



**SHIRE OF MENZIES**

## **MINUTES**

**OF THE AUDIT COMMITTEE MEETING  
HELD**

**Thursday 25 February 2016**

**Shire of Menzies**

**Commencing at 9:10am**

## **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

### 1. DECLARATION OF OPENING

The Chairperson, Cr Jill Dwyer, declared the meeting open at 9:10am, welcomed the attendees, and proceeded with the Agenda as planned.

### 2. ANNOUNCEMENT OF VISITORS

Marek Cieslakiewicz, RSM Bird Cameron attended by telephone at 9:10am. Mr Cieslakiewicz left the meeting at 9:30am.

### 3. RECORD OF ATTENDANCE

#### 3.1 PRESENT:

<b>Councillors:</b>	Cr J Dwyer	Shire President
	Cr I R Tucker	
	Cr J Mazza	
	Cr K Mader	

<b>Staff:</b>	P Durtanovich	A/CEO
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<b>Observers:</b>	Nil
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#### 3.2 APOLOGIES

<b>Councillors:</b>	Cr J Lee
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<b>Staff:</b>	Nil
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### 4. DECLARATIONS OF INTEREST

Nil

### 5. PUBLIC QUESTION TIME

Nil

### 6. CONFIRMATION OF PREVIOUS MINUTES

#### 6.1 CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON THURSDAY 17 DECEMBER 2015

#### VOTING REQUIREMENTS:

Simple majority

<b>COMMITTEE DECISION:</b>
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Moved: Cr Mazza

Seconded: Cr Tucker

That the Minutes of the Audit Committee Meeting held on 17 December 2015 be confirmed as a true and correct record of proceedings.

CARRIED 4/0

## 7. REPORTS OF COMMITTEES AND OFFICERS

### 7.1 COMPLIANCE AUDIT RETURN – 1 JANUARY TO 31 DECEMBER 2015

<b>SUBMISSION TO:</b>	Audit Committee Meeting, 25 February 2016
<b>LOCATION:</b>	N/A
<b>APPLICANT:</b>	N/A
<b>FILE REF:</b>	ADM058
<b>DISCLOSURE OF INTEREST:</b>	None
<b>DATE:</b>	15 February 2016
<b>AUTHOR:</b>	Glenn Bone, Consultant
<b>SENIOR OFFICER:</b>	Pascoe Durtanovich, Acting CEO
<b>PREVIOUS MEETING REFERENCE:</b>	8.1 Audit Committee Meeting 26 March 2015

#### ATTACHMENTS:

7.1 Attachment #1 – Draft Compliance Audit Return for year ending 31 December 2015

#### SUMMARY:

Consideration of the Compliance Audit Return (CAR) for the year ending 31 December 2015.

#### BACKGROUND:

The CAR for the period 1 January to 31 December 2015 must be completed and returned to the Executive Director, Department of Local Government & Communities by 31 March 2016.

#### COMMENT:

The CAR is to be:

- a) Reviewed by the Audit Committee
- b) Presented to Council at a meeting of the Council
- c) Adopted by the Council (along with comments and amendments)
- d) The adoption recorded in the minutes of the meeting at which it is adopted.

The CAR this time has 87 questions including 10 new questions in the section dealing with Tenders for Providing Goods and Services. Several questions have explanatory comment included however there was one matter of technical non-compliance as recorded below –

#### Tenders for Providing Goods and Services

Q.4 *Did the local government's advertising and tender documentation comply with Financial & General Regs 14, 15 and 16?*

*Response No. There was one instance where the tender document process was non-compliant. This related to F&G Reg. 14(2a) and the requirement that the local government (Council) is to determine in writing which tender should be accepted. Whilst the criteria for Tender 02/15 – Solar Panels, was actually recorded in writing (prepared by GVROC) it was not in this instance adopted by Council.*

#### CONSULTATION:

Pascoe Durtanovich, Acting CEO

#### STATUTORY ENVIRONMENT:

*Local Government (Audit) Regulations 1996*

Regulation 14 ( 1) Requires a local government to carry out a compliance audit for the period 1 January to 31 December in each year .

Regulation 14 (3A) The local government's audit committee is to review the compliance audit return and is to report to council the results of that review.

Regulation 14 (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be –

(a) Presented to a meeting of the council; and

(b) Adopted by council

(c) Recorded in the minutes of the meeting at which it is adopted.

Regulation 15 Requires a certified copy of the return together with a copy of the relevant section of the minutes at which it was adopted, is to be submitted to the Executive Director by 31 March next following for the period to which the return relates.

**POLICY IMPLICATIONS:**

Nil

**FINANCIAL IMPLICATIONS:**

Nil

**STRATEGIC IMPLICATIONS:**

Nil

**VOTING REQUIREMENTS:**

Simple majority

<b>COMMITTEE DECISION:</b>
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**Moved: Cr Mazza**

**Seconded: Cr Mader**

**That the Audit Committee provide the following advice to Council:**

- 1. That it has conducted a review of the Compliance Audit Return for the year ending 31 December 2015, noting the comments contained in the Return;**
- 2. Recommend that Council adopts the attached Compliance Audit Return for the year ending 31 December 2015; and**
- 3. Recommend that the Return be certified by the President and the Acting Chief Executive Officer.**

**CARRIED 4/0**

## 7.2 2015/2016 BUDGET REVIEW

<b>SUBMISSION TO:</b>	Audit Committee Meeting, 25 February 2016
<b>LOCATION:</b>	N/A
<b>APPLICANT:</b>	N/A
<b>FILE REF:</b>	ADM051
<b>DISCLOSURE OF INTEREST:</b>	None
<b>DATE:</b>	17 February 2016
<b>AUTHOR:</b>	Pascoe Durtanovich, Acting CEO
<b>PREVIOUS MEETING REFERENCE:</b>	None

### **ATTACHMENTS:**

8.2 Attachment #1 2015/2016 Budget Review document

### **SUMMARY:**

The purpose of this item is for Council to undertake the annual statutory Budget review.

### **BACKGROUND:**

The Budget review was undertaken by the Acting Chief Executive Officer on the basis of comparison with actual income and expenditure information to 31 December 2015 and projections to 30 June 2016.

Formatting of the financial report to 31 December 2015 was undertaken by Council's consultant accountant.

### **COMMENT:**

The attached review document details areas of material variance from Budget estimates and reasons for same – see Major Variation notes Page 46.

Significant variances include:

- Reduction in surplus brought forward 1 July 2015 of \$237,803
- Overall reduction in interim rates of \$320,000
- Increased expenditure - \$15,000 debt collection
- Increase in penalty interest on rates - \$30,000
- Increased expenditure for purchase of Electronic Record Keeping System - \$25,000
- Increased expenditure on aerial land grounds of \$70,000
- Projected expenditure reduction of approximately \$750,000 due mainly to savings on plant purchases, building maintenance and projects not proceeded with

The projected end of year position in \$156,000 surplus.

Council is reminded that a significant amount of rates remain outstanding, as at 31 December 2015 \$1.597 million and as at 17 February 2016 \$1.4 million.

With the downturn in the mining sector many tenements have been surrendered, resulting in a significant loss in revenue. Additionally, there are a number of entities that cannot pay their rates resulting in significant bad debts. It is likely that Council could be faced with unpaid rates of up to \$1 million come 30 June 2016.

To minimise the impact of the potential rate revenue reduction it is recommended that budgeted transfer to Reserve Funds not be proceeded with at this stage and the matter be reviewed at the end of May 2016.

Adopted Budget transfers to Reserve total \$1.58 million.

**CONSULTATION:**

Consultant Accountant

**STATUTORY ENVIRONMENT:**

*Local Government (Financial Management) Regulations 1996*

**33A. Review of Budget**

- (1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.
- (2A) The review of an annual budget for a financial year must –
  - (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
  - (b) consider the local government's financial position as at the date of the review; and
  - (c) review the outcomes for the end of that financial year that are forecast in the budget.
- (2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.
- (3) A council is to consider a review submitted to it and is to determine\* whether or not to adopt the review, any parts of the review or any recommendations made in the review.  
**\*Absolute majority required.**
- (4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

**POLICY IMPLICATIONS:**

Nil

**FINANCIAL IMPLICATIONS:**

It is anticipated that budgeted works, as amended, will be completed however, noting the comments on the deteriorating rate revenue position a reduction in Reserve Fund transfers may have to be made in May 2016.

**STRATEGIC IMPLICATIONS:**

Nil

**VOTING REQUIREMENTS:**

Simple majority

<b>COMMITTEE DECISION:</b>
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**Moved: Cr Mazza**

**Seconded: Cr Dwyer**

**That the Audit Committee recommends that Council:**

- 1. Adopt the 2015/2016 review of the Annual Budget; and**
- 2. Undertake a further Budget review in May 2016 to reconsider the levels of Reserve Fund transfers.**

**CARRIED 4/0**

**8. NEXT MEETING**

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

**9. CLOSURE OF MEETING**

There being no further business the Chairperson closed the meeting at 10:10am.

*I, \_\_\_\_\_ hereby certify that the Minutes of the Audit Committee Meeting held 22 February 2016 are confirmed as a true and correct record, as per the Resolution of the Audit Committee Meeting held on*

Signed \_\_\_\_\_

Dated: \_\_\_\_\_ **2016**