



Audit Committee Minutes

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Shire of Pingelly

Audit Committee Meeting

Wednesday 14 December 2022 at 12.30 pm

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MISSION STATEMENT

To enhance the quality of life for the people of Pingelly through the provision of leadership, services and infrastructure.



Shire of Pingelly

Notice of Meeting

Notice is given that a meeting of the Audit Committee will be held in the Council Chambers, 17 Queen Street, Pingelly on Wednesday 14 December 2022 commencing at 12.30 pm.

Your attendance is respectfully requested.

Disclaimer

The recommendations contained in this agenda are officers' recommendations only and should not be acted upon until Council has resolved to adopt those recommendations. The resolutions of Council should be confirmed by perusing the minutes of the Council meeting at which these recommendations were considered. Members of the public should also note that they act at their own risk if they enact any resolution prior to receiving official written notification of Councils decision.

A handwritten signature in black ink, appearing to be 'A. Dover', written in a cursive style.

Andrew Dover
Chief Executive Officer

PUBLIC QUESTION TIME INFORMATION

The Shire of Pingelly welcomes community participation during public question time. This document is to be read in conjunction with the *Shire of Pingelly Standing Orders Local Law 2017* and the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996*.

1. A member of the public who raises a question during question time must:
 - a. be in attendance at the meeting;
 - b. first state their name and address;
 - c. direct the question to the Presiding Member;
 - d. ask the question briefly and concisely;
 - e. limit any preamble to matters directly relevant to the question; and
 - f. ensure that the question is not accompanied by any expression of opinion, statement of fact or other comment, except where necessary to explain the question.
2. Each member of the public with a question is entitled to ask up to 3 questions before other members of the public will be invited to ask their questions.
3. Where a member of the public seeks a written response to their questions to be tabled at a meeting, the member of the public must submit their questions to Council by no later than 12 noon on the day prior to the meeting date of which the response is to be tabled.
4. Where a member of the public submits their questions after 12 noon on the day prior to the meeting date of which the response is to be tabled, a written response may be provided at the discretion of the presiding member.
5. Where a member of the public submits a written question after 12 noon the day prior to the meeting at which they are to be tabled, a verbal response may be provided at the meeting.
6. A member of the public may ask questions without notice at a meeting, provided they present a written copy of their questions to Council prior to the commencement of the meeting.

Questions may be submitted by e-mail to admin@pingelly.wa.gov.au.

SHIRE OF PINGELLY

*Agenda for the Shire of Pingelly Audit Committee meeting to be held in the Council Chamber,
17 Queen Street, Pingelly on Wednesday 14 December 2022 – commencing at 12.00 pm.*

Table of Contents

1.	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS	5
2.	RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE	5
3.	RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE	5
4.	PUBLIC QUESTION TIME	5
5.	APPLICATIONS FOR LEAVE OF ABSENCE	5
6.	DISCLOSURES OF INTEREST	5
7.	CONFIRMATION OF MINUTES AND REPORTS	5
8.	ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION.....	5
9.	PETITIONS/DEPUTATIONS/PRESENTATIONS/SUBMISSIONS.....	5
10.	BUSINESS.....	6
10.1	Annual Financial Report and Audit Report 2021/22.....	6
11.	CLOSURE OF MEETING	8

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairman declared the meeting open at 12.42pm

1.1. ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Noongar people of this area and recognise their continuing connection to land, waters and community. We pay respect to both the Aboriginal and non-Aboriginal people past, present and emerging.

2. RECORD OF ATTENDANCE/APOLOGIES/APPROVED LEAVE OF ABSENCE

Nil

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

4. PUBLIC QUESTION TIME

Nil

5. APPLICATIONS FOR LEAVE OF ABSENCE

Nil

6. DISCLOSURES OF INTEREST

The *Local Government Act* (Section 5.60 – 5.62) provides that it is the Councillor’s obligation to declare an interest if they believe that they have a financial interest, proximity interest, closely associated persons interest or an interest affecting impartiality in a matter being discussed by Council.

The Act provides that the interest may be declared in writing to the Chief Executive Officer prior to the meeting or declared prior to discussion of the agenda item at the meeting. Forms for this purpose are available to Councillors.

The Act further provides that the extent of the interest needs to be declared if the Councillor seeks to remain in the Chamber during the discussion, debate or voting on the item.

A Councillor declaring a financial or proximity interest must leave the meeting prior to the matter being discussed or voted on (including the question as to whether they are permitted to remain in the Chamber). Councillors remaining in the Chamber may resolve to allow the member to return to the meeting to participate in the proceedings.

7. CONFIRMATION OF MINUTES AND REPORTS

Nil

8. ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

Nil

9. PETITIONS/DEPUTATIONS/PRESENTATIONS/SUBMISSIONS

Nil

10. BUSINESS

10.1 Annual Financial Report and Audit Report 2021/22

File Reference:	ADM0074
Location:	Not Applicable
Applicant:	Not Applicable
Author:	Executive Manager Corporate Services
Disclosure of Interest:	Nil
Attachments:	Annual Financial Report 2021/22 Audit Report for Year Ending 30 June 2022
Previous Reference:	Nil

Summary

The Audit and Risk Committee is requested to consider and adopt the Annual Financial Report and associated Audit Report from the Office of the Auditor General.

Background

AMD Accountants on behalf of the Office of the Auditor General visited the Shire of Pingelly on 14, 15 and 16 November 2022 to conduct the Final Audit for the year ending 30 June 2022.

The Final Management Letter Report raised a single point. The instance relates to the Shire fair valuation of Infrastructure assets annually. The rating was raised as a moderate finding and require action to be taken as soon as is practicable.

The Recommendation from the Office of Auditor General

Management consider implementing, as part of the preparation of financial statements, a formal robust process to determine whether indicators exist annually that would trigger a requirement to perform a formal revaluation of infrastructure assets. Where indicators exist, a robust fair value assessment should be performed, capturing the requirements of *AASB 13 Fair Value Movements*. This process is to ensure that the Shire's infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors, which may indicate that the fair values of relevant assets are likely to have been impacted to any significant or material extent from the prior year. Where a fair value assessment has been performed internally, the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

Comment

The Shire of Pingelly Management team reviewed the value of the infrastructure assets held by the Shire, and in consideration that there have been no significant changes to the condition of those roads, bridges, drainage and parks, the values have not been impacted by any single event or other factor and thus were considered to be reported as not significant. There were no indicators to trigger a significant change in existing assets and the need for a full revaluation of the asset class.

The fair valuation of this asset class is being undertaken in house and collated and reported in the 2022/2023 financial year in accordance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

The employment of an asset management specialist in March 2022, specifically to address asset management is also a significant change in Shire approach. The Shire is conscious of deficiencies in this area in the past and has put this in place to rectify the matter. The Shire has purchased a drone in May 2022 and has been collating data and footage to ensure the accuracy of reported condition reports and will be updated in RAMMS.

Market increasing material costs are a factor also discussed, the Shire has to work within budgetary constraints to undertake road maintenance and infrastructure construction. Where costs escalate, the extent of construction and maintenance is scaled back accordingly. The Shire also reviewed the level of insurance for their infrastructure and assets at renewal and consider the replacement cost adequate.

Engagement of contractors regionally can be challenging and difficult in the current economic climate.

Any additional external valuations for the infrastructure asset class are a cost to the Shire ratepayers. The experience of the Manager of Works qualifies him to review and assess Infrastructure assets and the Shire Management are confident in his ability to do so.

The Shire Management team believe we have adequately performed the financial review of the asset class, but accept the findings of the Office of the Auditor General.

Consultation

Office of the Auditor General
AMD Chartered Accountants

Statutory Environment

Local Government Act 1995 and associated regulations

Policy Implications

There are no policy implications arising from this report.

Financial Implications

The known financial implications would be the cost of the external annual valuation, should it be considered warranted.

Strategic Implications

Goal 5	Innovation, Leadership and Governance
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Risk Implications

Risk	Key risk of the infrastructure assets being understated or over stated in the Annual Financial Report
Risk Rating (Prior to Treatment or Control)	Medium (6)
Principal Risk Theme	Compliance
Risk Action Plan (Controls or Treatment Proposed)	Completion of an annual assessment of infrastructure assets by Management, which if considered significant to warrant external review

Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

Cr Oliveri left the meeting at 12.44pm

Recommendation:

To adjourn the meeting at 12.45pm for 10 minutes.

Moved: Cr Narducci Seconded: Cr Hotham

CARRIED 6/0

Cr Oliveri returned to the meeting at 12.45pm

The meeting was reconvened meeting at 1.03pm

Cr Wood and Cr Singh left the meeting at 1.09pm

Cr Wood returned to the meeting at 1.10pm

Cr Singh returned to the meeting at 1.11pm

Voting Requirements

Absolute Majority

Recommendation and Council Decision

That Council:

Moved: Cr Oliveri Seconded: Cr Hotham

- 1. Adopt the Shire of Pingelly Annual Report for the Financial Year ended 30 June 2022, inclusive of the Annual Financial Report and Audit Report; and**
- 2. Approves the Annual Meeting of Electors to be held at 7.00pm on Monday 6 February 2023.**
- 3. Notes the actions required by the CEO to address the matter raised.**

CARRIED 7/0

Councillor comments in support of the motion:

Cr McBurney – commend the author on the Annual Report.

Cr Mulrone and Cr Hotham second the comments made by Cr McBurney.

Councillor comments in opposing the motion:

Nil

Separate attachment: Annual Report 2021-2022

11. CLOSURE OF MEETING

The Chairman declared the meeting closed at 1.12pm.