



MINUTES

AUDIT COMMITTEE MEETING

Thursday 27 March 2014
Commencing At 9.06am
At Council Chambers in Menzies

SHIRE OF MENZIES

NOTICE OF AUDIT COMMITTEE MEETING

Dear Council Member,

The next Audit Committee Meeting of the Shire of Menzies will be held on Thursday 27 March 2014 in the Council Chambers, Shenton Street, Menzies commencing at 9.06am.

N P Crawford
Chief Executive Officer

Date

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

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1. DECLARATION OF OPENING

The Chairperson declared the meeting open at 9:06am, welcoming Councillors and staff and proceeded with the agenda as planned.

2. ANNOUNCEMENT OF VISITORS

Nil

3. RECORD OF ATTENDANCE

Councillors:

Present:	Cr G Dwyer	Chairperson
	Cr J Mazza	Deputy Chairperson
	Cr J Lee	Councillor
	Cr I R Tucker	Councillor

Apologies: Nil

Staff:

Present:	Mr Peter Crawford	Chief Executive Officer
	Ms Brooke Povah	Deputy Chief Executive Officer
	Mrs Leanne Downie	Executive Assistant

4. DECLARATIONS OF INTERESTS / APPLICATIONS FOR LEAVE OF ABSENCE

Nil

5. PUBLIC QUESTION TIME

Nil

6. CONFIRMATION OF PREVIOUS MINUTES

6.1 Confirmation of the Minutes of the Audit Committee Meeting held Thursday, 5 December 2013, as presented, be confirmed.

MOVED Cr Mazza

SECONDED Cr Tucker

That the Minutes of the Audit Committee Meeting held Thursday, 5 December 2013, as presented, be confirmed.

9:10am

CARRIED 4/0

7 REPORTS OF COMMITTEES AND OFFICERS

7.1 AUDITOR'S REPORT RESPONSE – ENDORSEMENT OF MANAGEMENT RESPONSE

SUBMISSION TO:	Audit Committee, 27 March 2014
LOCATION:	Shire of Menzies
APPLICANT:	N/A
FILE REF:	ADM371
DISCLOSURE OF INTEREST:	None
DATE:	14 March 2014
AUTHOR:	Niel Mitchell, Consultant
SIGNATURE OF AUTHOR:	
SENIOR OFFICER:	Peter Crawford, Chief Executive Officer
SIGNATURE OF SENIOR OFFICER:	
PREVIOUS MEETING REFERENCE:	None

ATTACHMENTS:

7.1 Attachment #1 - copy of response to Minister regarding the Auditors Report for 2012/2013

SUMMARY:

To endorse the Deputy CEO's response to the matters raised in the Auditor's Report for the year ending 30 June 2013.

COMMENT:

There had been insufficient time between receipt of the Auditor's Report for the 2012/2013 financial year and the Audit Committee meeting held on 5 December 2013 for the report required by the Local Government Act s.7.12A to be prepared and any remedial actions initiated.

Prior to the response to the Dept of Local Government and Communities on 14 February 2014, Council were circulated with the responses prepared.

Formal endorsement by the Committee of the response to the Minister (Department) is requested.

CONSULTATION:

Peter Crawford, CEO

STATUTORY ENVIRONMENT:

Local Government Act 1995 –

s.7.12A – Duties of Local governments with respects to audits

(4) A local government is to —

(a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and

- (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time.

POLICY IMPLICATIONS:	Nil
FINANCIAL IMPLICATIONS:	Nil
STRATEGIC IMPLICATIONS:	Nil
VOTING REQUIREMENTS:	Simple majority required

COMMITTEE/OFFICERS RECOMMENDATION:

Moved: Cr Lee

Seconded Cr Mazza

That the Audit Committee recommend to Council that the Management response to the Dept of Local Government and Communities of 14 February 2014, be noted and endorsed.

9:14am

CARRIED 4/0

7 REPORTS OF COMMITTEES AND OFFICERS

7.2 COMPLIANCE AUDIT RETURN 2013

SUBMISSION TO:	Audit Committee, 27 March 2014
LOCATION:	Shire of Menzies
APPLICANT:	N/A
FILE REF:	ADM058
DISCLOSURE OF INTEREST:	None
DATE:	14 March 2014
AUTHOR:	Niel Mitchell, Consultant
SIGNATURE OF AUTHOR:	
SENIOR OFFICER:	Peter Crawford, Chief Executive Officer
SIGNATURE OF SENIOR OFFICER:	
PREVIOUS MEETING REFERENCE:	None

ATTACHMENTS:

7.2 Attachment #1 – Draft Compliance Audit Return for year ending 31 December 2013

SUMMARY:

Consideration of the Compliance Audit Return for the year ending 31 December 2013.

COMMENT:

The Local Government Compliance Audit Return for the period 1 January- 31 December 2013 must be completed and returned to the Executive Director, Department of Local Government by 31 March 2014.

The compliance Audit Return 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 Return has 78 questions once again, as in the previous year's Return. Many questions have explanatory comment included, and one small matter requires clarification –

Finance

Q.5 – Was the person(s) appointed by the local government to be its auditor, appointed by absolute majority?

Response –

Yes – Travis Bate RSM Bird Cameron, March 2013 for year ending 30 June 2013

Not recorded – Simon Cubitt of RSM for 2013/14 and 2014/15 in August 2013, carried 6/0 but not recorded as being Absolute Majority

Comment – While the recorded vote is 6/0 and is clearly an absolute majority, the Minutes are required to record it as an absolute majority.

Other than this matter, no significant issues of non-compliance were noted.

CONSULTATION:

Peter Crawford, CEO
Brooke Povah, Deputy 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 - 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 required

COMMITTEE/OFFICERS RECOMMENDATION:

Moved: Cr Lee

Seconded Cr Mazza

The CEO responded to a query from Cr Dwyer about the use of a Consultant to complete the Compliance Audit Return.

That the Audit Committee recommend to Council:

- 1. That it has conducted a review of the Compliance Audit Return for the year ending 31 December 2013, noting the comments contained in the Return;**
- 2. That Council adopts the attached Compliance Audit Return for the year ending 31 December 2013; and**
- 3. That the Return be certified by the President and the CEO.**

9:18am

CARRIED 4/0

7 REPORTS OF COMMITTEES AND OFFICERS

7.3 PROPOSAL TO IMPOSE DIFFERENTIAL RATES FOR 2014/2015 FINANCIAL YEAR

SUBMISSION TO:	Audit Committee Meeting, 27 March 2014
LOCATION:	Shire of Menzies
APPLICANT:	Shire of Menzies
FILE REF:	ADM 262
DISCLOSURE OF INTEREST:	None
DATE:	17 March 2014
AUTHOR:	Peter Crawford, Chief Executive Officer
SIGNATURE OF AUTHOR:	
PREVIOUS MEETING REFERENCE:	None

ATTACHMENT:

7.3 Attachment #1 (Tabled at the Meeting) - 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 2014 -15 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, a slight increase was imposed in the 2014-2015 year in alignment with the CPI. 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 LGCI is at about 2.8% while the Perth CPI is around 3%.

The rate modelling for the financial year 2014-15 is proposed as follows:

AREA	VALUATION	2013-14	2014-15 Proposed	% change
Menzies Townsite	GRV	6.52c/\$	7.172c/\$	10%
Mining Sector	UV	12.68c/\$	13.99c/\$	10.33%
Kookynie Townsite	UV	2.25c/\$	2.485c/\$	10.44%
Pastoral	UV	2.25c/\$	2.485c/\$	10.44%
Minimum Payments	GRV/UV/Pastoral/other	\$200	\$200	0
Minimums	UV Mining	\$220	\$225	2.27%

	\$ 2013-14 Budget	2013-14 \$ Actual to 28/2/14	\$ Budgeted for 2014-15
GRV	63,334	54,809	61,235
UV – Pastoral & Other	50,149	71,111	52,694
UV – Mining	2,244,206	2,251,098	2,518,091
Total Rates	2,357,689	2,377,018	2,632,020
Less Write-offs	(100,000)	0	(100,000)
Net Total rates	2,257,689	2,377,018	2,532,020

In determining rate in the dollar charges the 2013-14 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 2013-14	6.52	200	2.25	200	12.68	220
Menzies 2014-15	7.172 (77.05%)	200	2.485 (42.28%)	200	13.99 (74.53%)	225 (72.19%)

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 2014-15 will bring so a provision for rate write-off has been set at \$100,000.

While the increase has been significant in some areas, overall it is within reason considering that the Shire did not raise rates for a number of years. The reasoning behind the decision not to raise rates during those years is somewhat vague but in not keeping up with inflation,

the Shire is now having to raise rates by a substantial amount in order to become more sustainable. In comparing the rating levels of neighbouring local governments, the Shire of Menzies' rates are still well 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:

Nil

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

The CEO left the meeting at 9:45am and returned at 9:49am.

COMMITTEE/OFFICER'S RECOMMENDATION:
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Moved: Cr Lee

Seconded Cr Mazza

That Council:

1. Imposes differential rates in the 2014-15 Financial year as follows:

AREA	VALUATION	PROPOSED 2014/15
Menzies Town site	GRV	7.172c/\$
Mining Sector	UV	13.99c/\$
Kookynie T/Site	UV	2.485c/\$
Pastoral/Other	UV	2.485c/\$
Minimum Payments	UV Mining	\$225
Minimum Payments	GRV/UV Pastoral/Other	\$200

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

Moved: Cr Mazza

Seconded Cr Lee

Amendment Resolution #1

That Council:

1. **Imposes differential rates in the 2014-15 Financial year as follows:**

AREA	VALUATION	PROPOSED 2014/15
Menzies Town site	GRV	7.172c/\$
Mining Sector	UV	13.99c/\$
Kookynie T/Site	UV	2.485c/\$
Pastoral/Other	UV	3.69c/\$
Minimum Payments	UV Mining	\$225
Minimum Payments	GRV/UV Pastoral/Other	\$200

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**

9:55am

TIED 2/2

The President cast a deciding vote and the motion was

LOST 3/2

Moved: Cr Mazza

Seconded Cr Lee

Amendment Resolution #2

That the Chief Executive Officer further investigate the raising of differential rates for pastoral valuations and report back to the next Audit Committee

9:58am

CARRIED 4/0

7 REPORTS OF COMMITTEES AND OFFICERS

7.4 ADOPTION OF REVISED BUDGET FOR 2013-14

SUBMISSION TO:	Audit Committee Meeting, 27 March 2014
LOCATION:	Shire of Menzies
APPLICANT:	N/A
FILE REF:	ADM376
DISCLOSURE OF INTEREST:	The author has no interest in this item
DATE:	19 March 2014
AUTHOR:	Brooke Povah, Deputy Chief Executive Officer
SIGNATURE OF AUTHOR:	
SENIOR OFFICER:	Peter Crawford, Chief Executive Officer
SIGNATURE OF SENIOR OFFICER:	
PREVIOUS MEETING REFERENCE:	

ATTACHMENTS:

- 7.4 Attachment #1 – Capital Works Budget
- 7.4 Attachment #2 – Cash Backed Reserves
- 7.4 Attachment #3 – Statement of Financial Activity
- 7.4 Attachment #4 – Reckon Statement of income and expenses
- 7.4 Attachment #5 – Current Net Funding position

SUMMARY:

A review of the Annual Budget is required to be carried out between 1 January 2014 and 31 March 2014.

BACKGROUND:

The budget review has been conducted on the basis of comparison with actual revenue and expenditure information for the period to 28 February 2014 and projected information for the year to 30 June 2014.

COMMENT:

Analysis of the anticipated result for the financial year has been conducted by the CEO and DCEO resulting in proposed recommendations.

Significant variances include:

- The \$101,422 reduction in the surplus brought forward at 1 July 2013 from \$2,455,006 to \$2,353,584.
- A Capital program reflecting almost one million in reductions in Buildings and Other Infrastructure to offset the loss of several large grants.
- Deferral of Community Sporting and Recreation Facilities Fund Grant from 2013-14 to 2014-15.
- A suggested transfer of surplus of \$1,287,915 to various Reserves.

CONSULTATION:

CEO, Councillors

STATUTORY ENVIRONMENT:

Local Government (Financial Management) Regulations

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.

[Regulation 33A inserted in Gazette 31 Mar 2005 p.1048-9; amended in Gazette 20 Jun 2008 p. 2723-4.]

POLICY IMPLICATIONS:

Nil

FINANCIAL IMPLICATIONS

The 2013-14 Budget has been amended to ensure that funds are available to complete Council's program for the year within available funds.

STRATEGIC IMPLICATIONS:

Nil

VOTING REQUIREMENTS:

Simple Majority decision required

Mrs Downie left the room at 10:02am and returned at 10:08am.

***The President adjourned the Audit Committee meeting at 10:27am.
The Audit Committee meeting resumed at 10:32am.***

Cr Mazza congratulated Ms Povah on the excellent work done on the Budget revision.

COMMITTEE/OFFICERS RECOMMENDATION:

Moved: Cr Lee

Seconded Cr Mazza

That the Audit Committee recommends that Council adopts the 2013-14 review of the annual budget and the recommendations associated with the review including a transfer of \$1,287,915 to various reserves and the amended Capital Operating Revenue and Expenditures.

10:40am

CARRIED 4/0

8 NEXT MEETING / MEETING CLOSURE
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The next Audit Committee meeting will be held when requested by the Chairperson.

There being no further business to discuss, the Chairperson to declare the meeting closed at 10:42am.