. 2	Local Government (Model Code of Conduct) Regulations 2021.

Purpose

The purpose of this report is to table the *Local Government (Model Code of Conduct) Regulations 2021*.

Background

On 3 February 2021, the *Local Government (Model Code of Conduct) Regulations 2021* introduced a mandatory Code of Conduct for Council Members, Committee Members and Candidates. The Model Code of Conduct replaces the previous *Local Government (Rules of Conduct) Regulations 2007*. The *Local Government Act 1995*, section 5.104 requires that local governments adopt the Model Code of Conduct within three months of the regulations coming into operation (3 May 2021). In accordance with section 5.104(5), the Model Code of Conduct will apply until the Town adopts its own Code.

Council considered the appointment of authorised officers and the adoption of a complaints form at its meeting on 23 February 2021 in preparation for the Council formally adopting the Model Code of Conduct.

Proposal

That the Committee notes the *Local Government (Model Rules of Conduct) Regulations 2021*.

Communication and Engagement

The Model Code of Conduct was provided to Councillors under cover of the CEO Bulletin on 19 February 2021.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Reinforce a culture of collaboration, trust and demarcation between Council, administration and the community</p>	<ul style="list-style-type: none"> • Build understanding and support for the vision and Strategic Community Plan • Demonstrate clear connections between the Strategic Community Plan, project and business as-usual services and operations • Create an organisational culture of performance, innovation and excellence • Develop shared values between Council, administration and the community 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Openness and transparency of decision making • Enhanced staff morale • Staff have appropriate strategic direction • Agreement on the link between projects and Strategic Community Plan • General alignment regarding values
<p>Foster an environment of innovation and leadership</p>	<ul style="list-style-type: none"> • Foster an environment of innovation, where people are encouraged to contribute • Foster leadership: harness the talent of individuals • Recognise and reward innovation and leadership 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Councillors and staff feel empowered to make appropriate decisions • Professional development for staff and councillors • Inductions to professional networks <p>LONG TERM</p> <ul style="list-style-type: none"> • Recognition of excellence by other organisations

Comment

Each Local Government is required to adopt the Model Code of Conduct as contained in the new regulations. A local government is able to include additional clauses to the Model Code of Conduct as long as these are not inconsistent with the provisions of the Model Code of Conduct.

Members of the Audit and Governance Committee will be bound by the provisions of the Model Code of Conduct. The provisions of the Model Code of Conduct currently apply notwithstanding that Council is yet to formally adopt it.

Statutory Requirements

Local Government (Model Code of Conduct) Regulations 2021.

Financial Considerations

Nil.

Risk Management Implications

Failure to comply with the *Local Government (Model Code of Conduct) Regulations 2021* would place the Town in breach of its statutory obligation and may impact on the Town's reputation.

The Model Code of Conduct Regulations are attached for noting by committee members. The Town is in the process of adopting the Model Code, due to be considered by Council at its April meeting. A workshop/training session will be held for Councillors.

Committee/Officer Recommendation – Item 8.2

AGC-4/3/21

MOVED Elliott Brannen, Seconded Martin Le Tessier, that the Committee notes the *Local Government (Model Code of Conduct) Regulations 2021*, as attached to this report.

CARRIED UNANIMOUSLY 5/0

Item No. 8.3	OAG Audit Update
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	
Previous Council Reports (if applicable)	N/A
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.

<input checked="" type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.
<input type="checkbox"/> Quasi-Judicial	When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act, Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.
Attachment No. 3	OAG Audit Update

Purpose

The purpose of this report is to provide the Audit and Governance Committee with an Audit Update provided by the Office of the Auditor General (OAG).

Background

The OAG has provided the attached Audit Update to help inform the Committee of relevant matters.

Proposal

For the Audit and Governance Committee to receive the OAG Audit Update.

Communication and Engagement

Nil.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

Make brave decisions in line with a risk appetite	<ul style="list-style-type: none"> • Early identification of potential risks / issues/opportunities • Embed opportunity cost considerations 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Efficient and effective Council meetings • Defensible decision making that is based on the identification of opportunities and benefits as well as negative impacts <p>LONG TERM</p> <ul style="list-style-type: none"> • Examples of being first adopters
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Comment

The OAG Audit Update provides information on:

- Audit reports tabled in Parliament;

- Audits in progress;
- Changes to Accounting Standards; and
- Other matters of interest.

Statutory Requirements

Local Government (Audit) Regulations 1996, Regulation 16, states:

An audit committee has the following functions —

- (a) to guide and assist the local government in carrying out —
 - (i) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (ii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

Financial Considerations

Nil.

Risk Management Implications

Nil.

For information and noting by the committee.

Committee/Officer Recommendation – Item 8.3

AGC-5/3/21

MOVED Martin Le Tessier, Seconded Cr McLennan, that the Audit and Governance Committee receives the OAG Audit Update, as attached to this report.

CARRIED UNANIMOUSLY 5/0

Cr Barty joined the meeting at 6.00pm.

Item No. 8.4	Independent Auditor’s Report 2019/2020 – Significant Adverse Trends
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	GOVN/CCLMEET/1
Previous Council Reports (if applicable)	N/A
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.
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Attachment No. 4	<ul style="list-style-type: none"> • OAG Independent Auditor’s Report 2019/2020 • Report to the Minister for Local Government, Town of Bassendean Audit Findings for 2019/2020

Purpose

The purpose of this report is to inform Council, through the Audit and Governance Committee, of the action the Town has taken, or intends to take, with respect to matters identified as significant by the Auditor General and the Town’s external auditor, RSM Australia, for 2019/2020.

Background

RSM Australia conducted the audit of the Town's Annual Financial Report for 2019/2020 during September to December 2020. The Auditor General reviewed the Annual Financial Report in February 2021. The draft Independent Auditor's Report was tabled at the meeting of the Committee on 10 February 2021 and received by Council on 23 February 2021.

The Auditor General formed the opinion that the annual financial report of the Town:

- (i) *is based on proper accounts and records; and*
- (ii) *fairly represents, in all material respects, the results of the operations of the Town for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.*

The Auditor General did, however, identify significant adverse trends in the financial position of the Town:

- *The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the last three financial years; and*
- *The Operating Surplus Ratio has been below the DLGSCI standard for the last three financial years.*

Proposal

For the Committee to receive the draft report to the Minister for Local Government and recommend to Council that it be provided to the Minister and made available on the Town's website.

Communication and Engagement

Nil.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

<p>Make brave decisions in line with a risk appetite</p>	<ul style="list-style-type: none"> • Early identification of potential risks / issues/opportunities • Embed opportunity cost considerations 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Efficient and effective Council meetings • Defensible decision making that is based on the identification of opportunities and benefits as well as negative impacts <p>LONG TERM</p> <ul style="list-style-type: none"> • Examples of being first adopters
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Comment

The administration is aware of the continuing adverse movement in these two ratios, the reversal of which requires a whole of Town approach to asset management and long-term financial and operational planning.

The Town is presently conducting a comprehensive review of its asset management plans and its long-term financial plan to identify opportunities for capital renewal and replacement in the coming years. The Town will continue to explore further sources of own source revenue and is closely managing operating expenditure.

Asset Sustainability Ratio

The Asset Sustainability Ratio is an approximation of the extent to which assets are being renewed or replaced as the assets reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense.

The DLGSC standard is met if the Asset Sustainability Ratio is 0.90.

The Auditor General, in its Independent Auditor's Report for 2019/2020, reported that the Town's Asset Sustainability Ratio has been below the DLGSC standard for the past three years.

	Town of Bassendean			DLGSC Standard
	2020	2019	2018	
Asset Sustainability Ratio	0.15	0.26	0.48	0.90

The Asset Sustainability Ratio can be improved by:

- Increasing expenditure on capital renewal and replacement;
- Reviewing fair market value asset measurement; and
- Reviewing depreciation rates.

The Town has continued to prioritise capital expenditure in its Annual Budget for 2020/2021 on upgrades to Town assets and new assets. Consequently, budgeted expenditure for 2020/2021 for capital asset renewal and replacement, is relatively low and the Asset Sustainability Ratio is expected to remain low for 2020/2021.

The Town regularly reviews its fair market value asset measurement as part of the asset revaluation process. In accordance with the Australian Accounting Standards and Local Government (Financial Management) Regulations, the fair value of fixed assets is determined at least every five years. Depreciation rates are reviewed and adjusted, if appropriate, at the end of each reporting period.

Operating Surplus Ratio

The Operating Surplus Ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. It is calculated by measuring operating surplus (operating revenue minus operating expenses) relative to own source operating revenue.

Own source operating revenue means revenue from rates, service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

The DLGSC standard is met if the Operating Surplus Ratio is 0.01.

The Auditor General, in its Independent Auditor's Report for 2019/2020, reported that the Town's Operating Surplus Ratio has been below the DLGSC standard for the past three years.

	Town of Bassendean			DLGSC Standard
	2020	2019	2018	
Operating Surplus Ratio	-0.15	-0.10	-0.03	0.01

The Operating Surplus Ratio can be improved by increasing own source revenue and reducing operating expenditure. The ratio was adversely affected in 2019/2020 by reduced rates revenue, likely attributable to the COVID-19 pandemic, and lower interest income. Some improvement in the Operating Surplus Ratio is expected in 2020/2021.

The Town will explore further sources of own source revenue as part of its long-term financial planning and will continue to identify opportunities to reduce operating expenditure. It is quite possible, however, that the Operating Surplus Ratio will remain below the standard in the short-to-medium-term, due to cost pressures and limited revenue resources.

Statutory Requirements

The Local Government Act 1995, section 7.12A, relevantly states:

- (3) *A local government must –*
 - (a) *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.*
- (4) *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.*

Financial Considerations

Significant funding to meet costs associated with improving both ratios will be required in the 2021/2022 Annual Budget and beyond.

Risk Management Implications

There is a risk with continued under-investment in capital asset renewal and replacement programs that asset condition will deteriorate, which may result in failure of assets and/or significant future remedial expenditure.

Continued low results for the Operating Surplus Ratio means that the Town is heavily reliant on third-party funding to deliver projects.

The Director Corporate Services, Paul White advised that the Town is working hard to address these issues with improved asset management planning to strengthen the Town's asset management approach and better integrate with the long term financial plan. A workshop will be held for Councillors.

Committee/Officer Recommendation – Item 8.4

AGC-6/3/21

MOVED Cr McLennan, Seconded Elliott Brannen, that the Audit and Governance Committee recommends to Council that:

1. Council receives the draft Report to the Minister for Local Government and provides the report, attached to the Audit and Governance Committee Agenda of 10 March 2021, to the Minister; and
2. MOVED Cr McLennan, Seconded Martin Le Tessier, a copy of the Report to the Minister, attached to the Audit and Governance Committee Agenda of 10 March 2021, be made available on the Town's website.

CARRIED UNANIMOUSLY 6/0

Item No. 8.5	Provision of Internal Auditing Services
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	
Previous Council Reports (if applicable)	N/A
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
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Attachment No.	RFQ 02/2021 CEO Contract Approval – CONFIDENTIAL RFQ 02/2021 Quotation Evaluation Report - CONFIDENTIAL

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the confidential Quotation Evaluation Report and the CEO contract approval for RFQ 02/2021 Provision of Internal Auditing Services for The Town of Bassendean.

Background

The Town has a requirement for Internal Auditing Services, to ensure compliance with the *Local Government Act 1995* (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended). Council adopted the internal audit schedule at its ordinary council meeting on 23 June 2020.

In accordance with Town’s Purchasing Policy and Procurement Manual, the Town issued RFQ 02/2021 Provision of Internal Auditing Services for The Town of Bassendean to identify and select a suitably licensed auditor. The contract period will be from 3 March 2021 to 30 June 2023.

The Chief Executive Officer has the Delegated Authority in relation to the acceptance of offers below \$250,000.

Proposal

For the Audit and Governance Committee to receive the RFQ 02/2021 confidential Quotation Evaluation Report and CEO contract approval.

Communication and Engagement

The RFQ was uploaded to the WALGA (E-quotes) Vendor Panel Portal on Thursday, 4 February 2021 and closed on Wednesday, 17 February 2021.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

Objectives	Strategies	Measures of Success
Reinforce a culture of collaboration trust and demarcation between Council, administration and the Community	<ul style="list-style-type: none"> • Build understanding and support for the vision and Strategic Community Plan • Demonstrate clear connections between the Strategic Community Plan, project and business as-usual services and operations • Create an organizational culture of performance, innovation and excellence • Develop shared values between Council, administration and the Community 	<p>Short Term</p> <ul style="list-style-type: none"> • Openness and transparency of decision making • Enhanced staff morale • Staff have appropriate strategic direction • Agreement on the link between projects and Strategic Community Plan • General alignment regarding values

Comment

The attached confidential Quotation Evaluation Report presents a summary of the Town’s evaluation process for RFQ 02/2021.

An Evaluation Panel comprised of three members with appropriate expertise and experience carried out the assessment of submissions in a fair and equitable manner and recommended that the proposed offer by William Buck Consulting provides value for money to the Town.

Statutory Requirements

Local Government (Audit) Regulations 1996, Regulation 16, states:

An audit committee has the following functions —

- (b) to guide and assist the local government in carrying out —
 - (iii) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;**
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —
 - (i) report to the council the results of that review; and*
 - (ii) give a copy of the CEO's report to the council;**
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and*
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) to oversee the implementation of any action that the local government —
 - (i) is required to take by section 7.12A(3); and*
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iv) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.*

Local Government (Audit) Regulations 1996, Regulation 17, states:

CEO to review certain systems and procedures:

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.**

- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Financial Considerations

The proposed offer by William Buck Consulting is regarded as commercial in confidence and is included in the attached confidential Quotation Evaluation Report.

Risk Management Implications

Nil.

Committee/Officer Recommendation – Item 8.5

AGC-7/3/21

MOVED Martin Le Tessier, Seconded Cr McLennan, that the Audit and Governance Committee receives the confidential Quotation Evaluation Report and notes the CEO's approval to award the Contract for Provision of Internal Auditing Services for the Town of Bassendean from 3 March 2021 to 30 June 2023 to William Buck Consulting.

CARRIED UNANIMOUSLY 6/0

Item No. 8.6	Audit Risk Register
Property Address (if applicable)	N/A
Landowner/Applicant (if applicable)	N/A
File Ref/ROC	
Previous Council Reports (if applicable)	N/A
Directorate	Corporate Services
Authority/Discretion <input type="checkbox"/> <input checked="" type="checkbox"/>	
<input type="checkbox"/> Advocacy	When the Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
<input type="checkbox"/> Executive	The substantial direction setting and oversight role of the Council. e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
<input type="checkbox"/> Legislative	Includes adopting local laws, town planning schemes and policies.
<input checked="" type="checkbox"/> Review	When the Council operates as a review authority on decisions made by Officers for appeal purposes.

<input type="checkbox"/> Quasi-Judicial	When the Council determines an application/matter that directly affects a person's right and interests. The judicial character arises from the obligation to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg under <i>Health Act, Dog Act</i> or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.
Confidential Attachment No. 1	Audit Risk Register

Purpose

The purpose of this report is to provide the Audit and Governance Committee with the Town's Audit Risk Register, with updated actions since the last meeting of the Committee.

Background

Creation of an Audit Risk Register was a recommendation arising from the 2019 review of the appropriateness and effectiveness of the Town's systems and procedures in relation to risk management, internal controls and legislative compliance pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996.

Proposal

For the Audit and Governance Committee to receive the Audit Risk Register and consider the action taken or proposed to address the identified risks.

Communication and Engagement

Nil.

Strategic Implications

Priority Area 6: Providing Visionary Leadership and Making Great Decisions

Make brave decisions in line with a risk appetite	<ul style="list-style-type: none"> • Early identification of potential risks / issues/opportunities • Embed opportunity cost considerations 	<p>SHORT TERM</p> <ul style="list-style-type: none"> • Efficient and effective Council meetings • Defensible decision making that is based on the identification of opportunities and benefits as well as negative impacts <p>LONG TERM</p> <ul style="list-style-type: none"> • Examples of being first adopters
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Comment

The Audit Risk Register presents a summary of the audit risks and recommendations made in recent internal and external audit reports relating to the Town and provides an update on actions taken or proposed to address the identified risks.

The Audit Risk Register includes findings and recommendations from the 2019/20 Annual Audit, completed in February 2021.

The Audit Risk Register will continue to be updated and provided for each meeting of the Committee.

Statutory Requirements

Local Government (Audit) Regulations 1996, Regulation 16, states:

An audit committee has the following functions —

- (c) *to guide and assist the local government in carrying out —*
 - (v) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*
 - (i) *report to the council the results of that review; and*
 - (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
 - (i) *regulation 17(1); and*
 - (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) *to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) *to oversee the implementation of any action that the local government —*
 - (i) *is required to take by section 7.12A(3); and*
 - (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (vi) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

Financial Considerations

Implementation of some audit recommendations may require additional funds and will be the subject of separate budget submissions as and when required. The Town's Purchasing Policy and Procurement Framework will govern any required engagements.

Risk Management Implications

Nil.

Committee/Officer Recommendation – Item 8.6

AGC-8/3/21

MOVED Cr McLennan, Seconded Martin Le Tessier, that the Audit and Governance Committee receives the Confidential Audit Risk Register, as attached to this report, and notes the action taken or proposed to address the identified risks.

CARRIED UNANIMOUSLY 6/0

9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

10.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

Nil

11.0 CONFIDENTIAL BUSINESS

Nil

12.0 CLOSURE

The next meetings of the Audit and Governance Committee are scheduled for Wednesday 14 April 2021 (additional meeting) and Wednesday 9 June at 5.30pm.

There being no further business, the Presiding Member closed the meeting at 6.25pm.