



SHIRE OF
MERREDIN
INNOVATING THE WHEATBELT

MINUTES

Audit Committee Meeting

Held in Council Chambers
Corner King & Barrack Street's, Merredin
Tuesday 16 April 2019



Common Acronyms Used in this Document

WEROC	Wheatbelt East Regional Organisation of Councils
GECZ	Great Eastern Country Zone
WALGA	Western Australian Local Government Association
CEACA	Central East Aged Care Alliance
CEO	Chief Executive Officer
DCEO	Deputy CEO
EMDS	Executive Manager of Development Services
EMES	Executive Manager of Engineering Services
EMCS	Executive Manager of Corporate Services
EA	Executive Assistant to CEO
LPS	Local Planning Scheme
LGIS	Local Government Insurance Services
SRP	Strategic Resource Plan
CBP	Corporate Business Plan
CSP	Community Strategic Plan
MRCLC	Merredin Regional Community and Leisure Centre
CWVC	Central Wheatbelt Visitors Centre
MoU	Memorandum of Understanding

Shire of Merredin
Audit Committee Meeting
Tuesday 16 April 2019



1. Official Opening

The President welcomed those in attendance and declared the meeting open at 11.30am.

2. Record of Attendance / Apologies and Leave of Absence

Councillors:

Cr KA Hooper	President
Cr MD Willis	Deputy President (Observer)
Cr BJ Anderson	
Cr LN Boehme	(Observer)
Cr AR Butler	(Observer) (From 11:31am)
Cr JR Flockart	
Cr PR Patroni	

Staff:

G Powell	CEO
K Bartley	DCEO
C Brown	EMCS
V Green	EA to CEO
M Ivanetz	A/EA to CEO

Office of the Auditor General / Auditors:

Mr Jordan Langford-Smith	Director, Office of the Auditor General (from 11.59am)
Ms Ann Ang	Assistant Director, Office of the Auditor General (from 11.59am)
Mr Marius van der Merwe	Butler Settineri (Audit) Pty Ltd (from 12.03pm)
Mr Robert Hall	Butler Settineri (Audit) Pty Ltd (from 12.03pm)

Members of the Public: Nil

Apologies: Nil

Approved Leave of Absence: Nil

3. Public Question Time

Nil

4. Disclosure of Interest

Nil

11.31am - Councillor Butler entered the meeting.

Items 6 and 7 have been considered now but have been recorded in the order of the Agenda.

5. Petitions and Presentations

Item 5 was considered following Item 7 but is listed in chronological order for the purpose of these Minutes.

11.59am - Mr Jordan Langford-Smith and Ms Ann Ang entered the meeting.

12.03pm – Mr Marius van der Merwe and Mr Robert Hall were contacted by phone and joined the meeting.

5.1 Entrance Meeting with the Office of the Auditor General (OAG) and Butler Settineri (Audit) Pty Ltd

Representatives from the OAG and Butler Settineri (Audit) Pty Ltd conducted the Entrance Meeting with Council. The main points of the discussion were:

1. While the audit will be conducted by Butler Settineri (Audit) Pty Ltd, the OAG will authorise and sign the audit opinion;
2. In this financial year the OAG has made the decision to re-engage the existing auditor however this will be put to tender for the following financial year;
3. While the process of the audit may change it is anticipated that the timeline is achievable;
4. Council and staff will have the opportunity to provide comment on any matters raised during the audit;
5. It is anticipated the process of the audit will be similar to that of other State agencies, with the OAG being obligated to report to Parliament the findings of any audit; and
6. The OAG's publication *Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities* identifies key areas of interest in local government audits.

Butler Settineri (Audit) Pty Ltd will be focussed on significant risks and audit focus areas identified, including:

1. Plant and equipment revaluation;
2. Revenue recognition and cut-off;
3. Unauthorised and incomplete expenditure;
4. Unrecorded liabilities;

5. Related party transactions;
6. Provisions;
7. Changes in accounting policies;
8. Significant assets acquired and disposed;
9. Compliance with laws and regulations;
10. Reporting protocols including significant issues identified during the audit, interim management letter and final management letter; and
11. The Audit team and timeline.

6. Confirmation of Minutes of the Previous Meeting

6.1 Audit Committee Meeting held on 19 March 2019
[**Attachment 6.1A**](#)

Voting Requirements

Simple Majority Absolute Majority

Officer's Recommendation / Resolution

Moved: Cr Patroni **Seconded:** Cr Anderson

82344 That the minutes of the Audit Committee Meeting held on 19 March 2019 be confirmed as a true and accurate record of proceedings.

CARRIED 4/0

7. Officer's Reports – Corporate Services

7.1 Strategic Resource Plan

<h2>Corporate Services</h2>		
Responsible Officer:	Charlie Brown, EMCS	
Author:	As above	
Legislation:	<i>Local Government Act 1995</i>	
File Reference:	IPR Suite of Plans	
Disclosure of Interest:	Nil	
Attachments:	Attachment 7.1A – Draft Strategic Resource Plan	

Purpose of Report

- Executive Decision Legislative Requirement

Background

Council adopted the Corporate Business Plan in November 2017. The Long Term Financial Plan (LTFP) and the Asset Management Plan (AMP) form part of this Plan. The Plan comprising the LTFP and the AMP is called the Strategic Resource Plan, and as it is classified as an informing plan, is not needed to be formally adopted by Council.

Comment

In 2013 many new statutory requirements became applicable, with the State Government trying to get Councils to view things in multiple year terms, and not just follow the previous 'single year budget' approach. The initial emphasis was on viewing specific asset proposals over a shorter period of 4-5 years (i.e. via a Corporate Business Plan), as well as any longer term effects, which is the main objective of a LTFP. It is obvious that Council will be unable to fund many significant works in the short term, but much of the backlog can be afforded in the later years.

The expectations are that Councils should attempt to cater for existing Assets initially, and for them to be given high priority before any consideration of establishing new 'extra' assets (replacement of older assets is viewed as good management).

It is expected that there will also be scrutiny of the on-going effects/costs of any new 'extra' assets (via a "whole-of-life" approach), which could add to a Councils future operational costs.

A crucial consideration for a LTFP is that what is proposed and adopted is manageable and affordable. All Councils are now expected to meet minimum KPI ratio levels by the end of a specific period, which is what is proposed in the attached LTFP. Crucially, the Asset Ratios of Renewals and Sustainability may not be met in the short term, but we believe that they are achievable over the medium to longer term, and that these are affordable.

Short term changes by the other tiers of government can have major effects on the lowest level, being Local Government. There were large reductions in Operational Grants and a variety of Capital Grants, commencing in the 2014/15 year by both the State and Federal Governments. Further possible cost shifting by the other 2 tiers of government is a matter for concern, and is a risk. This will ultimately lead to rate increases and/or cuts to services.

As already stated, a crucial consideration is that what is proposed and adopted appears to be achievable, manageable, and affordable, and that has been a major consideration in compiling this latest Plan.

As stated previously, all rural Councils have a high dependency on Operating Grants from the Federal and State Governments, particularly so with regard to road works. The continuation and maintenance of the real value of such grants are seen as vital, otherwise Council services could suffer. Also as stated in prior reports, this is a major key area of risk for all Councils.

The main proposals of all LTFPs are 'Capital' related, and give directions for what could occur for the next 15 years. Issues, including movements to and from Reserves as well as any possible loan borrowings and debt servicing issues, are also considerations.

Policy Implications

Nil

Statutory Implications

The *Local Government Act 1995* Section 5.56 and the *Local Government (Administration) Regulations 1996* Section 19DA apply.

"19DA. Corporate business plans, requirements for (Act s. 5.56)

- (1) A local government is to ensure that a corporate business plan is made for its district in accordance with this regulation in respect of each financial year after the financial year ending 30 June 2013.*
- (2) A corporate business plan for a district is to cover the period specified in the plan, which is to be at least 4 financial years.*
- (3) A corporate business plan for a district is to —*

- (a) *set out, consistently with any relevant priorities set out in the strategic community plan for the district, a local government's priorities for dealing with the objectives and aspirations of the community in the district; and*
 - (b) *govern a local government's internal business planning by expressing a local government's priorities by reference to operations that are within the capacity of the local government's resources; and*
 - (c) *develop and integrate matters relating to resources, including asset management, workforce planning and long-term financial planning.*
- (4) *A local government is to review the current corporate business plan for its district every year.*
- (5) *A local government may modify a corporate business plan, including extending the period the plan is made in respect of and modifying the plan if required because of modification of the local government's strategic community plan.*
- (6) *A council is to consider a corporate business plan, or modifications of such a plan, submitted to it and is to determine* whether or not to adopt the plan or the modifications.*

**Absolute majority required.*

If a corporate business plan is, or modifications of a corporate business plan are, adopted by the council, the plan or modified plan applies to the district for the period specified in the plan."

Strategic Implications

➤ Strategic Community Plan

Zone:	Zone 4 – Communication and Leadership
Zone Statement:	Merredin Council engages with its community and leads by example
Key Priority:	4.1 – Ensuring all planning, reporting and resourcing is in accordance with best practice, compliance and statutory requirements

➤ Corporate Business Plan

Key Action:	4.1.1 – Continue to update the Integrated Planning Framework, meet statutory requirements of the Local Government Act and regulations and regulatory obligations required under other regulations
Directorate:	Corporate Services
Timeline:	Ongoing

Sustainability Implications

➤ Strategic Resource Plan

Nil

➤ Workforce Plan

Directorate: Nil
Activity: Nil
Current Staff: Nil
Focus Area: Nil
Strategy Code: Nil
Strategy: Nil
Implications: Nil

Risk Implications

Nil. Legislation requires a complete review every 4 years.

Financial Implications

The Department of Local Government advocates longer term approaches, and moving away from the old 'single year' focus. They are suggesting that Councils consider budgeting for a minor surplus each year or by transfers to reserves, with those funds to then be carried forward to help fund one or more projects in future years.

11.46am – Councillor Boehme left the meeting and re-entered the meeting at 12.05pm.

Voting Requirements

Simple Majority Absolute Majority

Officer's Recommendation

That the Audit Committee recommends to Council that the Strategic Resource Plan incorporating the Long Term Financial Plan and the Asset Maintenance Plan, as presented in Attachment 7.1A, be adopted.

Resolution

Moved: Cr Flockart **Seconded:** Cr Anderson

82345 That the matter of the Strategic Resource Plan, incorporating the Long Term Financial Plan and Asset Management Plan, lay on the table until the June 2019 meeting to enable the finalisation of the Apex Park Redevelopment.

CARRIED 4/0

Reason

The Audit Committee believed that, once the proposal was finalised, the proposed redevelopment of Apex Park should be included in the Strategic Resource Plan.

8. Closure

There being no further business the President thanked those in attendance and declared the meeting closed at 12.25pm.