



OUR REFERENCE: 4105

YOUR REFERENCE:

DATE: 4 March 2020

Stuart Fraser
A/Director – Industry and Sector Regulation Branch
Department of Local Government, Sport and Cultural Industries
GPO Box R1250
PERTH WA 6844

Dear Stuart

Plan to Address Significant Matters – 2018/19 Audit

Please find attached a plan toward completing matters identified in the report on the significant matters reported by the Office of the Auditor General in the 2018/19 Annual Audit. This plan was endorsed by Council's Audit Committee on 13 February 2020 and by Council at the Ordinary Meeting on 27 February 2020.

Officers will provide a quarterly update to both the Audit Committee and the Department.

Should you require any additional information, please do not hesitate to contact me.

Yours sincerely

Amanda O'Halloran
Chief Executive Officer

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Issue Identified		Shire Comment	Action to be undertaken	Time Frame	Progress at 10 February 2020
1. Material matters indicate significant adverse trends in the financial position of the Shire	The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries standard for the past three years. The financial ratios are reported in Note 31 of the annual financial report	<p>The Shires Operating Surplus Ratio has been impacted by the significant project works associated with WANDRRA. These works are due to be finalised during the 2019/20 Financial Year and from this point Council will be in a better position to understand its sustainability going forward.</p> <p>Given this Council has been working to improve its operations and decrease operation spend as much as possible. A 10 year loan has been secured to cover the works that had been carried out for life time projects such as the Derby Airport and Derby Wharf. This too will support the Shires cash flow going forward.</p>	The Shire is undertaking a significant Strategic Planning Process during 2020, this will inform the Long Term Financial Plan and the Councils Asset Management and will therefore give Council and the DLGSCI a clearer picture on the Councils financial sustainability over the next 10 years.	June 2021	N/A

Issue Identified		Shire Comment	Action to be undertaken	Time Frame	Progress at 10 February 2020
2. The following material matters indicating noncompliance 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 were identified	a) The Shire has not reported the Asset Renewal Funding Ratio for 2019, 2018 and 2017 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations, 1996, as planned capital renewals and required capital expenditure were not estimated in a long term financial plan and asset management plan respectively.	The Shire is undertaking a significant Strategic Planning Process during 2020, this will inform the Long Term Financial Plan and the Councils Asset Management and will therefore give Council and the DLGSCI a clearer picture on the Councils financial sustainability over the next 10 years.	The Shire will move to complete its Asset Management Plan during the 2020/2021 Financial year, once the Strategic Community Plan is finalised.	June 2021	N/A

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	<p>b) For approximately 30% of purchase transactions we sampled, there was inadequate or no evidence that a sufficient number of quotations were obtained, to test the market, and no documentation to explain why other quotes were not sought. This practice increases the likelihood of not receiving value for money in procurement</p>	<p>At the 12 December 2019 Ordinary Council Meeting a review of Delegation F1 – Payments from Municipal Funds – Incurring Liabilities and Making Payments was amended to clearly set out purchasing delegations. In addition Policy AF1 – Procurement of Goods and Services was reviewed and adopted.</p> <p>Officers have developed a procedure and form that captures required information during this process and is captured in the Shire’s financial system.</p>	<p>Training to be undertaken with all staff members setting out requirements of officers undertaking requisitioning and purchasing authority.</p> <p>Develop internal audit process to monitor compliance with policy and procedure</p>	<p>31 March 2019</p> <p>31 March 2019</p>	<p>Training was undertaken 16/17/18 December with staff in Derby and Fitzroy Crossing.</p> <p>There are approximately 10 staff who still require training.</p> <p>OUTCOME: ON TARGET</p> <p>OUTCOME: ON TARGET</p>

Issue Identified		Shire Comment	Action to be undertaken	Time Frame	Progress at 10 February 2020
3. Electronic Publication of the Audited Financial Report	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, it does not provide an opinion on any other information which may have been hyperlinked to/from this annual financial report.	The Shire is currently reviewing the requirements of the <i>Local Government Legislation Amendment Act 2019</i> and requirements for public information access.	A full detailed report identifying the issues and areas of non-compliance and the associated corrections required will be presented to the Compliance Committee for the consideration and direction.	OCM April 2020	OUTCOME: ON TARGET