



Agenda

Audit Committee Meeting

Friday
26 July 2019

10.30am



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A handwritten signature in black ink, appearing to read 'H. Hawkins', is positioned above the printed name and title.

Harry Hawkins
Chief Executive Officer

04/07/2019

Hack Street, SANDSTONE WA 6639
Tel (08) 9963 5802; Fax (08) 9963 5852
E-mail: - ceo@sandstone.wa.gov.au



WRITTEN DECLARATION OF INTEREST IN MATTER BEFORE COUNCIL

NOTE: USE ONE FORM PER DECLARATION

I, (1) _____ wish to declare an interest in the following item to be considered by council at its meeting to be held on (2)

Agenda item (3) _____

The type of interest I wish to declare is (4)

- Financial pursuant to Sections 5.60A of the Local Government Act 1995
- Proximity pursuant to Section 5.60B of the Local Government Act 1995
- Indirect Financial pursuant to Section 5.61 of the Local Government Act 1995
- Impartiality pursuant to Regulation 11 of the Local Government (Rules of Conduct) Regulation 2007

The nature of my interest is (5)

The extent of my interest is (6)

I understand that the above information will be recorded in the Minutes of the meeting and recorded by the Chief Executive Officer in an appropriate Register.

Signature

Date

RECEIVED BY:

Chief Executive Officer

Date

- (1) Insert your name.
- (2) Insert the date of the Council Meeting at which the item it to be considered.
- (3) Insert the Agenda Item Number and Title.
- (4) Tick the box to indicate the type of interest.
- (5) Describe the nature of your interest.
- (6) Describe the extent of your interest (if seeking to participate in the matter under the s.5.68 of the Act)

Financial pursuant to Sections 5.60A of the Local Government Act 1995
5.60A – Financial Interest

For the purpose of this Subdivision, a person has a financial interest in a matter if it is reasonable to expect that the matter will if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.

[Section 5.60A inserted by No. 64 of 1998 s. 30; amended by No. 49 of 2004 s. 50.]

Proximity pursuant to Section 5.60B of the Local government Act 1995

5.60B – Proximity Interest

- (1). For the purposes of this Subdivision, a person has a proximity interest in a matter if the matter concerns –
 - (a). a proposed change to a planning scheme affecting land that adjoins the person's land;
 - (b). a proposed change to zoning or use of land that adjoins that person's land; or
 - (c). a proposed development (as defined in section 5.63 (5)) of land that adjoins the person's land.
- (2). In this section, land ("**the proposal land**") adjoins a person's land if –
 - (a). the proposal land, not being a thoroughfare, has a common boundary with the person's land;
 - (b). the proposal land, or any part of it, is directly across a thoroughfare from, the person's land; or
 - (c). the proposal land is that part of a thoroughfare that has a common boundary with the person's land.
- (3). In this section a reference to a person's land is a reference to any land owned by the person or in which the person has any estate or interest.

[Section 5.60B inserted by No 64 of 1998 s. 30.]

Indirect Financial pursuant to Section 5.61 of the Local Government Act 1995

5.61 – Indirect financial interest

A reference in this Subdivision to an indirect financial interest of a person in a matter includes a reference to a financial relationship between that person and another person who requires a local government decision in relation to the matter.

Impartiality pursuant to Regulation 11 of the Local Government (Rules of Conduct) Regulation 2007

11 – Disclosure of interest

- (1). In this regulation –
Interest means an interest that could, or could reasonably be perceived to; adversely affect the impartiality of the person having the interest arising from kinship friendship or membership of an association.
- (2). A person who is a council member and who has an interest in any matter to be discussed at a council or committee meeting attended by the member must disclose the nature of the interest –
 - (a). in a written notice given to the CEO before the meeting;
or

- (b). at the meeting immediately before the matter is discussed.
- (3). Sub-regulation (2) does not apply to an interest referred to in section 5.60 of the Act.
- (4). Sub-regulation (2) does not apply if –
 - (a). A person who is a council member fails to disclose an interest because the person did not know he or she has an interest in the matter; or
 - (b). A person who is a council member fails to disclose an interest because the person did not know the matter in which he or she had an interest would be discussed at the meeting and the person disclosed the interest as soon as possible after the discussion began.
- (5). If, under sub-regulation (2)(a), a person who is a council member discloses an interest in a written notice given to the CEO before a meeting then –
 - (a). Before the meeting the CEO is to cause the notice to be given to the person who is to preside at the meeting; and
 - (b). At the meeting the person presiding is to bring the notice and its contents to the attention of the persons present immediately before a matter to which the disclosure related is discussed.
- (6). If –
 - (a). Under sub-regulation (2)(b) or (4)(b) a person’s interest in a matter is disclosed at a meeting; or
 - (b). Under sub-regulation (5) (b) notice of a person’s interest in a matter is brought to the attention of the persons present at a meeting.

The nature of the interest is to be recorded in the minutes of the meeting.

Describe the extent of your interest (If seeking to participate in the matter under the s.5.68 of the act)

5.68 – Councils and committees may allow members disclosing interests to participate etc. in meetings

- (1). If a member has disclosed, under section 5.65, an interest in a matter, the members present at the meeting who are entitled to vote on the matter
 - (a). may allow the disclosing member to be present during any discussion or decision making procedure relating to the matter; and
 - (b). may allow , to the extent decided by those members, the disclosing member to preside at the meeting (if otherwise qualified to preside) or to participate in discussions and the decision making procedures relating to the matter if –
 - (i) the disclosing member also discloses the extent of the interest; and
 - (ii) those members decide that the interest –
 - (I) is so trivial or insignificant as to be unlikely to influence the disclosing member’s conduct in relation to the matter; or
 - (II) is common to a significant number of electors or ratepayers
- (2). A decision under this section is to be recorded in the minutes of the meeting relating to the matter together with the extent of any participation allowed by the council or committee.
- (3). This sections does not prevent the disclosing member from discussing, or participating in the decision making process on, the question on whether an application should be made to the Minister under section 5.69.



Councilors Claim for Sitting Fees and Travel

Councillor _____

Creditor No _____

<i>Date</i>	<i>Meeting</i>	<i>Sitting Fees</i>	<i>Travel Km's</i>	<i>Amount</i> 74 cents per km
Date of Meeting	Type of Meeting	\$170/ \$340	No of km's	Office Use

Fees payable are in accordance with the Local Government Act (5.98) – Administration Regulations (30)

Total	Total
<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>
04109	Line Item 370 04100
TOTAL: <input style="width: 100%;" type="text"/>	

OTHER MEETINGS ATTENDED IN MONTH

Date	Meeting	Km's	Vehicle supplied?

Signature Date ←

Calculations Checked _____ Date _____

Goods Received / Payment Approved _____



AUDIT COMMITTEE MEETING TO BE HELD ON 26 July 2019
AGENDA SUMMARY and TABLE OF CONTENTS

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**SHIRE OF SANDSTONE
AUDIT COMMITTEE MEETING
TO BE HELD IN THE COUNCIL CHAMBERS, SANDSTONE,
ON FRIDAY 26 JULY 2019**

1.0 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Presiding Member, Cr Bethel Walton, will declare the meeting open at 10.30am.

VISITORS

Nil

2.0 ANNOUNCEMENTS FROM THE PRESIDING MEMBER

Nil

3.0 ATTENDANCE

3.1 PRESENT

Cr B Walton	Presiding Member
Cr C Hodshon	Committee Member
Cr F May	Committee Member
Cr D Lefroy	Committee Member
Cr V McQuie	Committee Member
Cr K Key	Committee Member

3.2 STAFF ATTENDING

Mr Harry Hawkins	Chief Executive Officer
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3.3 APOLOGIES

Nil

3.4 APPROVED LEAVE OF ABSENCE

Nil

5.0 APPLICATIONS FOR LEAVE OF ABSENCE

Nil

6.0 DECLARATIONS OF INTEREST

Nil

7.0 PUBLIC QUESTION TIME

7.1 RESPONSE TO PREVIOUSPUBLIC QUESTIONS TAKEN ON NOTICE

Nil

7.2 PUBLIC QUESTIONS WITHOUT NOTICE

8.0 CONFIRMATION OF PREVIOUS MEETING MINUTES

Staff Recommendation

Moved Cr
Seconded Cr

That the minutes of the Audit Committee Meeting held on 23 March 2019 are confirmed as a true and accurate record of proceedings

CARRIED

9.0 PRESENTATIONS

9.1 PETITIONS

Nil

9.2 PRESENTATIONS

Nil

9.3 DEPUTATIONS

Nil

9.4 DELEGATES REPORTS

Nil

10.0 OFFICERS REPORTS

10.1 CHIEF EXECUTIVE OFFICER'S REPORTS

2018 Audit Report Significant Matters Identified

Agenda Reference: CEO 07/19 – 01
Location/Address: Shire of Sandstone
Name of Applicant: Shire of Sandstone
Disclosure of Interest: Nil
Date of Report: 04 July 2019
Author: Harry Hawkins, Chief Executive Officer

Summary

Changes to section 7.12A of the Local Government Act 1995 states that a Local Government must prepare a report addressing any matters identified as significant by the auditor. The Auditor General in her report identified significant adverse trends in some of the shire's financial ratios. The shire is required to prepare a report stating what action it has taken or intends to take with respect to each of those matters.

Attachments

Letter requesting report and list of Sandstone financial ratios compared with the departmental standards.

Background

Section 12A (4)(a) 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. The amendment came into effect in 2017 and as the shire had no previous need to prepare this report it was overlooked by the CEO at the time of receiving the 2017-18 audit report.

The ratios listed as showing significant adverse trends and requiring an explanation as to what the shire is doing to address them are the Asset Sustainability Ratio, the Operating Surplus Ratio and the Own Source Revenue Coverage Ratio.

Comment

The Asset Sustainability Ratio is calculated by placing capital renewal and replacement expenditure over depreciation expense and was 0.71 against a standard of 0.90. Due to the threat by the state government of removing the stamp duty exemption and licensing discounts the shire brought forward to June 2017 over \$1m of Plant and vehicle purchases due in 2018. This distorted this ratio in 2018 as there was very little in capital renewal and replacement expenditure while due to much of the plant being new the depreciation expense increased significantly. This is further demonstrated by the 2017 ratio being significantly over the standard and much higher in than previous years.

The Operating Surplus Ratio in 2018 which is calculated by operating revenue minus operating expenses over own source operating revenue was -0.09 which is well under the standard of 0.01. There were some posting errors and abnormal events that affected this ratio being the fencing of the rubbish tip and the airport which were capital expenses posted to the operating accounts of tip maintenance and airport maintenance plus in this year the state government reduced the Direct Grant received from Main Roads. There were also 2 existing houses purchased with \$27,684 spent bringing them up to standard for use as staff housing. While these items don't bring the ratio back into line with the standard they reduce the variation from it. There is not a lot that can be done to significantly increase operating revenue so the focus would need to be on reducing operating expenses and the main area of expense is Transport (roads). There were significant increases in rural road and traffic sign maintenance in 2018

plus daily overtime had become part of the normal working day for outside staff. Overtime has been stopped and road maintenance expenses will be reviewed and reduced to a more sustainable level taking into account safety and asset preservation needs. Expenses in other operating areas such as the caravan park will also be reviewed however savings in areas of lower expenditure will be lower.

The Own Source Revenue Coverage Ratio is calculated by placing own source operating revenue over operating expenses and in 2016 the ratio was 0.22, in 2017 it was 0.17 and in 2018 0.16 against a standard of 0.40. The shire incurred flood damage expenditure of \$2,767,295 in 2016 which was included in operating expenses however the flood damage revenue is not own source revenue and therefore was not included in the calculation. By removing the impact of flood damage expenditure in each year the ratio improves to 0.37 in 2016, 0.34 in 2017 and 0.32 in 2018 still below the standard of 0.40 but a big improvement. In such a remote shire with a big area, 902 kms of roads and a low rate base it would be almost impossible to meet this standard however as mentioned in the earlier paragraph relating to the operating surplus ratio operating expenses will be reviewed and changes implemented to reduce costs to a more sustainable level which will further improve this ratio but it is still unlikely to meet the standard.

Therefore, it is the opinion of the CEO that there is nothing that needs to be done to bring the Asset Sustainability Ratio back to standard as it was the abnormal purchase of over \$1m of 2018 plant purchases in 2017 that distorted the 2018 ratio.

The Operating Surplus Ratio will be improved by ensuring capital expenditure is correctly posted to capital accounts and a review will be undertaken into the level of operating expenditure particularly on employee costs, roads and the caravan park where expenditure levels are high.

The Own Source Revenue Ratio will be reduced once flood damage expenditure is removed and it will be further improved by the review of operating expenditure particularly on employee costs, roads and the caravan park however it will be very difficult to meet the standard due to the makeup of the shire, but every effort will be made.

Consultation

Nil

Statutory Environment

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

Policy Implications

Nil

Financial Implications

Nil

Strategic Implications

Nil

Voting Requirements

Simple majority

Staff Recommendation

**MOVED:
SECONDED:**

That the Audit Committee recommend Council endorse the report by management on the matters identified as significant by the Auditor General in the Auditors Report for 2017-2018 and that it is forwarded to the Department as requested in the attached letter.

Carried/Not Carried (??)

11. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING

Nil

12. MEETING CLOSED TO THE PUBLIC

12.1 MEETING CLOSED TO THE PUBLIC

12.2 PUBLIC READING OF RESOLUTIONS THAT MAY BE MADE TO THE PUBLIC

TIME AND DATE OF NEXT MEETING

Meetings will be called as required.

13 CLOSURE OF MEETING

There being no further business, the Presiding member closed the meeting at _____ AM

CERTIFICATION

I, Cr Beth Walton, certify that the minutes of the meeting held on the 28 March 2019 as shown were confirmed as a true record at the meeting held on the 25 July 2019.

Presiding Member

Date: _____