

*A progressive, diverse and caring community,
with access to modern services and infrastructure,
in a unique part of the world*

Minutes

of the

**Special Meeting of Council
to consider the Shire of Cuballing's
2019/20 Annual Report**

held

TUESDAY 2nd MARCH 2021

Shire of Cuballing
Council Chambers
Campbell Street, Cuballing

COUNCIL MEETING PROCEDURES

1. All Council meetings are open to the public, except for matters raised by Council under “confidential items”.
2. Members of the public may ask a question at an ordinary Council meeting at “Public Question Time”.
3. Members of the public who are unfamiliar with meeting procedures are invited to seek advice at the meeting. If unsure about proceedings, just raise your hand when the Presiding Member announces Public Question Time.
4. All other arrangements are in accordance with the Council’s standing orders, policies and decisions of the town.

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Cuballing for any act, omission or statement or intimation occurring during Council/Committee meetings or during formal/informal conversations with staff. The Shire of Cuballing disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council/Committee meetings or discussions. Any person or legal entity who acts or fails to act in reliance upon any statement does so at that person’s or legal entity’s own risk.

In particular, and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or limitation of approval made by a member or officer of the Shire of Cuballing during the course of any meeting is not intended to be and is not taken as notice or approval from the Shire of Cuballing. The Shire of Cuballing warns that anyone who has an application lodged with the Shire of Cuballing must obtain and only should rely on WRITTEN CONFIRMATION of the outcome of that application and any conditions attaching to the decision made by the Shire of Cuballing in respect of the application.

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1. **DECLARATION OF OPENING:**

The Shire President, Cr Conley, declared the meeting open at 4:34pm.

2. **ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE:**

2.1.1 Attendance

Cr Mark Conley	President
Cr Dawson Bradford	
Cr Robert Harris	
Cr Deb Hopper	

Mr Bruce Brennan	Manager of Works and Services
Ms Nichole Gould	Administration Officer

2.1.2 Apologies

Cr Eliza Dowling	Deputy President
Cr Scott Ballantyne	

Mr Gary Sherry	Chief Executive Officer
Ms Bronwyn Dew	Deputy Chief Executive Officer

2.1.3 Leave of Absence

Nil

3. **STANDING ORDERS:**

COUNCIL DECISION – 2021/016:

That Standing Orders be suspended for the duration of the meeting to allow for greater debate on items.

Moved: Cr Hopper

Seconded: Cr Bradford

Carried 4/0

4. **PUBLIC QUESTION TIME:**

4.1 **RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE:**

Nil

4.2 WRITTEN QUESTIONS PROVIDED IN ADVANCE:

Nil

4.3 PUBLIC QUESTIONS FROM THE GALLERY:

Nil

5. APPLICATIONS FOR LEAVE OF ABSENCE:

Nil

6. CONFIRMATION OF MINUTES:

Nil

The confirmation of minutes from the previous Ordinary Meeting of Council will be included in the Agenda for the next Ordinary Meeting to be held at 2pm, Wednesday 17th March 2021.

**7. PETITIONS/DEPUTATIONS/PRESENTATIONS/
SUBMISSIONS:**

Nil

8. DISCLOSURE OF FINANCIAL INTEREST:

Nil

9. REPORTS OF OFFICERS AND COMMITTEES:

9.1 DEPUTY CHIEF EXECUTIVE OFFICER:

9.1.1	2019/20 Annual Report
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Applicant:	N/A
File Ref. No:	ADM108
Disclosure of Interest:	Nil
Date:	18 th February 2021
Author:	Bronwyn Dew, Deputy CEO
	9.1.1A 2019/20 Audit Report
Attachments:	9.1.1B 2019/20 Butler Settineri Annual Audit Completion Report (attached separately)
	9.1.1C 2019/20 Annual Report – (attached separately)

Summary

Council is to consider receiving the Auditors 2019/20 Audit Report, receiving the 2019/2020 Audit Completion Report and adoption of the 2019/20 Annual Report.

Background

Butler Settineri, as appointed contractor for the Officer of the Auditor General (OAG), has completed their final Audit of Council's functions and operations for the 2019/2020 Financial Year.

Comment

The Audit Committee held a meeting on 17th February and recommended that Council accept the Annual Financial Statements for the financial year ended 30th June 2020. This Audit Committee Meeting was attended by representatives of the OAG's audit contractor Butler Settineri. The Annual Financial Statements are a component of the 2019/2020 Annual Report.

The Shire of Cuballing's 2019/20 Audit Report was received on 24th February 2021. The 2019/20 Audit Report is included as part of the 2019/20 Annual Report and is also included separately at Attachment 9.1.1A. The 2019/20 Audit has been conducted in accordance with the Australian Audit Standards to ensure that during the reporting period the Shire of Cuballing complied with all statutory requirements, including the Local Government Act 1995 and associated Regulations.

Butler Settineri have provided a report of their audit work completed in the Shire of Cuballing. This report is a requirement of Butler Settineri's contract with the OAG and is included at Attachment 9.1.2B.

The 2019/2020 Annual Report has been compiled and is provided for adoption by Council and is included separately in Councillor information Packs..

Council is required to hold an Annual Electors Meeting within 56 days of accepting the annual report and give at least 14 days local public notice of the date, time and place for the Annual Electors Meeting.

Strategic Implications - Nil

Statutory Environment

Local Government Act 1995

5.27 Electors' general meetings

- (1) A general meeting of the electors of a district is to be held once every financial year.
- (2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.
- (3) The matters to be discussed at general electors' meetings are to be those prescribed.

5.29 Convening electors' meetings

- (1) The CEO is to convene an electors' meeting by giving —
 - (a) at least 14 days' local public notice; and
 - (b) each council member at least 14 days' notice, of the date, time, place and purpose of the meeting.
- (2) The local public notice referred to in subsection (1)(a) is to be treated as having commenced at the time of publication of the notice under section 1.7(1)(a) and is to continue by way of exhibition under section 1.7(1)(b) and (c) until the meeting has been held.

5.53 Annual reports

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
 - (a) a report from the mayor or president;
 - (b) a report from the CEO;
 - [(c), (d) deleted]*
 - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year;
 - (f) the financial report for the financial year;
 - (g) such information as may be prescribed in relation to the payments made to employees;
 - (h) the auditor's report for the financial year;
 - (h(a)) a matter on which a report must be made under section 29(2) of the *Disability Services Act 1993*;
 - (h(b)) details of entries made under section 5.121 during the financial year in the register of complaints, including —
 - (i) the number of complaints recorded in the register of complaints;
 - (ii) how the recorded complaints were dealt with; and
 - (iii) any other details that the regulations may require; and
 - (i) such other information as may be prescribed.

5.54 Acceptance of annual reports

- (1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

- (2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

5.55 Notice of annual reports

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

Policy Implications – Nil
Financial Implications – Nil
Economic Implication – Nil
Environmental Considerations – Nil
Consultation – Nil

Options

Council may resolve:

1. the Officer's Recommendation; or
2. not adopt the 2019/20 Annual Report, giving reasons.

Voting Requirements – Absolute Majority

COUNCIL DECISION – 2021/017:

That Council:

1. **accept the Annual Financial Statements for the financial year ended 30th June 2020;**
2. **receive the Shire of Cuballing Audit Report for the financial year ended 30th June 2020 included at Attachment 9.1.1A;**
3. **receive the Butler Settineri 2019/20 Annual Audit Completion Report included at Attachment 9.1.1B;**
4. **adopt the Shire of Cuballing 2019/20 Annual Report; and**
5. **acknowledge the outstanding performance of Shire of Cuballing staff, and particularly the Deputy Chief Executive Officer Ms Bronwyn Dew, in working to successfully complete the Shire of Cuballing's 2019/20 statutory financial requirements.**

Moved: Cr Bradford

Seconded: Cr Hopper

Carried 4/0



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Shire of Cuballing

Report on the Audit of the Financial Report

Opinion

I have audited the annual financial report of the Shire of Cuballing which comprises the Statement of Financial Position as at 30 June 2020, and 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, as well as notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by the Chief Executive Officer.

In my opinion the annual financial report of the Shire of Cuballing:

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Shire in accordance with the *Auditor General Act 2006* and 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 my audit of the annual financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter – Basis of Accounting

I draw attention to Notes 1 and 10 to the annual financial report, which describe the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's financial reporting responsibilities under the Act, including the Local Government (Financial Management) Regulations 1996 (Regulations). My opinion is not modified in respect of these matters:

- (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 *Leases* which would have required the entity to measure the vested improvements also at zero cost.
- (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

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

The Chief Executive Officer (CEO) of the Shire 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 the annual financial report that is free from material misstatement, whether due to fraud or error.

In preparing the annual financial report, the CEO is responsible for assessing the Shire'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 the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Report

The objectives of my audit are to obtain reasonable assurance about whether the annual 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 my 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 annual financial report.

A further description of my responsibilities for the audit of the annual financial report is located on the Auditing and Assurance Standards Board website at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This includes the identification and assessment of the risk of material misstatement due to fraud arising from management override of controls. This description forms part of my auditor's report.

Report on Other Legal and Regulatory Requirements

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

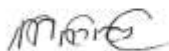
- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
 - a. The Operating Surplus Ratio as reported in Note 30 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries basic standard for the past three years.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the annual financial report were supported by verifiable information and reasonable assumptions.

Other Matter

The financial ratios for 2018 in Note 30 of the annual financial report were audited by another auditor when performing their audit of the Shire for the year ended 30 June 2018. The auditor expressed an unmodified opinion on the annual financial report for that year.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the annual financial report of the Shire of Cuballing for the year ended 30 June 2020 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the annual financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report. If users of the annual 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 annual financial report to confirm the information contained in this website version of the annual financial report.



MARK AMBROSE
SENIOR DIRECTOR FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
24 February 2021

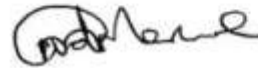


Introduction

From our Partner

The Shire of Cuballing for the year ended 30 June 2020.

We would like to take this opportunity to thank the management team for their assistance during the audit process. If you have any queries on the report, please feel free to contact Marcia Johnson or myself.



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Director

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EXECUTIVE SUMMARY

- ✔ Butler Settineri (Audit) Pty Ltd were appointed as the contract auditor by the Office of the Auditor General for the year ended 30 June 2020.
- ✔ Butler Settineri (Audit) Pty Ltd have completed the external statutory audit for the year ended 30 June 2020 as contract auditor on behalf of the Office of the Auditor General.
- ✔ No unresolved issues or outstanding matters.
- ✔ We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements.
- ✔ In relation to reporting on other legal and regulatory requirement we intend to recommend the following:
 - Significant adverse trend in relation to the operating surplus ratio.
- ✔ Our findings are included in this report.



INDEPENDENCE

We are independent of the Shire in accordance with the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.

Threats to independence include the following:

- ① SELF INTEREST THREATS
- ① SELF REVIEW THREATS
- ① ADVOCACY THREATS
- ① FAMILIARITY THREATS
- ① INTIMIDATION THREATS

What we do to remain independent:

- All team members sign an independence declaration at the commencement of the audit;
- We monitor our individual independence throughout the audit;
- All team members sign off an independence declaration at the completion of the audit.

COMPLIANCE WITH LAWS & REGULATIONS & FRAUD

Laws and Regulations applicable to the Shire include the following:

- ✔ Local Government Act 1995;
- ✔ Local Government (Financial Management) Regulations 1996;
- ✔ Local Government (Audit) Regulations 1996;
- ✔ Australian Tax Office (GST / FBT / PAYG) Compliance;
- ✔ Compliance with conditions of program funding arrangements.

During the audit process we have identified:

- ✔ Non-compliance issues that have been reported in the audit report where applicable and detailed on page 10 of this document.
- ✔ No findings or indications of suspected fraud.

As far as the external audit relates to the matters noted above.

Key Audit
Matters and
Audit
Outcomes



During the planning phase of the audit, we identified the following issues and key areas of audit risk.

Details of Risk / Issue	Audit Approach
Audit findings reported in the previous audit	We followed up on last year's audit issues during the audit. All issues were resolved.
Changes to accounting standards: AASB 15 Revenue from Contracts with Customers AASB 16 Leases AASB 1058 Income of Not-for Profit Entities	We reviewed management's assessment of the impact of these new accounting standards on the financial statements and found it to be in accordance with the new accounting standards. The adoption had the following impact on the financial statements: <ul style="list-style-type: none"> • 1 July 2019 – no adjustment to retained surplus • 30 June 2020 – recognition of contract grant liability of \$428,777 <p>The Shire has adopted the new accounting standards at the effective date of 1 July 2019. The modified retrospective approach has been applied whereby comparative figures in the financial statements have not been restated.</p>
Changes to <i>Local Government (Financial Management) Regulations</i> that have been signalled by the Department of Local Government, Sport and Cultural Industries (DLGSCI): <ul style="list-style-type: none"> • Regulation 16 deleted • Regulation 17A amended 	We assessed management's implementation of the changes to the Regulations and the effect on the financial report and found it to be in accordance with the Regulations. The adoption had the following impact on the financial statements: <ul style="list-style-type: none"> • 1 July 2019 – removal of land under golf course of \$250,000 <p>The Shire has applied the change in regulations as a change in accounting policy at the effective date of 1 July 2019. The modified retrospective approach has been applied whereby comparative figures in the financial statements have not been restated.</p>
Impact of COVID-19	Our procedures performed did not reveal any exceptions in terms of internal controls gaps in key financial reporting areas including but not limited to procurement and journals.
We have identified the following areas that we consider require additional focus during our 2019-20 local government audits: <ul style="list-style-type: none"> • Related party disclosures • Revenue recognition • Revaluation of Plant & Equipment • Unauthorised expenditure • Unrecorded liabilities and expenses • Fictitious employees 	We reviewed the related audit evidence as part of our audit testing and confirmed that appropriate recognition and measurement and disclosures have been made in the financial statements in relation to the risks identified.
The following annual financial report items are derived from	We reviewed the methodology and underlying data that management used when determining

<p>accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> • Provision for annual and long service leave • Fair value of assets • Impairment of assets 	<p>critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.</p>
<p>Important changes in management or the control environment</p>	<p>There were no changes to management during the financial year.</p>

SIGNIFICANT AUDIT FOCUS

- ✔ New AASB 15 & 1058 Revenue from Contracts with Customers and Income for Not-For-Profit Entities

Policy updated and implemented

- ✔ New AASB 16 Leases

Policy updated and implemented

- ✔ Amended Local Government (Financial Management) Regulations 1996

Policies updated and implemented in the 2019-20 year to comply with:

- *Amended Regulation 17A – plant & equipment measured under the cost model*
- *Regulation 16 deleted as covered by AASB 16 Leases*

AUDIT MISSTATEMENTS

- ✔ There were no uncorrected misstatements.

AUDIT FINDINGS

- ✔ Per the Interim Management Letter:
 1. Fixed asset register not reconciled to the financial records on a regular basis.
 2. Key reconciliations not performed on a monthly basis.
 3. Rates reconciliations not independently reviewed.
 4. Opening balance trial balance not agreeing to the signed financial statements.
 5. Purchase order not prepared.
 6. Verbal quotes not documented
 7. IT server located in the general office and server cabinet not secured
- ✔ Per the Final Management Letter:

No findings

IMPROVEMENTS FROM PRIOR YEAR

The following matters were reported in the 2018/19 audit report:

- The Asset Sustainability Ratio that was below the basic standard of the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past 3 years has improved and achieved the basic standard.
- The Asset Renewal Funding Ratio had not been reported for 2018-19 and the two preceding years, as the Long Term Financial Plan had not been updated. The Shire has updated the Long Term Financial Plan the ratio has been reported for 2019-20.
- The Financial Management Review was not completed every three years as required by the legislation, during the 2019/20 financial year this was completed.
- Journal entries are reviewed by a senior employee.
- Bank accounts have been reviewed by a supervising officer

REPRT ON OTHER LEGAL AND REGULATORY REQUIREMENTS IN THE AUDITOR'S REPORT

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

- (i) In our opinion, the following material matters indicate significant adverse trends in the financial position or the financial management practices of the Shire:
 - a. The Operating Surplus Ratio is below the Department of Local Government, Sport and Cultural Industries basic standard for the financial years 2019-20, 2018-19 and 2017-18. The financial ratios are reported at Note 30 to the financial report.

Key Changes for next year

Changes in regulations

- None anticipated.

Accounting Issues for 2021

- AASB 1059 – Service Concession Arrangements: Grantors
Management should assess impact of the standard on the financial statements for the year ending 30 June 2021.

THANK YOU

We would like to take this opportunity to once again thank the management team for their assistance during the audit process, in particular we would like to thank Bronwyn Dew and the finance team for their support.





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BUTLER  SETTINERI

Real People. Better Business.

9.2 CHIEF EXECUTIVE OFFICER:

Nil

9.3 MANAGER OF WORKS AND SERVICES:

Nil

10. ELECTED MEMBERS' MOTION OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN:

Nil

11. URGENT BUSINESS WITHOUT NOTICE WITH THE APPROVAL OF THE PRESIDENT OR MEETING:

Nil

12. CONFIDENTIAL MATTERS:

Nil

13. NEXT MEETING:

Ordinary Council Meeting, 2.00pm, Wednesday 17th March 2021 at the Shire of Cuballing Council Chambers, Campbell Street, Cuballing.

Annual Electors Meeting, 6.30pm, Wednesday 17th March 2021 at the Shire of Cuballing Council Chambers, Campbell Street, Cuballing.

14. CLOSURE OF MEETING:

There being no further business, the Shire President, Cr Conley, closed the meeting at 4:37pm.