



SHIRE OF MENZIES

MINUTES

**OF THE AUDIT COMMITTEE MEETING
HELD**

Monday 15 June, 2015

Shire of Menzies

Commencing at 6:10pm

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Menzies for any act or omission or statement or intimation occurring during this meeting.

It is strongly advised that persons do not act on what is heard at this meeting and should only rely on written confirmation of Council's decision, which will be provided within fourteen (14) days of this meeting.

FINANCIAL INTEREST (EFFECTIVE 1 JULY 1996)

A financial interest occurs where a Councillor, or person with whom the Councillor is closely associated, has direct or indirect financial interest in the matter. That is, the person stands to make a financial gain or loss from the decision, either now or at some time in the future.

An indirect financial interest includes a reference to a financial relationship between that person and another person who requires a Local Government decision in relation to the matter.

Councillors should declare an interest:

- a) In a written notice given to the CEO before the meeting: or**
- b) At the meeting immediately before the matter is discussed**

A member who has declared an interest must not:

Preside at the part of the meeting relating to the matter: or
Participate in, or be present during any discussion or decision making procedure relating to the matter.

Unless the member is allowed to do so under Section 5.68 or 5.69, Local Government Act 1995

Ref: Local Government Act 1995 Division 6 – Disclosure of Financial Interest.
Specifically Sections 5.60, 5.61, 5.65 and 5.67

TERMS OF REFERENCE

Objectives of the Audit Committee

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the Shire's Auditor so that Council can be satisfied with the performance of the Shire in managing its financial affairs.

Reports from the Committee will assist Council in discharging its legislative responsibilities of controlling the Shire's affairs, determining the Shire's policies and overseeing the allocation of the Shire's finances and resources. The Audit Committee will ensure openness in the Shire's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the Shire's financial accounting systems and compliance with legislation.

The Audit Committee is to facilitate:

- The enhancement of the credibility and objectivity of external financial reporting;
- Effective management of financial and other risks and the protection of Shire assets;
- Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- The provision of an effective means of communication between the external auditor, the CEO and the Council.

Powers of the Audit Committee

The Audit Committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the Shire that have not been delegated to the CEO.

The Audit Committee is a formally appointed Committee of Council and is responsible to that body. The Audit Committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The Audit Committee does not have any management functions and cannot involve itself in management processes or procedures.

Membership

The Audit Committee will consist of four members with full voting rights and a quorum shall be two members.

The CEO and employees are not members of the Audit Committee.

The CEO and Deputy CEO are to be available to attend meetings to provide advice and guidance to the Audit Committee.

The Shire shall provide secretarial and administrative support to the Audit Committee.

Meetings

The Audit Committee shall meet at least annually. Additional meetings shall be convened at the discretion of the presiding person.

Reporting

Reports and recommendations of each Audit committee meeting shall be presented to the next Ordinary Meeting of Council.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee will be:

- a) Provide guidance and assistance to Council as to the carrying out of the functions of the Shire in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Shire's Auditor;
- c) Develop and recommend to Council:

- A list of those matters to be audited; and
 - The scope of the audit to be undertaken;
- d) Recommend to Council the person or persons to be appointed as Auditor;
- e) Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include:
- The objectives of the audit;
 - The scope of the audit;
 - A plan of the audit;
 - Details of the remuneration and expenses to be paid to the Auditor; and
 - The method to be used by the Shire to communicate with, and supply information to, the Auditor;
- f) Meet with the Auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
- g) Liaise with the CEO to ensure that the Shire does everything in its power to:
- Assist the Audit to conduct the audit and carry out their other duties under the *Local Government Act 1995*; and
 - Ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the Auditor after receiving a report from the CEO on the matters to:
- Determine if any matters raised require action to be taken by the Shire; and
 - Ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO any actions taken in respect of any matters raised in the report of the Auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the Auditor is received, whichever is the latest in time;
- j) Review the scope of the audit plan and program and its effectiveness;
- k) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Audit Committee's Terms of Reference following authorisation from the Council;
- l) Review the annual Compliance Audit Return and report to Council the results of that review; and
- m) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Audit Committee, and report to Council the results of those reviews.

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MINUTES OF THE AUDIT COMMITTEE MEETING

At 10:00am due to the absence of a quorum the A/Chief Executive Officer, on the instructions of the Shire President, adjourned the Audit Committee Meeting until 6:00pm this evening.

1. DECLARATION OF OPENING

The Chairperson, Cr Greg Dwyer, declared the meeting open at 6:10pm, welcomed the attendees, visitors, guests and proceeded with the Agenda as planned.

2. ANNOUNCEMENT OF VISITORS

Nil

3. RECORD OF ATTENDANCE

3.1 PRESENT:

Councillors:	Cr G Dwyer	President
	Cr I R Tucker	Councillor
	Cr J Lee	Councillor
Staff:	M Fitzgerald	A/CEO
	K Oborn	Deputy CEO
	L Downie	Minutes

Observers: Nil

3.2 APOLOGIES

Councillors	Cr J Mazza	Councillor
	Cr P Twigg	Deputy President
Staff:	Nil	

4. DECLARATIONS OF INTEREST

Nil

5. APPLICATIONS FOR LEAVE OF ABSENCE

Nil

6. PUBLIC QUESTION TIME

Nil

7. CONFIRMATION OF PREVIOUS MINUTES

7.1 CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON THURSDAY 26 MARCH 2015

VOTING REQUIREMENTS:

Simple Majority Decision required

Moved: Cr Lee

Seconded: Cr Tucker

COUNCIL DECISION:



That the Minutes of the Audit Committee Meeting held on 26 March 2015 as presented, be adopted.

6:12pm

CARRIED 3/0

8. REPORTS OF COMMITTEES AND OFFICERS

8.1 PROPOSAL TO IMPOSE DIFFERENTIAL RATES FOR 2015/2016 FINANCIAL YEAR

SUBMISSION TO:	Audit Committee Meeting, 15 June 2015
LOCATION:	Shire of Menzies
APPLICANT:	Shire of Menzies
FILE REF:	ADM262
DISCLOSURE OF INTEREST:	None
DATE:	11 June 2015
AUTHOR:	Karen Oborn, Deputy Chief Executive Officer
SIGNATURE OF AUTHOR:	
SENIOR OFFICER:	Mike Fitzgerald, Acting Chief Executive Officer
SIGNATURE OF SENIOR OFFICER:	
PREVIOUS MEETING REFERENCE:	None

ATTACHMENT:

8.1 Attachment #1 Objects and Reasons for adoption of differential rating

SUMMARY

This item is to seek the Committee's endorsement of the proposal to impose differential rates for the 2015 -16 Financial Year.

BACKGROUND:

There is provision under the *Local Government Act 1995* to impose differential rates within its boundaries and in considering this imposition, there are certain statutory obligations that the local government must comply with.

- Before any consideration to its Budget, the local government is required to give local public notice of its intention to impose differential rates,
- The local government must provide information of each new rate or minimum payment,
- Electors or rate payers are invited to make submissions in respect of the proposed rate or minimum payment. This submission period must be for a minimum of 21 days.

COMMENT:

Since 2008-09 Council's rate increases have been kept to a minimum and no increase was put in place for in 2011-12 or 2012-13, an increase was imposed in the 2014-2015 year. Benchmarks that many local governments use to assess the overall increase in the cost of providing municipal services is the Local Government Cost Index (LGCI) as developed by WALGA and the CPI which includes all costs associated with that delivery of services that the CPI does not take into consideration such as isolation factors, freight charges, access issues and many more. However, currently the forecast LGCI from WALGA for 15/16 is about 2.9% while the Treasury forecast for Perth's CPI is around 2.5%.

The rate modelling for the financial year 2015-16 is proposed as follows:

AREA	VALUATION	2014-15 Budget	2015-16 Proposed	% change
Menzies Townsite	GRV	7.172c/\$	7.887c/\$	9%
Mining Sector	UV	13.99c/\$	14.410c/\$	3%
Kookynie Townsite	UV	2.485c/\$	2.685c/\$	7%
Pastoral	UV	3.69c/\$	3.747c/\$	1.5%
Minimum Payments	GRV/UV/Pastoral/other	\$200	\$300	33%
Minimums	UV Mining	\$225	\$300	33%

It is further proposed that UV- Mining be split into the following categories as listed below:

Mining Activity	RATE IN THE \$ (for 2015/16)
Prospecting Lease	13.999c/\$ (= 97% of 14.411c/\$) as 14/15
Exploration Lease	14.205c/\$ (= 98% of 14.411c/\$) 1.5% increase
Mining Lease - operational	14.411c/\$ (= 100% of 14.411c/\$) 3% increase

The differential rates for Unimproved Mining has been set taking into account the considerable impact of heavy traffic volumes from mining activities, however empirical evidence has shown that exploration, prospecting and operations, have a different level of impact on the Shire's road infrastructure, although, there remains the need to fund the maintenance and renewal of this vital community infrastructure while recognising the Shire's goal to encourage Mining in the District.

It is also proposed that 'vacant' UV & GRV assessments, be separated from other UV and GRV categories in order for the Shire to meet the compliance rules and raise its minimum rates to a consistent regional level of \$300 as:

Local Government Act 1995 Section 6.35

(5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.

(6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories —

- (a) to land rated on gross rental value; and
- (b) to land rated on unimproved value; and
- (c) to each differential rating category where a differential general rate is imposed.

[Section 6.35 amended by No. 49 of 2004 s. 61.]

VALUATION	2014-15 Budget	2015-16 Proposed	MINIMUM
GRV	7.172c/\$	7.887c/\$	\$300
GRV Vacant	7.172c/\$	7.999c/\$	\$300
UV	2.485c/\$	2.685c/\$	\$300
UV Vacant	2.485c/\$	7.887c/\$	\$300

	\$2014-15 Budget	2014-15 \$ Actual to 28/2/15	\$ Budgeted for 2015-16
GRV	61,235	87,371	17,533
GRV Vacant	0	0	66,949
UV – Pastoral & Other	62,694	95,524	42,633
UV Other Vacant	0	0	37,498
UV – Mining Operational	2,556,778	2,695,301	1,971,878
UV – Mining Exploration	0	0	686,288
UV – Mining Prospecting	0	0	118,628
Total Rates	2,680,707	2,878,196	2,930,142
Less Write-offs	(100,000)	(32,636)	(100,000)
Net Total rates	2,580,707	2,845,560	2,856,925

In determining rate in the dollar charges the 2015-16 charges of neighbouring shires is also a factor. Some of these are listed below:

	GRV c/\$	GRV MIN	UV General	UV Min.	UV Mining	UV Min.
Coolgardie	9.36	580	4.69	580	17.89	365
Cue	9.44	310	7.49	310	26.83	310
Dundas	12.34	315	3.69	315	12.04	315
Laverton	9.2	260	6.7	260	13.38	260
Leonora	6.1	279	6.164	279	13.40	279
Mount Magnet	9.08	371	6.01	371	28.08	420
Sandstone	5.38	200	5.38	295	25.34	295
Meekatharra	11.57	350	3.74	275	18.54	275
Wiluna	11.30	293	6.7	293	13.40	293

Mean Average	9.3078	\$329	5.62	\$331	18.77	\$312
Menzies 2014-15	7.172	\$200	2.485	\$200	13.99	\$225
Menzies 2015-16	7.887	\$300	2.685	\$300	14.41	\$300
	-84.76%	-91.19%	-47.55%	-90.63%	-76.77%	-96.15%

The number of mining tenements has dropped slightly due to the economic down turn with some companies surrendering their tenements. Given the volatility in the mining sector, it is difficult to predict what 2015-16 will bring so a provision for rate write-off has been set at \$100,000.

The Shire is continuing to raise rates by an amount to meet increased costs and predicted increases in inflation. In comparing the rating levels of neighbouring local governments, the Shire of Menzies' rates are still below the average for the region.

The final amount raised from rates may vary as a result of changes in valuations before rates are calculated but this is expected to be minimal.

Should Council Adopt the recommendation, the proposal will have to be advertised publicly for a period of 21 days (advising that a copy of the Objects and Reasons for the proposal is

available) inviting submissions from the general public. Council must then consider any submissions received before making application to the Minister for approval.

CONSULTATION:

CEO, Councillors, UHY Paul Breman.

STATUTORY ENVIRONMENT:

The Local Government Act 1995

6.33. Differential general rates

- (1) *A local government may impose differential general rates according to any, or a combination, of the following characteristics—*
 - (a) *the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the Planning and Development Act 2005;*
 - (b) *a purpose for which the land is held or used as determined by the local government;*
 - (c) *whether or not the land is vacant land; or*
 - (d) *any other characteristic or combination of characteristics prescribed.*
 - (2) *Regulations may—*
 - (a) *specify the characteristics under subsection (1) which a local government is to use; or*
 - (b) *limit the characteristics under subsection (1) which a local government is permitted to use.*
 - (3) *In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.*
 - (4) *If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1)(a) applies.*
-
- (1) *Before imposing any differential general rates or a minimum payment applying to a differential rate category under section 6.35(6)(c) a local government is to give local public notice of its intention to do so.*
 - (2) *A local government is required to ensure that a notice referred to in subsection (1) is published in sufficient time to allow compliance with the requirements specified in this section and section 6.2(1).*
 - (3) *A notice referred to in subsection (1) —*
 - (a) *may be published within the period of 2 months preceding the commencement of the financial year to which the proposed rates are to apply on the basis of the local government's estimate of the budget deficiency;*
 - (b) *is to contain —*
 - (i) *details of each rate or minimum payment the local government intends to impose;*
 - (ii) *an invitation for submissions to be made by an elector or a ratepayer in respect of the proposed rate or minimum payment and any related matters within 21 days (or such longer period as is specified in the notice) of the notice; and*
 - (iii) *any further information in relation to the matters specified in subparagraphs (i) and (ii) which may be prescribed; and*
 - (c) *is to advise electors and ratepayers of the time and place where a document describing the objects of, and reasons for, each proposed rate and minimum payment may be inspected.*

- (4) *The local government is required to consider any submissions received before imposing the proposed rate or minimum payment with or without modification.*
- (5) *Where a local government —*
 - (a) *in an emergency, proposes to impose a supplementary general rate or specified area rate under section 6.32(3)(a); or*
 - (b) *proposes to modify the proposed rates or minimum payments after considering any submissions under subsection (4), it is not required to give local public notice of that proposed supplementary general rate, specified area rate, modified rate or minimum payment.*

POLICY IMPLICATIONS:

Council has no specific policy in relation to this matter

FINANCIAL IMPLICATIONS:

Financial management standards in relation to the delivery of Council services

VOTING REQUIREMENTS:

Simple Majority Decision required

Moved: Cr Lee

Seconded: Cr Tucker

COUNCIL DECISION:

That the Committee Recommends that Council:

1. **Imposes differential rates in the 2015-16 Financial year as follows:**

AREA	VALUATION	2015-16
Menzies Townsite	GRV	7.887 c/\$
Menzies Townsite	GRV - Vacant	7.999 c/\$
Kookynie Townsite	UV - Other	2.685 c/\$
Kookynie Townsite	UV - Other Vacant	7.887 c/\$
Pastoral	UV - Pastoral	3.747 c/\$
Mining Sector	UV - Mining Ops	14.411 c/\$
Mining Sector	UV - Mining Exploration	14.205 c/\$
Mining Sector	UV - Mining Prospecting	13.999 c/\$
Minimum Payments	GRV	\$300
Minimum Payments	GRV - vacant	\$300
Minimum Payments	UV - Other	\$300
Minimum Payments	UV - Other Vacant	\$300
Minimum Payments	UV - Pastoral	\$300
Minimum Payments	UV - Mining Ops	\$300
Minimum Payments	UV - Mining Exploration	\$265
Minimum Payments	UV - Mining Prospecting	\$235

2. **Requests the Minister for Local Government to approve an application for the imposition of differential general rates in accordance with Section 6.33 (3) of the**

Local Government Act 1995 and the imposition of \$300 minimum payments on vacant land under Section 6.35 (5) (6) of the Local Government Act 1995.

6:19pm

CARRIED 3/0

9. NEXT MEETING

The next Audit Committee Meeting will be held when requested by the Chairperson.

10. CLOSURE OF MEETING

There being no further business the Chairperson declared the meeting closed at 6:20pm.

I, GEORGY DWYER hereby certify that the Minutes of the Audit Committee held 15 June 2015 are confirmed as a true and correct record, as per the Council Resolution of the Audit Committee Meeting held on

Signed



Dated:

30th JULY

2015