

ATTACHMENTS

**Special Council Meeting
21 August 2019**



Special Council Meeting Minutes

Purpose: Consideration of 2019/20 Draft Budget

Held on

Monday 22 July 2019

Commencing at 5.00pm

Shire of Donnybrook Balingup Council Chambers, Donnybrook

A handwritten signature in black ink, appearing to read "BGR" followed by a flourish.

Benjamin Rose
Chief Executive Officer

25 July 2019



SPECIAL COUNCIL MEETING MINUTES

Consideration of 2019/20 Draft Budget

22 July 2019

TABLE OF CONTENTS

1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS.....	3
2	ATTENDANCE	3
3	PUBLIC QUESTION TIME	3
4	APPLICATION FOR LEAVE OF ABSENCE.....	3
5	DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST	4
6	PETITIONS/DEPUTATIONS/PRESENTATIONS	4
7	REPORTS OF OFFICERS	4
	7.1 MANAGER CORPORATE SERVICES	4
	7.1.1 CONSIDERATION OF DRAFT BUDGET FOR 2018/19 FINANCIAL YEAR 4	
8	CLOSURE OF MEETING	15

**SHIRE OF DONNYBROOK BALINGUP
SPECIAL COUNCIL MEETING – CONSIDERATION OF 2019/20 DRAFT BUDGET**

Held at the Shire of Donnybrook Balingup Council Chambers, Donnybrook

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

Shire President – Acknowledgment of Country

The Shire President acknowledged the traditional custodians of the land, the Noongar People, paying respects to Elders, past and present.

The Shire Present declared the meeting open at 5:02pm and welcomed the public gallery.

Shire President – Public Notification of Recording of Meetings

The Shire President advised the meeting is being digitally recorded to assist with minute taking in accordance with Council Policy 1.25. The Shire President further states the following:

2 ATTENDANCE

MEMBERS PRESENT

COUNCILLORS	STAFF
Cr Piesse (Shire President)	Ben Rose – Chief Executive Officer
Cr Atherton	Steve Potter – Executive Manager Operations
Cr King	Damien Morgan – Manager Works and Services
Cr Lindemann	Bob Wallin – Manager Development Services
Cr Mills	Alan Thornton – Manager Corporate Services
Cr Mitchell	Leigh Guthridge – Strategic Built Assets
Cr Tan	Maureen Keegan – Manager Executive Services
Cr Van Der Heide	Stuart Eaton – Finance Officer
Cr Wringe (Deputy Shire President)	Bob Wallin – Manager Development Services

PUBLIC GALLERY

Visitors: 2

APOLOGIES

Nil

3 PUBLIC QUESTION TIME

Nil

4 APPLICATION FOR LEAVE OF ABSENCE

Nil

5 DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Councillors to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the Act.

Cr Mitchell declared an Impartiality Interest in *item 7.1.1 Adoption of the Draft Budget Schedules* as she resides 3 roads away from Newlands Road (relates to draft works program).

Cr Wringe declared an Impartiality Interest in *item 7.1.1 Adoption of the Draft Budget Schedules* as she lives on Upper Capel Road (relates to draft works program).

Chief Executive Officer Ben Rose CEO declared an Impartiality Interest in *item 7.1.1 Adoption of the Draft Budget Schedules* as he lives one road away from Irishtown Road (relates to works program).

6 PETITIONS/DEPUTATIONS/PRESENTATIONS

Nil

7 REPORTS OF OFFICERS

7.1 MANAGER CORPORATE SERVICES

7.1.1 CONSIDERATION OF DRAFT BUDGET FOR 2019/20 FINANCIAL YEAR

Location	Shire of Donnybrook Balingup
Applicant	Administration
File Reference	FNC 04/1
Author	Alan Thornton - Manager Corporate Services
Attachments	It is recommended that Council endorse the content of the 2019/20 Draft Budget Schedules and instruct the Chief Executive Officer to proceed with development of the Statutory Budget for the Shire of Donnybrook-Balingup for the year ending 30 June 2020.
Voting Requirements	Simple Majority
Executive Summary	

Background

The purpose of the meeting is to consider a number of key strategic matters as a pre-cursor to the formal adoption of the Shire of Donnybrook Balingup Municipal Fund Budget for the 2019/20 financial year.

The following Integrated Planning and Strategic documents were presented at the April 2019 Ordinary meeting of Council.

- Rating Principle Report
- Asset Management Plans
 - I. Buildings
 - II. Parks and Reserves
 - III. Vehicles
- Borrowing Plan
- Reserve Plan
- External Sourced Funding Plan

The 2019/20 Workforce Plan was adopted by Council at the December 2018 Ordinary meeting of Council.

The Draft Budget for the 2019/20 financial year was prepared on the basis of the approved strategies comprised within the above-mentioned documents, together with the compilation of all income and expenditure proposed to be undertaken during the 2019/20 financial year. This data has been aggregated into one document which is commonly referred to as the Budget Schedules.

On 3 July 2019 Council conducted a 2019/20 Budget Briefing Session whereby the strategies identified within the planning documents adopted in April have been further reviewed and discussed at length. Council have also undertaken a thorough review of the Budget Schedules which provide extensive detail at a Function and Activity level of the Budget.

Following this Special Meeting of Council (22th July 2019) a further Special Meeting of Council will be scheduled for late August 2019 at which the Executive will seek Council's final endorsement and adoption of the Statutory Budget for the Shire of Donnybrook Balingup for the 2019/20 year.

Formal consideration and adoption by resolution of the matters identified in this report will enable Shire staff to proceed with preparation of the final Statutory Budget document.

Asset Management Plans 2019/20

Buildings expenditure \$1,210,104 (new/preservation/maintenance).

Funded by Reserves \$415,038, Borrowings \$154,530, Grants \$450,000 and Contributions \$190,563

Vehicles expenditure \$679,477. Funded by Reserves \$511,275 and Sale Revenue \$165,000.

Parks and Gardens expenditure \$1,575,276. Funded by Reserves \$75,276 and Grants \$1,500,000.

2019/20 Workforce Plan

The Workforce Plan estimates the human resources needs for the Shire over the next ten years. The Shire's 2019/20 Draft Budget incorporates the endorsed 2019/20 Workforce Plan.

MAJOR PROJECTS

- Building Capital Works - Bush Fire Buildings Funded by DFES Grant (\$439,636 Grant Funding. \$88,000 Transfer from Reserve) \$527,636
- Retro Fit Fire Suppression System to entire Building (Funded from Loan. Carried Forward from 2018/19) \$500,000
- Tuia Lodge Building 'New Improvements'- as per Asset Management Plan \$450,000
- Tuia Lodge Extension (new 11 room facility). Federal funding of \$1,450,000
- Siteworks associated with development of Bridge Street Land for Affordable Housing Project \$250,000
- Construction Bridge Street Affordable Housing Project (to match 2019/20 funding) \$2,742,870
- Apple Fun Park development \$1,500,000
- Donnybrook Town Centre Revitalisation (\$1,950,000 Grant Funding, \$27,728 Transfer from Unspent Grant) \$1,977,728
- Upper Capel Road \$420,000
- Egan Street \$200,000

2019/20 UNTIED SURPLUS FUNDS

The 2019/20 Draft Budget has been formulated on the basis of a nil carry forward surplus position. The Draft Budget has been prepared as a 'stand alone' budget i.e. without placing reliance on a carry forward surplus amount to balance the budget.

Due to minor variances throughout the budget year, it is usual that the end of year position is a modest surplus. Finance staff are currently working on determining the end of year position with the aim of a close estimate being available late August 2019 prior to the Council Meeting at which meeting the Budget will be presented for adoption.

As the Draft Budget is being presented as a stand-alone budget, it is recommended that any untied surplus funds identified prior to the final budget adoption be transferred to Reserves for future asset renewal and maintenance as per Asset Management Plans.

Any further variance between the budgeted end-of-year position and the actual end-of-year position must be addressed during the mid-year budget review.

COMMENT

The following matters are to be discussed at this Special Meeting of Council. As comprehensive information has already been provided to Council through the Integrated Planning and Strategic documents and Budget Briefing Session, limited information will be provided with this agenda. However further information can be made available at the request of Elected members prior to this meeting.

- Adoption of 2019/20 Draft Budget
- Adoption of Fees and Charges

All Officer's Recommendations shown in this report, if adopted by Council, will be subject to final endorsement at Special Meeting of Council at which the Statutory Budget is formally adopted.

1. ADOPTION OF 2019/20 DRAFT BUDGET SCHEDULES

Council having considered the 2019/20 Draft Budget Schedules, the following resolutions are required to enable the preparation of the Annual Budget in the format required under the Local Government Act 1995.

The Annual Budget will be presented for formal adoption at Special Meeting of Council in August 2019.

1. Executive Recommendation

That Council endorse the 2019/20 Draft Budget Schedules inclusive of the changes made by Council as recorded in the minutes of this meeting for the preparation of the 2019/20 Annual Budget

Alternate Motion

Moved: Cr Lindemann Seconded: Cr Tan

That Council:

Endorse the 2019/20 Draft Budget Schedules inclusive of the changes made by Council as recorded in the minutes of this meeting for the preparation of the 2019/20 Annual Budget subject to the following modifications:

- 1. The budget allocation for Account 147420 for the purpose of 'Provision for unspecified projects' being reduced from \$10,000 to \$5,000; and**
- 2. A new item being included under Account 147420 for the purpose of 'Glen Mervyn Dam Open Swim Event' with a budget allocation of \$5,000.**

Lost 2/7

Alternate Motion

Moved: Cr Tan Seconded: Cr Lindemann

That Council endorse the 2019/20 Draft Budget Schedules inclusive of the changes made by Council as recorded in the minutes of this meeting for the preparation of the 2019/20 Annual Budget subject to the following modification:

The Donnybrook Townscape Budget not be reduced and be maintained at \$25k.

Lost 3/6

**COUNCIL RESOLUTION 91/19
(Substantive Motion)**

Moved: Cr Tan

Seconded: Cr Atherton

That Council endorse the 2019/20 Draft Budget Schedules inclusive of the changes made by Council as recorded in the minutes of this meeting for the preparation of the 2019/20 Annual Budget

Carried 8/1

Cr Van Der Heide is recorded as voting against the motion.

2. ADOPTION OF FEES AND CHARGES

Section 6.16 of the Local Government Act 1995 enables a local government to impose and recover a fee or charge for any goods or service it provides or proposes to provide, other than a service for which a service charge is imposed.

Proposed Fees and Charges are shown on pages F1 to F16 of the Draft Budget Supporting Schedules.

Council is requested to consider adopting the Fees & Charges for the 2019/20 financial year. The formulation of the Draft Annual Budget has been based on these fees & charges

The adopted Fees & Charges will form the part of the 2019/20 Annual Budget.

2. Executive Recommendation

Pursuant to section 6.16 of the Local Government Act 1995, Council endorses the proposed Fees and Charges included at pages (F1 to F16) of the 2019/20 Draft Budget provided with the agenda papers.

COUNCIL RESOLUTION 92/19 (Executive Recommendation)

Moved: Cr Tan

Seconded: Cr Atherton

Pursuant to section 6.16 of the Local Government Act 1995, Council endorses the proposed Fees and Charges included at pages (F1 to F16) of the 2019/20 Draft Budget provided with the agenda papers.

Carried 9/0

3 WASTE RECEPTICAL FEES

Council levies an annual fee for the provision of kerbside bin pickup (and processing) of waste. This relates to;

- a) General Waste Bins
- b) Recycling Bins
- c) Organics Bins

The fees are determined on a cost recovery basis.

The recycling fee for 2019/20 includes contractor processing fee of \$99 / tonne caused by the current conditions relating to processing of recycling material in international markets.

		2018/19	2019/20
Bin Service - 3 Bin Service		\$248	\$265
Bin Service - 2 Bin Service		\$200	\$221
Optional Bin - Rubbish (Fortnightly Service)		\$80	\$81
Optional Bin - Rubbish (Weekly Service)		\$156	\$158
Optional Bin - Recycling		\$48	\$63
Optional Bin - Organics		\$119	\$122
Aged Care Bin Service - 3 Bin Service	= 3 Bin Service, divide by 3	\$83	\$89

3. Executive Recommendation

Per s67 of the Waste Avoidance and Resource Recovery Act 2007, Council adopts the Fees & Charges for annual receptacle charges in the 2019/20 Budget as detailed in the schedule of fees and charges.

COUNCIL RESOLUTION 93/19 (Executive Recommendation)

Moved: Cr Tan

Seconded: Cr Wringe

Per s67 of the Waste Avoidance and Resource Recovery Act 2007, Council adopts the Fees & Charges for annual receptacle charges in the 2019/20 Budget as detailed in the schedule of fees and charges.

Carried 9/0

4 WASTE MANAGEMENT LEVY

Council raises a Waste Management Levy (the levy) of \$170pa per assessment in 2018/19.

The Annual Budget sets out the purpose for the levy.

A waste management levy will be imposed on all rate assessments under section 66 of the Waste Avoidance and Recovery Act 2007 for the following purposes.

- (i) Provision of suitable places, buildings and appliances for the disposal of refuse.*
- (ii) Construction and installation of plant for the disposal of refuse.*

A concession is granted to ratepayers owning contiguous (as defined by council policy) vacant assessments. Property owners are able to apply for a concession for the levy per Council Policy 6.5 Waste Management Levy Exemption

It is proposed that the Maximum fee be reduced from \$170 (2018/19) to \$152 for 2019/20.

Recent tender for operations of the Shire's refuse sites will see a reduction in cost to the Shire. This reduction is reflected in the proposed 2019/20 fee.

4. Executive Recommendation

Per s66 of the Waste Avoidance and Resource Recovery Act 2007, Council adopts the Waste Management Levy for the 2019/20 Budget.

4.1 Rate in Dollar

Gross Rental Value	\$0.120000
Unimproved Value	\$0.030000
Maximum Levy	\$152.00

4.2 For the purpose of;

- a. (i) Provision of suitable places, buildings and appliances for the disposal of refuse.
- b. (ii) Construction and installation of plant for the disposal of refuse.

**COUNCIL RESOLUTION 94/19
(Executive Recommendation)**

Moved: Cr Tan

Seconded: Cr Lindemann

Per s66 of the Waste Avoidance and Resource Recovery Act 2007, Council adopts the Waste Management Levy for the 2019/20 Budget.

4.3 Rate in Dollar

Gross Rental Value	\$0.120000
Unimproved Value	\$0.030000
Maximum Levy	\$152.00

4.4 For the purpose of;

- c. (i) Provision of suitable places, buildings and appliances for the disposal of refuse.**
- d. (ii) Construction and installation of plant for the disposal of refuse.**

Carried 9/0

5 RATES

2019/20 will see equalisation of minimum payment across Gross Rental Value and Unimproved Value properties. This change has been phased in over two financial years 2018/19 and 2019/20.

The rate in dollar adopted for 2019/20 will raise the required rates to provide a balanced budget.

5. Executive Recommendation

- 5.1 That Council endorse a proposed General Rate Increase of 1.95% for Gross Rental Value and Unimproved Value properties.
- 5.2 That Council endorse the equalisation of the Gross Rental Value and Unimproved Valuation minimum rate in 2019/20 year.
- 5.3 The following Rate in the Dollar and Minimum rates be applied for the 2019/20 Annual Budget.
- | | | |
|-----|-----------------------------------|------------|
| 5.4 | Gross Rental Valuation Properties | \$0.081772 |
| | Minimum Rate for GRV | \$1,104.4 |
| 5.5 | Unimproved Valuation Properties | \$0.005378 |
| | Minimum Rate for UV | \$1,104.4 |

Council Resolution 95/19 (Executive Recommendation)

Moved: Cr Wringe Seconded: Cr Tan

- 5.1 That Council endorse a proposed General Rate Increase of 1.95% for Gross Rental Value and Unimproved Value properties.
- 5.2 That Council endorse the equalisation of the Gross Rental Value and Unimproved Valuation minimum rate in 2019/20 year.
- 5.3 The following Rate in the Dollar and Minimum rates be applied for the 2019/20 Annual Budget.
- | | | |
|-----|-----------------------------------|------------|
| 5.4 | Gross Rental Valuation Properties | \$0.081772 |
| | Minimum Rate for GRV | \$1,104.4 |
| 5.5 | Unimproved Valuation Properties | \$0.005378 |
| | Minimum Rate for UV | \$1,104.4 |

Carried 7/2

Cr Van Der Heide foreshadowed a motion of 0% rate increase with the apportioned foregone revenue to be identified from within operating costs. The Executive Recommendation was carried becoming the Council Resolution.

Consultation

Extensive internal consultation has occurred between all divisions and through draft budget meetings conducted with Elected Members.

Policy/Statutory Implications

Voting: Simple Majority

Financial Implications

This 2019/20 Draft Budget will be used to develop the 2019/20 Annual Budget in the format required under Local Government Act 1995

Strategic Implications

The 2019/20 Draft Budget has been developed with consideration of existing strategic planning documents adopted by Council.

8 CLOSURE OF MEETING

Next Ordinary Council Meeting will be held on Wednesday 24 July 2019.

The meeting was closed at 7:15pm



Audit Committee Meeting Minutes

Held on

Friday 26 July

Commencing at 3.30pm

Council Chambers

51 – 53 Collins Street, Donnybrook WA

A handwritten signature in black ink, appearing to read "BGR" followed by a flourish.

Ben Rose
Chief Executive Officer

31 July 2019



AUDIT COMMITTEE MEETING MINUTES

26 July 2019

TABLE OF CONTENTS

1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS	3
2	ATTENDANCE.....	3
3	DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST	3
4	Election of Chairperson.....	4
5	CONFIRMATION OF MINUTES	4
6	REPORTS OF OFFICERS.....	5
	6.1 <i>Chief Executive Officer</i>	5
	6.1.1 <i>Adverse Trend Report</i>	5
	6.1.2 <i>May 2019 Interim Audit</i>	17
6	QUESTIONS FROM MEMBERS	18
7	CLOSURE OF MEETING	19

SHIRE OF DONNYBROOK BALINGUP

AUDIT COMMITTEE MEETING MINUTES

Held in the Council Chamber, 51 – 53 Collins Street, Donnybrook
on Friday 26 July 3.30pm

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The CEO declared the meeting open at 3:31pm, and welcomed Mr Tim Partridge Auditor and Shire President Brian Piesse to the meeting.

The Chair – Acknowledgment of Country

The CEO acknowledged the traditional custodians of the land, the Noongar People, paying respects to Elders, past and present

2 ATTENDANCE

MEMBERS PRESENT

COUNCILLORS

Cr Wringe
Cr Mitchell
Cr Mills

STAFF

Ben Rose - Chief Executive Officer
Alan Thornton – Manager - Corporate Services
Belinda Richards - Accountant
Stuart Eaton – Finance Project Manager
Maureen Keegan – Manager Executive Services

INDEPENDANT MEMBERS

Carly Anderson
Ian Telfer

GUESTS

Tim Partridge – AMD Chartered Accountants
Cr Brian Piesse – Shire President

APOLOGIES

Nil

3 DECLARATION OF FINANCIAL/IMPARTIALITY INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the Act.

Nil

6 REPORTS OF OFFICERS

6.1 Chief Executive Officer

6.1.1 Adverse Trend Report

STRATEGIC ALIGNMENT

The recommendation aligns with the following objectives within the Corporate Business Plan:

Location	Shire of Donnybrook Balingup
Applicant	Not Applicable
File Reference	FNC02
Author	Stuart Eaton – Finance Project Manager
Attachments	Attachments 8.1.1a and 8.1.1b
Voting Requirements	Simple Majority
Executive Summary	Report relating a matter of significance raised in the 2017/18 Audit Report

Outcome	Strategy	Action No.	Actions
4.2 A respected, professional and trusted organisation	Effective and efficient operations and service provision	4.2.1.1	Maintain effective and efficient policies, planning, operating procedures and practices.
		4.2.1.2	Seek a high level of legislative compliance and effective internal controls
		4.2.1.3	Monitor and measure organisational performance
		4.2.1.4	Demonstrate sound financial planning and management, including revenue/ expenditure review and revenue diversification strategies and long term financial planning

BACKGROUND

The independent audit report of the 2017/18 Annual Financial Report (Attachment 8.1.1a) identified the following:

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 we report that:

- (i) *In our opinion, the following matter indicate a significant adverse trend in the financial position of the Shire of Donnybrook-Balingup:*
 - a. *Operating surplus ratio as reported in Note 19 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.57, 2017: -0.39 and 2018: -0.49).*

S7.12A of the Local Government Act 1995 (the Act) requires the following relating to significant matters raised in the audit report (Attachment 8.1.1b).

- (4) *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.*
- (5) *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.*

DETAILS

Financial ratios are designed to provide users of annual financial reports with a clearer interpretation of the performance and financial results of a local government and a comparison of trends over a number of years.

Ratios may be disclosed as a percentage or a factor of one.

Financial ratios are included in the notes to the Annual Financial Report. These ratios provide users with key indicators of the financial performance of a local government.

Under regulation 50 of the Local Government (Financial Management) Regulations 1996, the Annual Financial Report is to include the following:

- a) Current Ratio
- b) Asset Consumption Ratio
- c) Asset Renewal funding Ratio
- d) Asset Sustainability Ratio
- e) Debt Service Cover Ratio
- f) Operating Surplus Ratio
- g) Own Source Revenue Coverage Ratio

The Shire’s ratio performance since 2013/14 is tabled below

	Standard	2017/18	2016/17	2015/16	2014/15	2013/14	5 Year Average
Current Ratio	1.00	1.96	2.65	0.71	1.35	0.77	1.49
Asset Consumption Ratio	0.50	0.65	0.65	0.59	0.69	0.64	0.64
Asset Renewal Ratio	0.75	0.87	1.15	0.31	0.61	0.42	0.67
Asset Sustainability Ratio	0.90	0.55	0.54	0.93	0.62	0.60	0.65
Debt Service Cover Ratio	2.00	15.81	4.01	2.47	14.17	2.68	7.83
Operating Surplus Ratio	0.01	(0.49)	(0.38)	(0.57)	(0.23)	(0.38)	(0.41)
Own Source Revenue Coverage Ratio	0.40	0.49	0.48	0.52	0.54	0.58	0.52
	Standard	2017/18	2016/17	2015/16	2014/15	2013/14	5 Year Average
Financial Health Indicator (max = 100)	70.00	65.00	64.00	36.00	60.00	33.00	51.60

source: mycouncil.wa.gov.au

The audit report for 2017/18 details auditor’s concerns with the trend of the Shire’s ‘Operating Surplus Ratio’.

The Shire Operating Surplus Ratio for the past 5 years

	Standard	2017/18	2016/17	2015/16	2014/15	2013/14	5 Year Average
Operating Surplus Ratio	0.01	✘ (0.49)	✘ (0.38)	✘ (0.57)	✘ (0.23)	✘ (0.38)	✘ (0.41)

The Operating Surplus Ratio is explained in Local Government Operational Guidelines Number 18 – June 2013 (Financial Ratios) p6.

4.4 Financial Performance Ratio

A key indicator of a local government’s financial performance is measured by the ‘**Operating Surplus Ratio**’. If a local government consistently achieves a positive operating surplus ratio and has soundly based long term financial plans showing that it can continue to do so in future, having regard to asset management and the community’s service level needs, then it is considered financially sustainable.

A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt.

A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

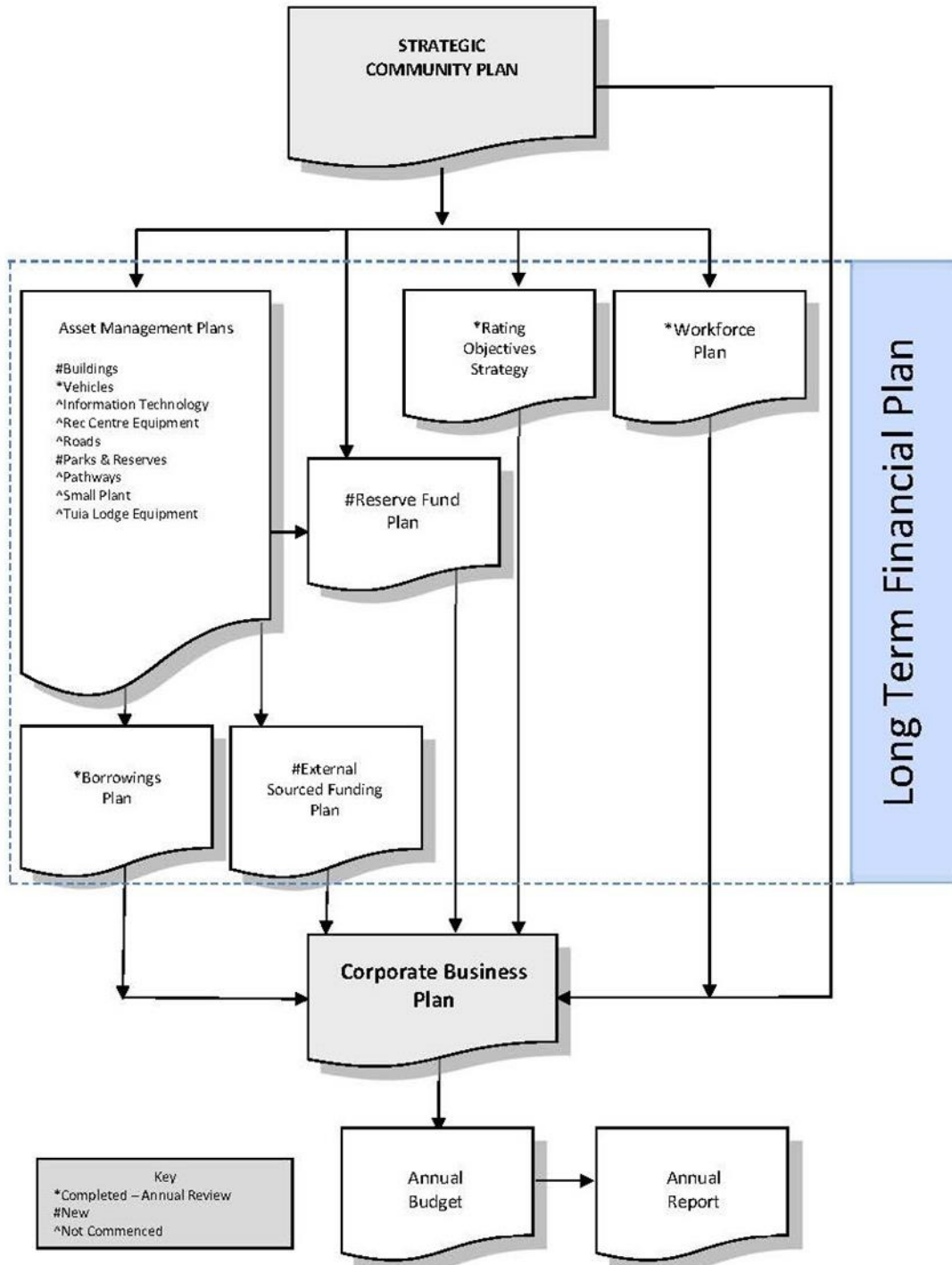
Operating Surplus Ratio	
Operating Surplus Ratio =	$\frac{\text{(Operating Revenue MINUS Operating Expense)}}{\text{Own Source Operating Revenue}}$
Purpose:	This ratio is a measure of a local government’s ability to cover its operational costs and have revenues available for capital funding or other purposes.
Standards:	Basic Standard between 1% and 15% (0.01 and 0.15) Advanced Standard > 15% (>0.15).
Definitions:	
‘Operating Revenue’	Means the revenue that is operating revenue for the purposes of the AAS, excluding grants and contributions for the development or acquisition of assets.
‘Operating Expense’	Means the expense that is operating expense for the purposes of the AAS.
‘Own Source Operating Revenue’	Means revenue from rates and service charges, fees and user charges, reimbursements and recoveries *, interest income and profit on disposal of assets.

Officer’s briefed Elected Members in February 2018 relating to the Shire’s financial ratios and performance against the Financial Health Indicator.

Officers identified a historical absence of robust long term asset management planning and a corresponding absence of sustainable ‘own source’ asset renewal funding within the budgetary framework. This was highlighted as an inhibitor towards improving sustainable financial health of the Shire.

In response to transitioning the organisation towards improved long term financial sustainability, an Integrated Financial Planning Framework was developed in 2018 (Table A)

Table A



Since introducing the Integrated Planning Framework in 2018 the following documents and long term financial plans have been developed and presented to Council.

	Introduced
Workforce Plan	2018
Borrowings Plan	2018
Rating Objectives Strategy	2018
Asset Management Plan – Vehicles	2018
Asset Management Plan – Buildings	2019
Asset Management Plan – Parks & Reserves	2019
Reserves Fund Plan	2019
External Sourced Funding Plan	2019

The following plans have been identified as required and are planned for future development

Asset Management Plan – Information Technology
Asset Management Plan – Recreation Centre Equipment
Asset Management Plan – Roads
Asset Management Plan – Pathways
Asset Management Plan – Small Plant
Asset Management Plan – Tuia Lodge Equipment

At the ordinary meeting of Council on 24 April 2019 officers reported the following when seeking Council to endorse the annual (2019/20) review of Integrated Planning and Financial Reporting Framework.

Officers are progressing the development of an Integrated Planning and Reporting Framework for the Shire (Table 1) that will improve the long term financial sustainability of the Shire of Donnybrook Balingup.

This corporate planning framework will provide greater integration of plans and become the driver for the Annual Budget.

A suite of financial planning systems are being developed and implemented that will;

- a) Accurately demonstrate the Shire's capability to deliver services and manage its asset portfolio that can sustain our community into the future.*
- b) Accurately determine the real cost of managing the Shire's asset portfolio.*
- c) Accurately determine the real cost of delivering services to the community.*
- d) Accurately determine the real contribution residents and users should make to the cost of services & facilities.*

One aspect of the financial planning framework is realigning the underlying foundation of the Annual Budget to respond to the aforementioned points in order to improve the long term financial sustainability for the Shire.

It is advised that Council has careful regard to longer-term considerations in making annual budget decisions. If they do not, they may find that the Shire is faced with future financial challenges. These long-term financial plans let Council see what its future financial obligations are. The plans help Council assess the need for early intervention to reduce future risks and associated revenue raising requirements of future generations.

If a Local Government runs ongoing under-lying operating deficits, it needs to recognise the longer-term implications. Not addressing this deficit is likely to mean that future Councils will struggle to be able to accommodate asset renewal needs and that service levels will decline over time.

CONSULTATION

Not Applicable

POLICY COMPLIANCE

Not Applicable

STATUTORY COMPLIANCE

s7.12A of the Local Government Act 1995 (the act) requires the following relating to significant matters raised in the audit report

- (4) *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.*
- (5) *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.*

Department of Local Government, Sport and Cultural Industries (the Department) has advised Local Governments of the requirement in Department Circular 05-2009

LOCAL GOVERNMENT AUDITING

Local governments are reminded of their audit reporting obligations under section 7.12A(4)(a) of the Local Government Act 1995.

To assist, the department has prepared a template for use by local governments.

While the template is not in a prescribed form it is suggested that it is used by local governments to standardise the report format and support a uniform process.

Reporting requirements

In November 2017 the proclamation of the Local Government Amendment (Auditing) Act 2017 introduced a number of reforms to auditing laws.

These were outlined in Circular 16-2017 and the accompanying Guide to Local Government Auditing.

This included the introduction of a new category of audits called Performance Audits.

Legislation also now requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

Local governments must prepare a report addressing the significant matters identified in the audit report.

The report should then be considered by the local government's audit committee before being adopted by council.

This report is to be provided to the Minister within three months of receiving the audit report and within 14 days after the local government gives the report to the Minister, the CEO must publish a copy of the report on the local government's official website.

This requirement applies to both a local government's financial audit as well as any Performance Audits undertaken by the Auditor General.

To date the Auditor General has undertaken a number of Performance Audits of selected local governments that include Records Management, Local Government Procurement, Timely Payment of Suppliers and Controls Over Corporate Credit Cards.

Section 7.12A(4)(a) of the Local Government Act 1995 (the Act) refers to the preparation of a report by a local government.

The report is to address any matters identified as significant by the auditor in the audit report, the report is to also state what action the local government has or intends to take in respect to each of those matters.

The Department proposes to maintain the ongoing process of examining audit reports to ensure compliance and monitoring the actions that local governments take or intend to take in addressing any significant matters identified in the audit reports.

If you have any questions regarding this information, please contact the Department on (08) 6551 8700 or via email audits@dlgsc.wa.gov.au.

The Department has advised the reporting to be in the following format

**TEMPLATE
REPORT**

Section 7.12A(4)(a) of the Local Government Act 1995

Office of the Auditor General (OAG) – Performance Audit

Purpose of Report

Significant Matter Identified by OAG

Implication

Management Comment

Action Taken or Intended to be Taken

Completion or Proposed Completion Date

Recommendation

CONCLUSION

Officers reiterate previous advice that the Shire's Integrated Financial Planning Framework will provide greater integration of plans and become the driver for the Annual Budget.

A suite of financial planning systems are being developed and implemented that will;

- a) Accurately demonstrate the Shire’s capability to deliver services and manage its asset portfolio that can sustain our community into the future.
- b) Accurately determine the real cost of managing the Shire’s asset portfolio.
- c) Accurately determine the real cost of delivering services to the community.
- d) Accurately determine the real contribution residents and users should make to the cost of services & facilities.

One aspect of the financial planning framework is realigning the underlying foundation of the Annual Budget to respond to the aforementioned points in order to improve the long term financial sustainability for the Shire.

It is advised that Council has careful regard to longer-term considerations in making annual budget decisions. If it does not, it may find that the Shire is faced with future financial challenges. These long-term financial plans let Council see what its future financial obligations are. The plans help Council assess the need for early intervention to reduce future risks and associated revenue raising requirements of future generations.

If a Local Government runs ongoing under-lying operating deficits, it needs to recognise the longer-term implications. Not addressing this deficit is likely to mean that future Councils will struggle to be able to accommodate asset renewal needs and that service levels will decline over time

All things being equal, an operating deficit / surplus will trend higher over time when increased sustainable ‘own source’ operating revenue sources are committed annually towards meeting the asset renewal requirements identified in the current and proposed, asset plans.

1. COMMITTEE RECOMMENDATION (Executive Recommendation)

Moved: Cr Mills

Seconded: Cr Wringe

That the Audit Committee recommend the Council submit the following response in compliance of S7.12A of the Local Government Act 1995 relating to significant matter raised in the 2017/18 audit report

Carried 4/1

Cr Mitchell is recorded as voting against the recommendation.

1.1 Purpose of Report

To respond the Department of Local Government, Sport and Cultural Industries in compliance of S7.12A of the Local Government Act 1995 relating to significant matter raised in the 2017/18 audit report.

1.2 Significant Matter Identified by OAG

Report on Other Legal and Regulatory Requirements

In accordance with the Local Government (Audit) Regulations 1996 we report that:

- (ii) *In our opinion, the following matter indicate a significant adverse trend in the financial position of the Shire of Donnybrook-Balingup:*
- a. *Operating surplus ratio as reported in Note 19 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.57, 2017: -0.39 and 2018: -0.49).*

1.3 Implication

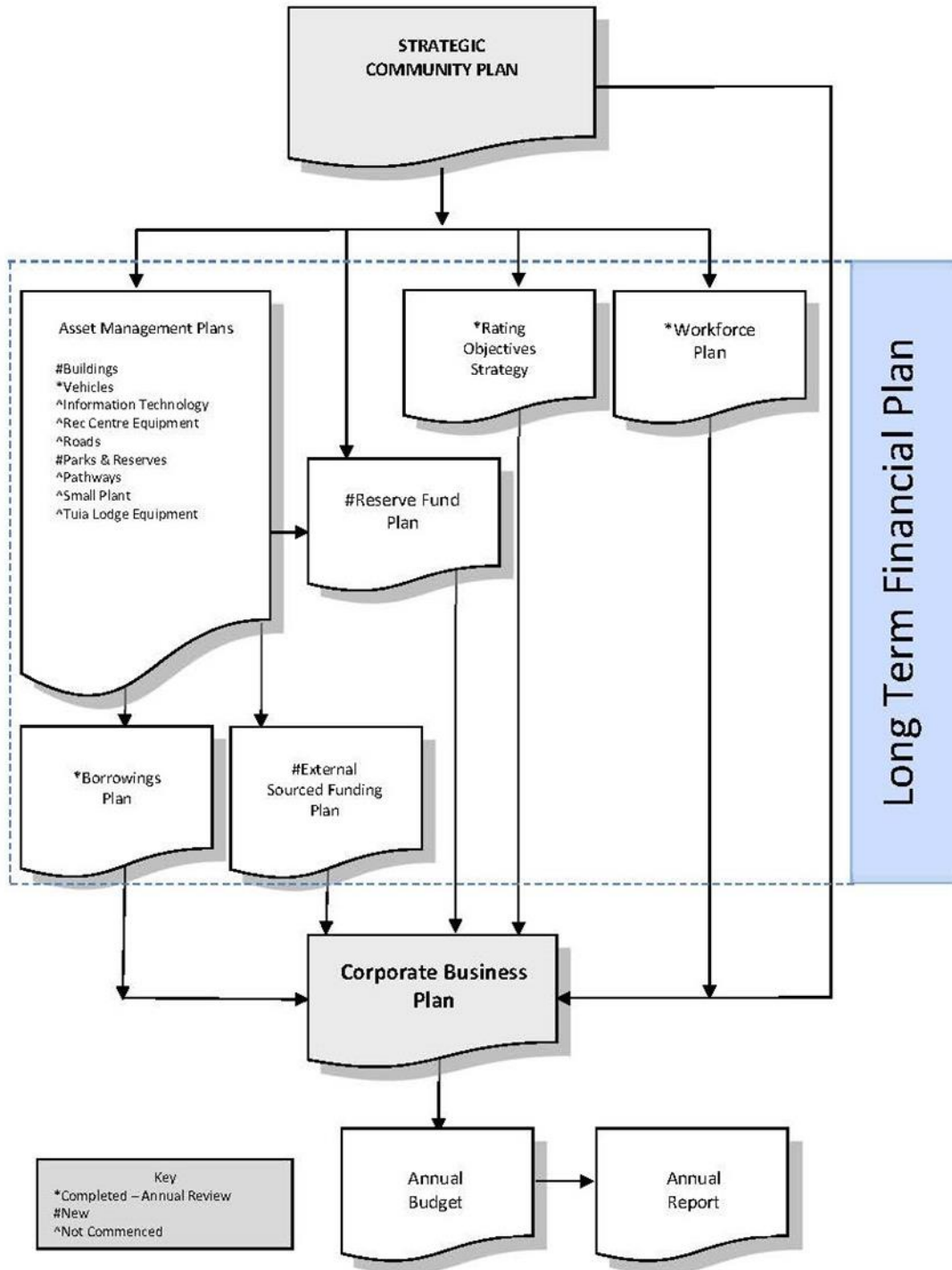
If a Local Government runs ongoing under-lying operating deficits, it needs to recognise the longer-term implications. Not addressing ongoing deficits is likely to mean that future Councils will struggle to be able to accommodate asset renewal needs and that service levels will decline over time. It is acknowledged that a trending reduction in the operating deficit is necessary for improved sustainable financial health of the Shire.

1.4 Management Comment

Historically, the Shire has had no robust integrated financial planning framework that incorporates sustainable 'own source' funded long term asset management plans. It is the opinion of CEO that this has resulted in a more adverse financial position of the Shire that would ordinary be the case under a fully developed Integrated Financial Planning Framework.

The Shire of Donnybrook Balingup is transitioning towards improved long term financial sustainability, an Integrated Financial Planning Framework was developed in 2018 (Table A).

Table A



1.5 Action Taken or Intended to be Taken

A suite of financial planning systems are being developed and implemented that will;

- a) Accurately demonstrate the Shire’s capability to deliver services and manage its asset portfolio that can sustain our community into the future.
- b) Accurately determine the real cost of managing the Shire’s asset portfolio.
- c) Accurately determine the real cost of delivering services to the community.
- d) Accurately determine the real contribution residents and users should make to the cost of services & facilities.

Since introducing the Integrated Financial Planning Framework in 2018 the following documents and long term financial plans have been developed and presented to Council.

	Introduced
Workforce Plan	2018
Borrowings Plan	2018
Rating Objectives Strategy	2018
Asset Management Plan – Vehicles	2018
Asset Management Plan – Buildings	2019
Asset Management Plan – Parks & Reserves	2019
Reserves Fund Plan	2019
External Sourced Funding Plan	2019

The following plans have been identified as required and are planned for future development.

Asset Management Plan – Information Technology
Asset Management Plan – Recreation Centre Equipment
Asset Management Plan – Roads
Asset Management Plan – Pathways
Asset Management Plan – Small Plant
Asset Management Plan – Tuia Lodge Equipment

This Integrated Financial Planning Framework and is reliant upon the developed sustainable ‘own source’ funding model being embedded within the annual budgetary process.

1.6 Completion or Proposed Completion Date

Council is committed to reduce the Operating Deficit and improving the Operating Surplus Ratio.

Since introducing the Integrated Financial Planning Framework in 2018 the following documents and long term financial plans have been developed and presented to Council.

	Introduced
Workforce Plan	2018
Borrowings Plan	2018
Rating Objectives Strategy	2018
Asset Management Plan – Vehicles	2018
Asset Management Plan – Buildings	2019

Asset Management Plan – Parks & Reserves	2019
Reserves Fund Plan	2019
External Sourced Funding Plan	2019

The following plans have been identified as required and are planned for future development across the next 5 years.

Asset Management Plan – Information Technology
Asset Management Plan – Recreation Centre Equipment
Asset Management Plan – Roads
Asset Management Plan – Pathways
Asset Management Plan – Small Plant
Asset Management Plan – Tuia Lodge Equipment

It is expected that the ongoing development of the Integrated Financial Planning Framework will lead to a trending improvement in the Operating Surplus Ratio and overall financial health of the Shire of Donnybrook Balingup.

**2. COMMITTEE RECOMMENDATION
(Executive Recommendation)**

Moved: Cr Mills

Seconded: Cr Wringe

That the Audit Committee recommend that Council commit to a trending improvement in the Operating Surplus Ratio and long term sustainable financial health of the Shire of Donnybrook Balingup through continued implementation and funding of its Integrated Financial Planning Framework.

Carried 4/1

Cr Mitchell is recorded as voting against the recommendation.

6.1.2 May 2019 Interim Audit

Location	Shire of Donnybrook-Balingup
Applicant	Not Applicable
File Reference	FNC02
Author	Alan Thornton – Manager Corporate Services
Attachments	Attachment 8.1.2
Voting Requirements	Simple Majority
Executive Summary	Report relating to findings identified during the May 2019 Interim Audit

STRATEGIC ALIGNMENT

The recommendation aligns with the following objectives within the Corporate Business Plan:

Outcome	Strategy	Action No.	Actions
4.2 A respected, professional and trusted organisation	Effective and efficient operations and service provision	4.2.1.1	Maintain effective and efficient policies, planning, operating procedures and practices.
		4.2.1.2	Seek a high level of legislative compliance and effective internal controls
		4.2.1.3	Monitor and measure organisational performance
		4.2.1.4	Demonstrate sound financial planning and management, including revenue/ expenditure review and revenue diversification strategies and long term financial planning

BACKGROUND

The financial year audit process for the 2018/19 financial year commences with an interim audit. The Office of the Auditor General (OAG) will be directing the 2018/19 financial year audit.

AMD Chartered Accountants have been engaged by the Office of the Auditor General to conduct the financial year audit on behalf of the OAG.

AMD Chartered Accountants conducted an onsite interim audit review on 9th and 10th May 2019.

DETAILS

From the May 2019 interim audit AMD identified four items of risk and concerns with respect to the probability and/or consequences of adverse outcomes if action is not taken. These items are detailed in Attachment 8.1.2.

CONSULTATION

POLICY COMPLIANCE

STATUTORY COMPLIANCE

Local Government Act 1995(ACT).

Regulation 51(2) of the Local Government (Financial Management) Regulations 1996.

Audit Regulation 17 review

Financial Management System Review Report

COMMITTEE RECOMMENDATION (Executive Recommendation)

Moved: Cr Mills

Seconded: Cr Mitchell

That the Audit Committee recommend the Auditor's Interim Audit Management Report for the year ended 30 June 2019 be received by Council and the recommendations of the auditor be noted.

Carried 5/0

6 QUESTIONS FROM MEMBERS

Cr Wringe

With regards to Trust Funds, what is the latest development on the Jack Denning Trust Account?

Response

Access to the donated funds (for exclusive use on capital works at Tuia Lodge) is pending agreement from the trustees of the fund.

Cr Wringe

Are these funds shown as an asset and a corresponding liability in the Balance Sheet?

Response

No. The funds are held in a Shire trust account, so are off-balance sheet (with the present trustees not being Shire staff / Council).

Cr Wringe

Pending the outcome of the Aged Care Reference Group decision, how will these funds be affected?

Response

With the consent of the trustees, the funds will be 'tied' for exclusive use on capital works at Tuia Lodge. The funds are identified for various room improvements (asset renewal works) at

Tuia Lodge in the coming years. It is planned that the capital works will be completed before any recommendation from the Aged Care Community Reference Group is implemented.

Cr Wringe

What are the risks to the shire?

Response

The key risk is not securing access to the funds (and having budgeted to access such).

7 CLOSURE OF MEETING

The Chair advised members will be notified when the date for the next Audit Committee Meeting is set.

The Chair to declare the meeting closed at 5:27pm.

Donnybrook Shire Council

Donnybrook

Simon McInnes

P.o Box 232

Donnybrook WA

6239

Ph 0429311547

RE: Funding Review Local Planning Scheme No. 7

Dear Sir,

On scanning the recent budget for year 19/20, I noticed that the comprehensive review of the Planning scheme No. 7 due in September this year has not been funded. As you are aware this document is a major component for planning the direction of the Shire for the next 5 years and will be used to formulate future budgets.

It is also a way to measure the current direction and to score how far we have come in the last 5 years as well as to identify any shortcomings and adjustments that are required due to any changes in circumstances that have arisen.

Funding for an outside audit will give an unbiased and independent snapshot of the current planning scheme and new eyes could give insight and suggestions for the direction of future planning and policies.

It will also give the council and rate payers the chance to reassess policies that may have become outdated.

I feel that funding this piece of housekeeping is essential for the health of the Shire and should be included in this year's budget

Regards

Simon McInnes

Ph 0429311547

INDEPENDENT AUDITOR'S REPORT

To the Council of Shire of Donnybrook-Balingup

Report on the Audit of the Financial Report

Opinion

We have audited the annual financial report of Shire of Donnybrook-Balingup which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In our opinion the annual financial report of Shire of Donnybrook-Balingup:

- (i) is based on proper accounts and records; and
- (ii) fairly represents, in all material respects, the results of the operations of Shire of Donnybrook-Balingup for the year ended 30 June 2018 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.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of Shire of Donnybrook-Balingup in accordance with the relevant ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling Shire of Donnybrook-Balingup's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of Shire of Donnybrook-Balingup is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing Shire of Donnybrook-Balingup's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State government has made decisions affecting the continued existence of Shire of Donnybrook-Balingup.

The Council is responsible for overseeing Shire of Donnybrook-Balingup's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of our audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Shire of Donnybrook-Balingup's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the CEO.
- Conclude on the appropriateness of the CEO's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Shire of Donnybrook-Balingup's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council and the CEO regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996* we report that:

- (i) In our opinion, the following matter indicate a significant adverse trend in the financial position of the Shire of Donnybrook-Balingup:
 - a. Operating surplus ratio as reported in Note 19 of the financial report is below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard of zero for the last three years (2016: -0.57, 2017: -0.39 and 2018: -0.49).
- (ii) There were no matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls of any other written law identified during the course of our audit, with exception of the following:
 - The annual financial report for 30 June 2018 was not submitted to the auditor by the extension date of 31 October 2018 approved by the Department of Local Government, Sport and Cultural Industries as required by section 6.4 of the *Local Government Act 1995*; and
 - The compliance audit return for the year ended 31 December 2017 was not submitted to the Executive Director at Department of Local Government, Sport and Cultural Industries by 31 March 2018 as required by the *Local Government (Audit) Regulations 1996*.
- (iii) All required information and explanations were obtained by us.
- (iv) All audit procedures were satisfactorily completed.
- (v) In our opinion, the asset consumption ratio and the asset renewal ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of Shire of Donnybrook-Balingup for the year ended 30 June 2018 included on Shire of Donnybrook-Balingup's website. Shire of Donnybrook-Balingup's management is responsible for the integrity of Shire of Donnybrook-Balingup website. This audit does not provide assurance on the integrity of Shire of Donnybrook-Balingup's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

AMD Chartered Accountants



TIM PARTRIDGE
Director

28-30 Wellington Street, Bunbury, Western Australia

Dated this 17th day of December 2018



Department of
**Local Government, Sport
and Cultural Industries**

Our ref
Enquiries
Phone
Email

DB3-4#03 E1915560
Stuart Fraser
65521586
stuart.fraser@dlgsc.wa.gov.au

SHIRE OF DONNYBROOK BALINGUP RECEIVED - 4 JUL 2019
Record No: KOR70643
File No: FNC02
Officer: BGR
X Ref:
Corresps:
Signed Off:

Mr Ben Rose
Chief Executive Officer
Shire of Donnybrook Balingup
PO Box 94
DONNYBROOK WA 6239

Dear Mr Rose

The Department of Local Government, Sport and Cultural Industries (the Department) has received the Shire's 2017-18 Audit Report from AMD Chartered Accountants dated 17 December 2018.

The Audit Report identifies matters as significant in regard to adverse trends, qualified audits and other matters. The following matter is identified as significant by the auditor:

- Significant adverse trend in the financial position of the Shire: Operating Surplus Ratio below the Department standard for the last three years.

Section 7.12A(4) of the *Local Government Act 1995* states that a local government must:
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.

To date it appears that a report has not been received and has not been published on the Shire's official website in accordance with Section 7.12A.

As a matter of priority the Shire must prepare a report for its Audit Committee and seek council's endorsement before forwarding a copy to the Department at audits@dlgsc.wa.gov.au

As this report is now overdue, the Department requires the local government to remedy this non-compliance within the next 60 days from the date of this letter.

For further information please review the Department's Circulars 05-2019 Local Government Auditing and 02-2018 Guide to Local Government Auditing Reforms (page 8) which are published on the Department's website.

Gordon Stephenson House, 140 William Street
PO Box 8349 Perth Business Centre, WA 6849
Telephone (08) 6552 7300
Email info@dlgsc.wa.gov.au
Web www.dlgsc.wa.gov.au

Should you have any queries please contact the Department on the above email address or phone 65527300.

Yours sincerely



Narrell Lethorn
Director Industry and Sector Regulation

28 June 2019

cc Cr Brian Piesse, President, Shire of Donnybrook Balingup

SHIRE OF DONNYBROOK-BALINGUP
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Recognition of Refundable Accommodation Deposits	✓		
2. Annual report submission		✓	
3. Regulation 17 and financial management system review not completely actioned		✓	
4. Rates reconciliations		✓	

KEY TO RATINGS

The ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF DONNYBROOK-BALINGUP
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Recognition of Refundable Accommodation Deposits

Finding

We noted that the Shire has been holding Refundable Accommodation Deposits (RAD's) received from residents of the Tuia Lodge Aged Care Facility, as trust funds in the notes to the Annual Financial Report. However, the RAD's should not be regarded as Trust Funds in terms of the Local Government Act 1995(ACT).

In addition, the current arrangement between the Shire and the Residents of the aged care facility is considered an operating lease under the Australian Accounting Standards "AASB117" as there is an agreement whereby the Shire conveys to the Residents in return for a payment or series of payments the right to use the aged care facility. Because the Shire does not have the unconditional right to defer settlement of the liability for at least twelve months in the event the RAD's is to be paid back, the liability for the RAD's is required under AASB 101 to be classified as a current liability.

Consequently, the RAD's should be recognised on the Statement of Financial Position in the Annual Financial Report as cash with a corresponding current liability in accordance with the Australian Accounting Standards.

**Rating: Significant
Implication**

Without recognising the RAD's on the Statement of Financial Position, the Assets and Liabilities are understated by the value of the RADS. Consequently, there is an increased risk of misstating the Annual Financial Report.

Recommendation

The Shire should recognise the RAD's as an asset (Restricted Cash and Cash Equivalents) in the Statement of Financial Position, with a corresponding liability to recognise that the Deposits are owed to the residents of Tuia Lodge Aged Care Facility.

Management Comment

AMD to confirm with the Office of Auditor General on the correct accounting treatment of the RAD's in the 30 June 2019 Financial Statements (i.e. placing RAD's into Municipal bank account or Trust account).

The Shire will adhere to the accounting treatment of RAD's as per recommendation. The Shire will recognise RAD's as an asset with a corresponding liability in the Statement of Financial Position to identify that the Deposits are owed to the residents of Tuia Lodge Aged Care Facility.

Responsible Officer: Manager Corporate Services - Alan Thornton

Completion Date: As part of finalising the Annual Financial Report as at 30 June 2019.

SHIRE OF DONNYBROOK-BALINGUP
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Annual Report Submission

Finding

We noted that the Shire of Donnybrook-Balingup auditor report pertaining to the year ended 30 June 2018 was issued to the Shire on 17 December 2018 for receipt by the Chief Executive Officer. However the annual report was not lodged with the Department of Local Government, Sport and Cultural Industries within 30 days (lodged on 23 January 2019) as required by Regulation 51(2) of the Local Government (Financial Management) Regulations 1996.

Rating: Moderate

Implication

Non-compliance with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996.

Recommendation

In the future, the Annual Report should be lodged with the Department of Local Government, Sport and Culture Industries within 30 days of receipt of the Auditor Report as required by Regulation 51(2) of the Local Government (Financial Management) Regulations 1996.

Management Comment

To comply with Regulation 51(2) of the Local Government (Financial Management) Regulations 1996 the Shire's Annual Report shall be lodged with the Department of Local Government, Sport and Culture Industries within 30 days of receipt of the Auditor Report.

Responsible Officer: Manager Corporate Services - Alan Thornton

Completion Date: Within 30 days of receipt of the 2018/2019 Auditor Report

SHIRE OF DONNYBROOK-BALINGUP
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Regulation 17 and Financial Management System Review Not Completely Actioned

Finding

We have reviewed the most recent Audit Regulation 17 review and Financial Management System Review Report that occurred in December 2018. Discussions with management indicate there are still a number of recommendations to be implemented including:-

- Risk Management Framework;
- Risk Management Policies and Procedures;

We also understand a status report of implementing recommendations is not currently presented to the Audit Committee on an ongoing basis.

Rating: Moderate

Implication

By not presenting the status of all review items as part of the Audit Committee papers, there is a lack of effective monitoring and an increased risk that recommendations are not implemented

Recommendation

We recommend a listing of prior year recommendations be prepared into one consolidated document and an update on the status of recommendations be presented to management meetings and audit committee meetings for monitoring and follow up

Management Comment

One document is being prepared that will list prior year recommendations for the Audit Regulation 17 review and Financial Management System Review Report. This document will detail the current status of recommendations to be presented at management meetings and audit committee meetings for monitoring and follow up.

Responsible Officer: Manager Corporate Services - Alan Thornton

Completion Date: 31 August 2019

SHIRE OF DONNYBROOK-BALINGUP
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Rates Reconciliations

Finding

We noted the rates debtors and rateable value reconciliations have been completed for the period July 2018 to April 2019. However, these reconciliations have not been subject to independent review. In addition, we note there has been a recurring variance on the rates debtor reconciliation since June 2018.

Rating: Moderate

Implication

Without independent review, there is an increased risk that errors may not be detected and rectified.

Recommendation

We recommend rates debtor and rateable value reconciliations be independently reviewed and the variance on the rates debtor reconciliation be corrected.

Management Comment

Since May 2019 (May 2019 Monthly Financial report) the rates debtors and rateable value reconciliations have be independently reviewed as part of the end-of-month financial reporting process.

Any variance on the rates debtor reconciliation will be investigated and corrected once the cause of variances have been identified.

Responsible Officer: Manager Corporate Services - Alan Thornton

Completion Date: 31 May 2019

**SHIRE OF DONNYBROOK-BALINGUP
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**