BUNBURY·HARVEY
Regional Council

Ordinary Council Meeting

Minutes
23 November 2017

Open Council Meetings – Procedures

1. All Council meetings are open to the public, except for matters raised by Council under "confidential items".

2. Members of the public may ask a question at an ordinary Council meeting under "public question time".

3. Members of the public who are unfamiliar with meeting procedures are invited to seek advice at the meeting. If unsure about proceedings, just raise your hand when the presiding member announces public question time.

4. All other arrangements are in accordance with the Council's standing orders, policies and decisions of the Council.

Undersigned

Chief Executive Officer

Bunbury-Harvey Regional Council
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Western Australia 6233

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ATTACHMENTS

Attachment 1	-	**Financial Statements for the Period Ending 31 October 2017**
Attachment 2	-	**Summary of Accounts Paid for the Period Ending 31 October 2017**
Attachment 3	-	**Evaluation Report (Confidential) – Capping Works (Phase 1) Stanley Road Waste Management Facility RFT1718-0004**
Attachment 4	-	**Auditors Report, Annual Report and Audited Financial Statements for the Year Ending 30 June 2017**
Attachment 5	-	**2017 Report to the Audit Committee**
Attachment 6	-	**Financial Management Systems and Procedures Review**

Vision

To be a leader in the development, implementation and maintenance of innovative and sustainable waste reduction, recycling and collection services while managing waste facilities with best practice standards within an engaged community.

Mission

To ensure the delivery of an integrated, cost-effective and environmentally sound waste management system and to promote sustainable community programs and policies. Intergenerational equity – ensuring that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations.

Core Values

The Bunbury-Harvey Regional Council aspires to act in accordance with the following values in all its decisions and actions:

Leadership: with good leadership, employee wellbeing and performance are enhanced and consequently the organisation thrives and prospers. Leadership is a critical determinant of organisational effectiveness empowering people to help create change. This means that the essence of leadership is building and maintaining a team and guiding that team towards desired results.

Team Work: a team environment demands that you make responsible decisions; it requires you to take charge. It requires you to develop excellent interpersonal skills to interact at a much different level with your team members.

Integrity: acting with a level of trust, respect, honesty, hard work, communication and shared responsibility that is exhibited by its people.

Accountability: ensuring the collection and management of solid waste and recovered materials in an environmentally sound manner and in accordance with regulatory requirements and the Department of Water and Environment Regulation Licence Conditions.

Respect: 'respect yourself', 'respect others' and 'respect our environment'.

Innovation: embracing new and better ways to achieve improved results through creativity, inventiveness, teamwork and the adoption of appropriate new processes and technology.

Bunbury-Harvey Regional Council Minutes

Minutes of the Ordinary Meeting of the Bunbury-Harvey Regional Council held in the Shire of Harvey Council Chambers, Administration Building, 7 Mulgara Street, Australind on Thursday, 23 November 2017 at 4:00pm.

MINUTES

1. Declaration of Opening / Announcement of Visitors

The meeting was declared open by Chairperson, Cr Murray Cook at 4:01pm.

These Minutes were confirmed as being true and correct by Council on 21 December 2017 by Council Resolution: OC171221-1518

_____

Cr Murray Cook
Chairperson

_____

Mr Tony Battersby
Chief Executive Officer

2. Attendances

Council Members:	**Representing**
Cr Murray Cook **(Chairperson)**	City of Bunbury
Cr Anita Shortland **(Deputy Chairperson)**	Shire of Harvey
Cr Betty McCleary	City of Bunbury
Cr James Hayward	City of Bunbury
Cr Peter Monagle	Shire of Harvey
Executive Leadership Team (Non-Voting)	**Representing**
Mr Tony Battersby	Chief Executive Officer (BHRC)
Mr Michael Parker	Chief Executive Officer (Shire of Harvey)
Officers (Non-Voting)	**Representing**
Mr Gavin Harris	Director Works and Service (City of Bunbury)
Miss Martinette Pieterse	Council Meeting Support Officer
Mr Chris Welham	Accountant
Others(Non-Voting)	**Representing**
Cr Wendy Dickinson	Shire of Harvey

2.1 Apologies

Mal Osborne – Acting Chief Executive Officer (City of Bunbury).

3. LATE AGENDA ITEM – Appointment of Members for the Audit Committee

Applicant / Proponent:	Internal			
Responsible Officer:	Chris Welham, Accountant			
Responsible Manager:	David Ransom, Manager Finance			
Executive:	Tony Battersby, Chief Executive Officer			
Authority / Discretion:	Advocacy	☒	Review	☐
	Executive/Strategic	☒	Quasi-Judicial	☐
	Legislative	☒	Information Purposes	☐
Attachment(s):	Nil			

Summary

Local Government elections were held on Saturday 21 October 2017. Section 5.11 of the Local Government Act 1995 stipulates that positions on Council Committees become vacant at each ordinary Election Day.

The purpose of this report is for Council to consider appointments to the Audit Committee.

Executive Recommendation

That Council:

That Council appoint all Councillors as members of the Audit Committee.
NOTE: Absolute Majority Vote Required

COUNCIL DECISION:

MOVED BY: Cr James Hayward **SECONDED BY: Cr Anita Shortland**

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC81023-1507

Background

An Audit Committee is a legal requirement under the provisions of section 7.1A of the *Local Government Act 1995*. The BHRC Audit Committee previously comprised all Elected Members.

The Terms of Reference for this committee are as follows:

a) *Provide guidance and assistance to Council as to the carrying out the functions of the Local Government in relation to audits;*
b) *Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government'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 local government 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 local government does everything in its power to:

- *assist the auditor to conduct the audit and carry out his or her 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 local government; and*
- *ensure that appropriate action is taken in respect of those matters*

i) Review the report prepared by the CEO on 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 six (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) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;

l) Review the level of resources allocated to internal audit and the scope of its authority;

m) Review reports of internal audits, monitor the implementation of recommendations made by the audit and review the extent to which Council and management reacts to matters raised;

n) Facilitate liaison between the internal and external auditor to promote compatibility, to the extent appropriate, between their audit programs;

o) Review the local government's draft annual financial report, focusing on:

- *accounting policies and practices;*
- *changes to accounting policies and practices;*
- *the process used in making significant accounting estimates;*
- *significant adjustments to the financial report (if any) arising from the audit process;*
- *compliance with accounting standards and other reporting requirements; and*
- *significant variances from prior years*

p) Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;

q) Address issues brought to the attention of the committee, including responding to requests from Council for advice that are within the parameters of the committee's terms of reference;

r) Seek information or obtain expert advice through the CEO on matters of concern within the scope of the committee's terms of reference following authorisation from the Council;

s) Review the annual Compliance Audit Return and report to the Council the results of that review; and

t) Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the committee, and report to the council the results of those reviews.

Council Policy Compliance

Not Applicable

Legislative Compliance

Section 7.1A of the *Local Government Act 1995* relates to Audit Committees and states:

1) A local government is to establish an audit committee of three (3) or more persons to exercise the powers and discharge the duties conferred on it.
2) The members of the audit committee of a local government are to be appointed by the local government and at least three (3) of the members, and the majority of the members, are to be council members.
3) A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent him or her as a member of an audit committee.
4) An employee is not to be a member of an audit committee.

Officer Comments

It should be noted that the first meeting of the Audit Committee has been arranged for Thursday 23 November 2017 at 4:00pm, immediately after the adoption of this agenda item, where the annual meeting with the Council's auditor will take place.

Analysis of Financial and Budget Implications

Not Applicable

Community Consultation

Not required

Councillor/Officer Consultation

This matter is presented to Council for consideration.

***Ordinary Council Meeting Adjourned at 4:08pm for Audit Committee Meeting to take place before the Ordinary Meeting.**

COUNCIL DECISION:

MOVED BY: Cr James Hayward **SECONDED BY: Cr Peter Monagle**

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC81023-1508

***Ordinary Council Meeting Reopened at 4:22pm with attendance as previously recorded.**

COUNCIL DECISION:

MOVED BY: Cr Betty McCleary **SECONDED BY: Cr James Hayward**

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC81023-1509

4. Public Question Time

Nil

5. Summary of Response to previous Questions taken on notice

Nil

6. Applications for Leave of Absence

Nil

7. Confirmation of Minutes

The minutes of the Ordinary meeting of Council held on 2 November 2017, are confirmed as a true accurate record.

COUNCIL DECISION:

MOVED BY: Cr Betty McCleary **SECONDED BY: Cr Peter Monagle**

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC81023-1510

8. Petitions / Memorials / Presentations

Nil

9. Declarations of Interests

Cr Anita Shortland declared financial interest in Agenda Items 10.7 and 10.4 and will have to leave the room when items are being discussed.

10. Announcements (by the presiding member without discussion)

Nil

11. Reports of Committees

Nil

12. Reports of Officers

12.1 Financial Statements for the period ending 31 October 2017

Applicant / Proponent:	Internal			
Responsible Officer:	Chris Welham, Accountant			
Responsible Manager:	David Ransom, Manager Finance			
Executive:	Tony Battersby, Chief Executive Officer			
Authority / Discretion:	Advocacy	☒	Review	☐
	Executive/Strategic	☒	Quasi-Judicial	☐
	Legislative	☒	Information Purposes	☐
Attachment(s):	**Attachment 1** – Financial Statements for Period Ending 31 October 2017 (Appendices 1 – 8)			

Summary

The following comments are provided on the key elements of Council's Financial Performance:

1. Statement of Comprehensive Income **(attached at Appendix 1)**

a. Year-to-date Financial Performance to 31 October 2017

	ACTUAL	BUDGET	VARIANCE	
• Year-to-date Income	1,368,809	1,848,659	(479,850)	*Unfavourable*
• Year-to-date Expenditure	1,385,854	2,242,930	857,076	*Favourable*
• Year-to-date Operating Surplus	(17,045)	(392,271)	377,226	*Favourable*

2. Statement of Financial Activity **(attached at Appendix 3)**
Closing Funding Surplus to 30 June 2018 is forecast to remain at $195K as per the Budgeted Closing Surplus.

3. Capital Works **(attached at Appendix 4)**

	ACTUAL	BUDGET	VARIANCE	
• Year-to-date Capital Expenditure	616,936	664,536	47,600	*Favourable*

4. Statement of Financial Position **(attached at Appendix 5)**

• Current Assets of $6,554,654 includes:	Year-to-date	Forecast
o Cash and Cash Equivalents	5,998,556	4,303,937
o Trade and Other Receivables	553,199	300,000
o Prepayments	1,787	-
o Inventories	1,112	2,000

• Current Liabilities of $346,980 includes:		
o Trade and Other Payables	116,221	209,569
o Provisions	230,759	179,882

• Working Capital **(Current Assets *less* Current Liabilities)** is:	6,207,674	4,216,486
• Equity **(Total Assets *less* Total Liabilities)** is	10,732,792	13,312,914
• Reserves of $5,455,904 includes:		
o Plant and Infrastructure Reserve	506,792	833,289
o Site Post Closure Rehabilitation Reserve	3,107,164	2,249,483
o Waste Minimisation Reserve	257,956	354,385
o Stanley Road Lined Cell Construction Reserve	544,242	555,018
o Organics Processing Reserve	1,039,750	28,747

5. Investments

• Total of $5,848,527 includes:		
o Commonwealth Bank	134,479	
o National Australia Bank	90,403	
o Westpac	5,623,645	

Executive Recommendation

That Council:

Receive and accept the Financial Statements for period ending 31 October 2017 as presented to Council.

COUNCIL DECISION:

MOVED BY: Cr Anita Shortland **SECONDED BY: Cr James Hayward**

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC81023-1511

Background

A financial management report is provided to Councillors on a monthly basis which includes the following summaries:

- Statement of Comprehensive Income **(attached at Appendix 1)**
- Banksia Road Operations **(attached at Appendix 2)**
- Statement of Financial Activity **(attached at Appendix 3)**
- Capital Works Expenditure Summary **(attached at Appendix 4)**
- Statement of Financial Position **(attached at Appendix 5)**
- Statement of Net Current Assets **(attached at Appendix 6)**
- Fees and Charges Summary **(attached at Appendix 7)**
- Debtors Report **(attached at Appendix 8)**

Legislative Compliance

In accordance with the provisions of Section 6.4 of the Local Government Act 1995 and Regulations 34(1) of the Local Government (Financial Management) Regulations 1996, a Local Government is to prepare each month a Statement of Financial Activity (Attached at Appendix 3) reporting on the revenue and expenditure as set out in the annual budget under Regulations 22 (1) (d) for this month.

At the Council Meeting on 27 July 2017, Council adopted that a variance between actual and budget-to-date of greater than or equal to 10% and $15,000 is considered to be a material variance for reporting purposes in the Statement of Financial Activity for 2017/18.

The following is an explanation of significant variances identified in the Statement of Comprehensive Income and the Statement of Financial Activity:

Statement of Comprehensive Income	YTD Actual to YTD Budget Variance
Operating Income	
Fees and Charges	
Casual Tipping Fees Unfavourable year-to-date budget variance due to: (a) seasonal effect of winter weather (b) deferment of sourcing of waste from the Perth metropolitan area pending DER approvals for site rehabilitation and new lined cells at Stanley Road.	$(310,347) (41)%
Other Revenue	
Insurance Reimbursements Favourable year-to-date budget variance due to reimbursement of ongoing workers compensation payments.	$19,395 1163%
Landfill Levy Income Unfavourable year-to-date budget variance due to: (a) seasonal effect of winter weather (b) deferment of sourcing of waste from the Perth metropolitan area pending DER approvals for site rehabilitation and new lined cells at Stanley Road	$(167,711) (56)%

Operating Expenditure	
Materials and Contracts	
Earthworks Operations Favourable year-to-date budget variance due to savings in repairs and maintenance of plant.	$26,280 35%
Site Rehabilitation Favourable year-to-date budget variance due to deferment of works in anticipation of DER approvals for the Gabion Wall and associated works.	$680,871 87%
Other Expenditure	
Landfill Levy Favourable year-to-date budget variance mainly due to: (a) seasonal effect of winter weather (b) deferment of sourcing of waste from the Perth metropolitan area pending DER approvals for site rehabilitation and new lined cells at Stanley Road.	$154,294 56%

Insurance Reimbursements

Statement of Financial Activity	YTD Actual to YTD Budget Variance
Operating Revenues by Nature and Type	
Fees and Charges Unfavourable variance. See explanation above included in the Statement of Comprehensive Income variances.	$(329,812) (23)%
Other Revenue Unfavourable variance. See explanation above included in the Statement of Comprehensive Income variances.	$(147,999) (45)%
Operating Expenses by Nature and Type	
Materials and Contracts Favourable variance. See explanation above included in the Statement of Comprehensive Income variances.	$722,473 66%
Other Expenditure Favourable variance. See explanation above included in the Statement of Comprehensive Income variances.	$150,990 42%

12.2 Summary of Accounts paid for period ending 31 October 2017

Applicant / Proponent:	Internal			
Responsible Officer:	Chris Welham, Accountant			
Responsible Manager:	David Ransom, Manager Finance			
Executive:	Tony Battersby, Chief Executive Officer			
Authority / Discretion:	Advocacy	☒	Review	☐
	Executive/Strategic	☒	Quasi-Judicial	☐
	Legislative	☒	Information Purposes	☐
Attachment(s):	**Attachment 2** - Summary of Accounts paid for period ending 31 October 2017			

Summary

Section 13 (2) of Government (Financial Management) Regulations 1996 require that where Local Government has delegated to the CEO the exercise of its power to make payments from the municipal fund or the trust fund or the trust fund, a list of accounts paid by the CEO is to be prepared each month showing detail for each account paid since such list was prepared. This item is presented to Council to advice of payments made for 31 October 2017

Officer Recommendation

That Council:

Receive and accept the Summary of Accounts paid for period ending 31 October 2017 as presented to Council.

COUNCIL DECISION:

MOVED BY: Cr Betty McCleary **SECONDED BY: Cr James Hayward**

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC81023-1512

Background

As noted in Summary.

Officer Comment

The attachment details all payments made for 31 October 2017.

Consultation

Nil

Financial Implications

As per the declaration within the schedule summary, the accounts have been checked and are fully supported by vouchers and invoices and which have been duly certified as to the receipt of goods and the rendition of service and as to prices, computation and costing(s). Sufficient allocations are contained within the 2017/2018 budget to cover payment of the accounts.

Statutory Environment

Sections 12 and 13 of the Local Government (Financial Management) Regulations 1996 Apply.

Strategic Implications

Nil

Policy Implications

Nil

Voting Requirement

Simple Majority

12.3 Capping Works (Phase 1) Stanley Road Waste Management Facility – RFT1718-0004

Applicant / Proponent:	Internal			
Responsible Officer:	Tony Battersby, Chief Executive Officer			
Responsible Manager:	-			
Executive:	Tony Battersby, Chief Executive Officer			
Authority / Discretion:	Advocacy	☐	Review	☐
	Executive/Strategic	☒	Quasi-Judicial	☐
	Legislative	☐	Information Purposes	☐
Attachment(s):	**Attachment 3** – Evaluation Report "Confidential" RFT1718-0004			

Summary
The Bunbury-Harvey Regional Council (BHRC) has advertised and invited tender submissions from suitably qualified and experienced Civil Works Contractors to attend to the Capping Works (Phase 1) at the Stanley Road Waste Management Facility, Wellesley.

Officer Recommendation
That Council:
Accept the offer of $1,229,579.52 (excluding GST) from Busselton Civil Contractors Pty Ltd for Capping Works (Phase 1) at Stanley Road Waste Management Facility, Wellesley.

COUNCIL DECISION:

MOVED BY: Cr Anita Shortland **SECONDED BY: Cr James Hayward**

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC81023-1513

Précis
This item is presented to Council for Council to consider the approval of funds for construction of civil works for the construction of Phase 1 Capping Works at Stanley Road Waste Management Facility, Wellesley.

The works to be carried out under Tender Specification include, but are not limited to the following:
- Construction of Gabion retaining wall.
- Preparation of 'Principal placed' 300mm sand layer subgrade to receive capping system; and
- Installation of capping system comprising:
    - 1.5mm LLDPE double textured geomembrane liner (LLDPE);
    - Surface water drainage geocomposite (geonet); and
    - Restoration soils placement behind gabion wall (to be excavated from onsite borrow area).

Background
Tender documents were prepared in conjunction with Talis Consultants Pty Ltd and advertised in the "West Australian" newspaper on Wednesday, 11 October 2017 and in the "South Western Times" newspaper on Thursday, 12 October 2017.

Tenders closed at 4:00pm on Wednesday, 1 November 2017. Tenders received were opened by the BHRC Chief Executive Officer – Tony Battersby and the BHRC Administration Officer – Martinette Pieterse. Officers conducted an intense review on all tenders submitted and are confident with their evaluations and recommendations.

A total of thirteen (13) companies requested copies of the tender documents and five (5) company representatives attended the compulsory on-site meeting and at closing, three (3) responses were received, as follows:
1. APH Contractors Pty Ltd - Lot 26 Wetherley Drive, Picton WA 6229;
2. Busselton Civil Contractors (BCP) Pty Ltd - 19 Cable Sands Road, Busselton WA 6280 and
3. ERTECH Pty Ltd - 118 Motivation Drive, Wangara WA 6055.

An evaluation panel, comprising of the BHRC Chief Executive Officer – Tony Battersby, BHRC Supervisor – Jai Pearce and Lee Miller – Senior Waste Consultant (Talis Consultants) assessed the tender responses.

The tenders were evaluated using the following criteria:

- Compliance
- Qualitative
- Price

Compliance Criteria

The following compliance criteria were used to assess the tenders:

a) Has the Form of Tender been signed yes/no?
b) Is the Price Schedule Completed yes/no
c) Is a clear legal entity identified? Check for validity. (ASIC check of ABN) yes/no
d) Is it an alternate tender yes/no?
e) Acceptance of terms and conditions of contract and scopes yes/no
f) Do they comply with the Condition of Tendering yes/no?

Qualitative Criteria

The following Qualitative Criteria were used to assess the tenders:
Weighting

a) Relevant experience 5
b) Key personnel, skills and experience 5
c) Tenderer's resources 5
d) Demonstrated understanding 5

Price

Evaluation of the tender prices (and ranking) has been assessed but because the results are **"commercial in confidence"** details are listed in a Confidential Report that has been circulated to members **under separate cover**.

Strategic and/or Regional Outcomes

Refer to the Bunbury-Harvey Regional Council Strategic Community Plan 2016.

Accountability

For ensuring the collection and management of solid waste and recovered materials in an environmentally sound manner and in accordance with regulatory requirements and the Department of Environment Licence conditions.

Analysis of Financial and Budget Implications

The tendered lump sum amount submitted by the recommended Contractor is within the available budget.

Council Officer Consultation

All members of the evaluation panel have signed a confidentiality and impartiality agreement.

Council Policy Compliance

The tender process complies with the requirements of the BHRC Purchasing Policy and Delegated Authority Sec 2 – Power to Accept Tender.

Legislative Compliance

All members of the evaluation panel have signed a confidentiality and impartiality agreement.
Advertising and processing of tenders was conducted in accordance with the Local Government (Function and General) Regulations 1996, Part 4 "Tenders for Providing Goods or Services".

Delegation of Authority
The total costs of this contract exceed $100,000. Therefore it has been dealt with in accordance with Local Government (Functions and General) Regulations 1996 (Part 4 - Tenders for Providing Goods or Services).

Relevant Precedents
Council has dealt with all tenders previously called.

***CR ANITA SHORTLAND LEAVES THE ROOM AT 4:35PM**

12.4 Auditors Report, Annual Report and Audited Financial Statements for the Year Ending 30 June 2017

Applicant / Proponent:	Audit Committee			
Responsible Officer:	Chris Welham, Accountant			
Responsible Manager:	David Ransom, Manager Finance			
Executive:	Tony Battersby, Chief Executive Officer			
Authority / Discretion:	Advocacy	☒	Review	☐
	Executive/Strategic	☒	Quasi-Judicial	☐
	Legislative	☒	Information Purposes	☐
Attachment(s):	**Attachment 4** – Auditors Report, Annual Report and Audited Financial Statements for the Year Ending 30 June 2017 (Appendix 1)			

Summary
The Auditors Report, Annual Report and Audited Financial Statements of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2017 are attached at Appendix 1 for the information of Council.

Committee Recommendation
That Council:
Accept the Auditors Report, Annual Report and Audited Financial Statements of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2017.

COUNCIL DECISION:

MOVED BY: Cr James Hayward **SECONDED BY: Cr Peter Monagle**

RESULT: CARRIED / ~~LOST~~ – 4/0

RESOLUTION: OC81023-1514

Background
The Council's auditors, Grant Thornton have audited the 2016/17 Annual Financial Statements and have provided an Independent Auditor's Report as required under the relevant provisions of the *Local Government Act 1995* (the Act). The Auditors Report, Annual Report and Audited Financial Statements were reviewed by the Audit Committee on 23 November 2017 immediately prior to this meeting, and are now presented to Councillors for their information.

Mr Michael Hillgrove from Grant Thornton is the Council's appointed Auditor and met with the Audit Committee, as required under section 7.12A(2) of the Act, on 23 November 2017 to answer any queries that Members may have had in relation to the 2016/17 financial audit of the Council.

Council Policy Compliance
Not Applicable

Legislative Compliance
Section 7.9(1) of the Act requires the auditor to submit a report to the local government by 31 December each year.

Section 7.12A(2) of the Act requires a local government to meet with its Auditor at least once each year.

Officer Comment
Council's management and internal control systems are sound. In addition to being monitored internally on a daily and monthly basis they are also strengthened by an independent assessment each year on the Council's financial management systems and external audit reporting. The independent assessment reviews Council's financial position, financial management practices and compliance with the requirements of the Local Government Act, the Local Government (Financial Management) Regulations, and Accounting Standards.

There are five (5) primary financial statements:
- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Fee Setting Statement

***Statement of Comprehensive Income*:** The Statement of Comprehensive Income (shown on pages 1 to 2 of the Financial Statements) shows the extent to which operating revenue has exceeded operating expenditure during the financial year (i.e. operating surplus).
Key financial figures within the audited Annual Financial Report for the year ended 30 June 2017 include:

	2017	2016
Operating Revenue	$ 5,677,035	$ 3,367,317
Operating Expenses	$ (5,386,560)	$ (3,127,392)
Operating Surplus	$ 290,476	$ 239,928
Net Result (utilised for capital works)	$ 223,102	$ 451,125

For the year ending 30 June 2017, the operating surplus was $290K compared to $240K in 2016/17, an increase of $50K. The increase of $2.3M in revenue is mainly due to increases in tonnages received from outside the Bunbury-Harvey Region.

When capital grants and profit/loss on disposal of assets are included, the Net Result was a surplus of $223K (compared to a surplus of $451K in 2016/17). The Statement also accounts for the revaluation of non-current assets during the year of $(126K) resulting in a Total Comprehensive Income for 2016/17 of $97K compared to $1.0M in 2016/17.

***Statement of Financial Position*:** The Statement of Financial Position (shown on page 3 of the Financial Statements) shows the assets and liabilities which make up the Equity as at the 30 June 2017.

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2017 include:

	2017	2016
Current Assets	$ 7,164,890	$ 7,412,854
Current Liabilities	$ 549,875	$ 340,566
Current Assets over Current Liabilities	$ 6,615,015	$ 7,072,288
Non-Current Assets	$ 4,167,603	$ 3,624,674
Non-Current Liabilities	$ 32,603	$ 43,986
Total Equity	$10,750,015	$ 10,652,976

Council's current assets exceed current liabilities by $6.6M compared to $7.1M in 2016/17. The total Equity as at 30 June 2017 was $10.7M an increase of $97K on 2016/17.

***Statement of Changes in Equity*:** The Statement of Changes in Equity (shown on page 4 of the Financial Statements) shows the extent to which the Equity has been increased by the net result of the year's activities. For the year ending 30 June 2017, the Equity increased from $10.6M to $10.7M.

***Statement of Cash Flows*:** The Statement of Cash Flows (shown on page 5 of the Financial Statements) shows the nature and amount of Council's cash inflows and out flows from all activities. Council's cash held at the end of the reporting period was $6.8M compared to $7.1M in 2016/17.

***Fee Setting Statement*:** The Fee Setting Statement (shown on page 6 of the Financial Statements) shows the amount of fees and charges required to be raised to fund the Council's operating during 2016/17. In 2016/17, $4.2M in fees and charges were raised, an increase of $1.3M or 146% on 2016/17 (Council increased tonnages coming in from outside the Bunbury-Harvey region to prepare for cell capping at Stanley Road).

Financial Information by Ratio:	**2016**	**2016**	**2015**
Current Ratio	2.07	3.34	5.34

Current Assets as a ratio of Current Liabilities.
(Measure of short term liquidity, i.e. the ability of Council to meet its liabilities when they fall due. A ratio of greater than 1.0 indicates Council has more current assets than current liabilities. Target is > 1.0)

Asset Sustainability Ratio	2.55	1.54	0.98

Capital renewal and replacement expenditure as a ratio of depreciation expense.

(Measures the extent to which assets are being renewed or replaced compared to the amount consumed i.e. depreciation. A ratio of greater than 1.0 indicates that council is investing in asset renewal/replacement greater than current consumption)

Debt Service Cover Ratio	Nil	Nil	Nil

Operating Surplus before Interest and Depreciation as a ratio of principal and interest expense for borrowings.
Council had no borrowings as at 30 June 2017.

(Measures Council's ability to service debt out of its uncommitted or general purpose funds available for its operations. The Department of Local Government indicates that a Basic standard is achieved if ≥ 2.0. An Advanced standard is ≥ 5.0)

Operating Surplus Ratio	0.05	0.07	0.14

Operating Revenue minus Operating Expenditure as a ratio of own source operating revenue.

(A result of lower than zero indicates that the Council has an operating deficit. The Department of Local Government indicates that a Basic standard is achieved if between 0.01 and 0.15)

Own Source Revenue Coverage Ratio 0.83 1.03 1.01
Own source operating revenue as a ratio of operating expense.

(Measures Council's ability to cover operating expenses from own source revenue. The higher the ratio, the more self-reliant the local government is. The Department of Local Government indicates that an Advanced standard is achieved if the ratio is greater than 0.9).

Analysis of Financial and Budget Implications
There are no financial or budget implications for Council to accept the Auditors Report, Annual Report and Audited Financial Statements for the year ended 30 June 2017.

Community Consultation
Community consultation not required.

***CR ANITA SHORTLAND RETURNS TO THE ROOM AT 4:36PM**

12.5 2017 Report to the Audit Committee

Applicant / Proponent:	Audit Committee			
Responsible Officer:	Chris Welham, Accountant			
Responsible Manager:	David Ransom, Manager Finance			
Executive:	Tony Battersby, Chief Executive Officer			
Authority / Discretion:	Advocacy	☒	Review	☐
	Executive/Strategic	☒	Quasi-Judicial	☐
	Legislative	☒	Information Purposes	☐
Attachment(s):	**Attachment 5** – 2017 Report to the Audit Committee (Appendix 2)			

Summary
The purpose of this report is for Council to receive the Report to the Audit Committee for the year ended 30 June 2017 prepared by Council's auditors Grant Thornton. This report stems from the 2016/17 financial audit of the Bunbury-Harvey Regional Council.

Committee Recommendation
That Council:
Receives the Report to the Audit Committee for the year ended 30 June 2017 prepared by Council's auditor Grant Thornton as presented.

COUNCIL DECISION:

MOVED BY: Cr Betty McCleary **SECONDED BY: Cr Peter Monagle**

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC81023-1515

Background
The Report to the Audit Committee outlines any management or financial issues identified by the Auditor as part of the 2016/17 financial audit of the Bunbury-Harvey Regional Council that were not material enough to qualify the overall audit, but relevant enough to be brought to the attention of the Audit Committee.

Council Policy Compliance
Not Applicable

Legislative Compliance
The Report to the Audit Committee is provided by the Council's Auditor as part of the Council's annual audit report completed under section 7.9(1) of the *Local Government Act 1995.*

Officer Comments
The Report to the Audit Committee is presented at Appendix 3. No material misstatement or significant control deficiencies were identified by Council's auditors. In the report the auditors have made the following comments:

- In performing our audit we have not become aware of any incidence of fraud.
- we have noted no errors or irregularities that would cause the financial report to contain a material misstatement.
- we have been presented with all the necessary books and records and explanations requested of management
- we have not become aware of any non-compliance with applicable laws or regulations
- we consider that the accounting policies adopted in the financial statements are appropriately disclosed.
- we have assessed and agreed with the conclusions reached by Council and management concerning the application of the going concern concept
- there have been no significant disagreements with management

Analysis of Financial and Budget Implications
There are no financial or budget implications arising from the recommendations contained within this report.

Community Consultation
N/A

Councillor/ Officer Consultation
This report is prepared to Council by the Audit Committee for consideration.

12.6 Financial Management Systems and Procedures Review

Applicant / Proponent:	Audit Committee			
Responsible Officer:	Chris Welham, Accountant			
Responsible Manager:	David Ransom, Manager Finance			
Executive:	Tony Battersby, Chief Executive Officer			
Authority / Discretion:	Advocacy	☒	Review	☐
	Executive/Strategic	☒	Quasi-Judicial	☐
	Legislative	☒	Information Purposes	☐
Attachment(s):	**Attachment 6** – Financial Management Systems and Procedures Review Report (Appendix 3)			

Summary

The purpose of this report is for Council to receive the Financial Management Systems and Procedures Review report, which is undertaken annually by the Council's auditors.

Committee Recommendation

That Council receive the Financial Management Systems and Procedures Review report as presented, and notes that no financial management control weakness were identified.

COUNCIL DECISION:

MOVED BY: Cr Anita Shortland **SECONDED BY: Cr James Hayward**

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC81023-1516

Background

During May 2017, Council's auditors (Grant Thornton) undertook a financial management systems and procedures review in accordance with Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*. The resulting report has now been completed and is presented to the Council for their information. A copy of the report is at Appendix 4.

Council Policy Compliance

There are no Council policies relating to this report.

Legislative Compliance

Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 outlines the CEO's duties as to financial management.

Officer Comments

The areas that were reviewed as part of the financial management systems and procedures review included:

- Purchases/Payments/Payables
- Receipts/Receivables/Cash Management
- Payroll
- Other Revenue
- Fixed Assets

The report as presented at Appendix 4 is self-explanatory, and indicates that no areas of concern or weakness were identified across any of the areas audited.

Analysis of Financial and Budget Implications

Not Applicable

Community Consultation

Not Applicable

Councillor / Officer Consultation

This report is presented to Council by the Audit Committee for consideration.

***CR ANITA SHORTLAND LEAVES THE ROOM AT 4:37PM**

12.7 Appointment of Auditor

Applicant / Proponent:	Audit Committee			
Responsible Officer:	Chris Welham, Accountant			
Responsible Manager:	David Ransom, Manager Finance			
Executive:	Tony Battersby, Chief Executive Officer			
Authority / Discretion:	Advocacy Executive/Strategic Legislative	☒ ☒ ☒	Review Quasi-Judicial Information Purposes	☐ ☐ ☐
Attachment(s):	-			

Summary

The purpose of this report is to provide Council with information regarding the appointment of auditors for the Bunbury-Harvey Regional Council (BHRC).

Committee Recommendation

That Council:

1. Note that the Local Government Amendment (Auditing) Act 2017 was proclaimed on 27 October 2017;
2. Note that the City of Bunbury has been engaged by the BHRC to provide accounting services for the 2017/18 financial year, and that it is cost effective for BHRC to utilise the same auditor as the City of Bunbury as the same accounting systems and software are employed in the same location;
3. Note the procurement processes undertaken by the City of Bunbury in seeking to appoint an Auditor for the 2017/18 financial year;
4. Make a recommendation to the Office of the Auditor General (WA) that AMD Chartered Accountants be appointed as the BHRC's auditors based on the procurement processes undertaken by the City of Bunbury prior to the proclamation of the Local Government Amendment (Auditing) Act 2017, and on the recommendation of the City of Bunbury at its Ordinary meeting on 14 November 2017.

COUNCIL DECISION:

MOVED BY: Cr Betty McCleary **SECONDED BY: Cr Peter Monagle**

RESULT: CARRIED / ~~LOST~~ – 4/0

RESOLUTION: OC81023-1517

Strategic Relevance

BHRC Strategic Community Plan Priorities, Objectives and Performance criteria and the BHRC 10 year Financial Plan include the following strategic objective:

- Deliver sound and cost-effective solutions for waste management.

Background

The Local Government Act 1995 (the Act) requires the accounts and annual financial report of a local government for each financial year be audited by an auditor appointed by the local government.

The contract of the BHRC's current auditor (Grant Thornton) expires following the audit of the 2016/17 financial statements. Audit Committee members will recall that the original 5 year contract with Grant Thornton was extended by 1 year (for the 2016/17 financial year audit) following the introduction of the Local Government Amendment (Auditing) Bill 2016, which was to result in the

Office of the Auditor General (OAG) taking responsibility for local government audits from 1 July 2017. The Bill did not pass before to the dissolution of Parliament prior to the 2017 WA election, and so the Department of Local Government and Communities (DLG) at the time advised local governments to only renew or extend audit contracts until the 2017/18 financial year audit.

The City of Bunbury commenced this procurement process in good faith, but has now been advised by DLG that the Local Government Amendment (Auditing) Act 2017 has been proclaimed, which means that local governments no longer have the power to appoint auditors under the Act; that power now resting with the OAG.

Council Policy Compliance
Council's current Purchasing Policy "A001V1"applies.

Legislative Compliance
The Local Government Act 1995, Local Government (Audit) Regulations 1996, and Local Government (Financial Management) Regulations 1996 apply, as does the Local Government Amendment (Auditing) Act 2017.

Officer Comments
Notwithstanding the timing issues mentioned above concerning the proclamation of the Local Government Amendment (Auditing) Act 2017, City of Bunbury Officers sought quotes for audit services for the 2017/18 financial year in accordance with Council's policies regarding procurement.

Three submissions were received by the closing date, being from AMD Chartered Accountants; Moore Stephens; and Grant Thornton.

A panel of Officers assessed the submissions against the nominated response criteria, which was weighted as follows:
a) Demonstrated experience in completing similar audits - 30%
b) Skills and experience of key personnel (including staff undertaking the audits) - 30%
c) Methodology to complete the audits - 10%
d) Price - 30%

The City of Bunbury's Purchasing Policy regarding local procurement was applicable to this process, whereby a 5% price preference is applicable to locally based companies with a permanent office located within the Bunbury-Wellington Group of Councils, but was not, however, a factor in determining the recommended outcome.

Notwithstanding the proclamation of the Local Government Amendment (Auditing) Act 2017, Officers would have ordinarily recommended the appointment of AMD Chartered Accountants as the City's auditors for 2017/18 based on the assessment of submissions received. As this power no longer rests with local government, it is recommended that the outcome of the procurement process be forwarded to OAG for their consideration.

Analysis of Financial and Budget Implications
Audit fees form part of the BHRC's Annual Budget.

Community Consultation
Not Applicable

Councillor / Officer Consultation
This report is presented to Council by the Audit Committee for consideration.

*CR ANITA SHORTLAND RETURNS TO THE ROOM AT 4:38PM

13. Elected Member motions of which previous notice has been given

NIL

14. Urgent business approved by the person presiding or by decision of the Council

NIL

15. Confidential Business (Meeting Closed to the Public)

NIL

16. Next Meeting

To be held on Thursday, 21 December 2017at the Shire of Harvey Council Chambers, Administration Building, 7 Mulgara Street, Australind, commencing at 4:00pm.

17. Close of Meeting

The Presiding Member declares meeting closed at 4:45pm.