



# Ordinary Council Meeting

## Minutes

### 28 November 2019

#### 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**  
Lot 45 Stanley Road, Wellesley  
Western Australia 6233

*Correspondence to:*  
Post Office Box 111  
Australind WA 6233

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**ATTACHMENTS**

<b>Attachment 1</b>	-	<b>Financial Statements for Period Ending 30 September 2019</b>
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<b>Attachment 3</b>	-	<b>Summary of Accounts Paid for Period Ending 30 September 2019</b>
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<b>Attachment 6</b>	-	<b>Report Addressing 2019 Audit Findings in Audit Reports to Financial Statements (Appendix 4)</b>
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<b>Attachment 8</b>	-	<b>AMD Financial Management Systems Review (FMSR) Report 2019 (Appendix 6)</b>
<b>Attachment 9</b>	-	<b>Annual Report 2018/2019</b>



## VISION

To develop, implement and maintain innovative and sustainable waste reduction, recycling and landfilling services while managing waste facilities with best practice standards for the councils of the Wellington Region and beyond.

To provide sustainable waste minimisation, recycling and alternative waste treatment services to an informed community while reducing the environmental impact of waste and maximising the conservation of natural resources through reduced material use and increased resource recovery

## MISSION

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

Reduce the environmental impact of waste and maximise conservation of natural resources through reduced overall material use and increased materials and energy recovery.

## VALUES

### ***Excellence:***

To provide best practice facilities and waste services to our community through the development of quality controls and continuous improvements.

### ***Leadership:***

Having a clear vision and direction, that engages with key stakeholders and our community.

### ***Integrity:***

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

### ***Accountability:***

To ensure 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 Environmental Regulation licence conditions.

### ***Innovation:***

Embrace new and better ways to achieve improved results through creativity, inventiveness and teamwork.

### ***Respect***

We value diversity and respect and are committed to work towards integrating the principles of Equal Employment Opportunity and ensure that the work environment is free from harassment and discrimination. We value and respect all members of our community.



# 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, 28 November 2019 at 4:00pm.

## Minutes

### 1. Declaration of Opening / Announcement of Visitors

The meeting was declared open by Chief Executive Officer, Tony Battersby at 3:59pm.

These Minutes were confirmed as being true and correct by Council on [Click here to enter a date.](#) by Council Resolution: [Click here to enter text.](#)

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**Cr Tresslyn Smith**  
Chairperson

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**Mr Tony Battersby**  
Chief Executive Officer

### 2. Swearing in of the Presiding Members of Council – *(To be performed by the Justice of the Peace)*

Cr Tania Jackson, Cr Bill Adams, Cr Tresslyn Smith, Cr Jaysen Miguel, Cr Karen Turner and Cr Wendy Dickinson (Proxy for Shire of Harvey) sworn in as Councillors for Council by Justice of the Peace Bruce Cam.

### 3. Election of the Council Chairperson

The Chief Executive Officer will call for and read aloud the nominations for the position of Council Chairperson. If more than one nomination is received, the Chief Executive Officer will call on the nominees to give a short presentation on their capabilities for the position. A ballot will then be conducted.

***Nominations were received from Cr Smith and Cr Adams for the position of Council Chairman. Council held secret ballot to elect new Chairperson and by unanimous vote Cr Smith were elected as Chairperson.***

### 4. Swearing in of the Council Chairperson – *(To be performed by the Justice of the Peace)*

**Council's Elected Chairperson: Cr Tresslyn Smith**

### 5. Election of the Deputy Chairperson

The Chairman will call for and read aloud the nominations for the position of Deputy Chairperson. If more than one nomination is received, the Chairman will call on the Nominees to give a short presentation on their capabilities for the position. A ballot will then be conducted.

***Nominations were received from Cr Tania Jackson and Cr Bill Adams for the position of Deputy Chairperson. Council held secret ballot to elect new Deputy Chairperson and by unanimous vote Cr Tania Jackson were elected as Deputy Chairperson.***

**6. Swearing in of the Deputy Chairperson - (To be performed by the Justice of the Peace)**

Council's Elected Deputy Chairperson: Cr Tania Jackson

**7. Appointment of Council Representative on the Municipal Waste Advisory Council**

*Cr Adams nominated himself for the position and Cr Jackson nominated Cr Smith as she felt that the Council Chairperson should represent Council. Cr Adams then withdraw his nomination.*

Council's Appointment: Cr Tresslyn Smith

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Meeting adjourned for the Audit Committee Meeting to take place at 4:23pm

MOVED BY: Cr Karen Turner

SECONDED BY: Cr Jaysen Miguel

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC281119-1634

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Ordinary Council Meeting re-opened at 4:45pm

MOVED BY: Cr Karen Turner

SECONDED BY: Cr Jaysen Miguel

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC281119-1635

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**8. Membership of the Audit Committee**

Applicant / Proponent:	Internal
Responsible Officer:	Chris Welham, Accountant
Executive:	Tony Battersby, Chief Executive Officer
Attachment(s):	-

**Summary**

Local Government elections were held on Saturday 19 October 2019. 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:**

Appoint all Councillors as members of the Audit Committee.

MOVED BY: Cr Jaysen Miguel

SECONDED BY: Cr Tania Jackson

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC281119-1636

**Voting Requirement**

Absolute Majority

## 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.

## Audit Committee Terms of Reference

The duties and responsibilities of the 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 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 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 28 November 2019 at 4:20pm, 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.

**9. Attendances and Apologies**

**9.1 Apologies**

<b>Council Members:</b>	<b>Representing</b>
Cr Tresslyn Smith (Chairperson)	City of Bunbury
Cr Tania Jackson (Deputy Chairperson)	Shire of Harvey
Cr Jaysen Miguel	City of Bunbury
Cr Karen Turner	City of Bunbury
Cr Bill Adams	Shire of Harvey
<b>Executive Leadership Team (Non-Voting)</b>	<b>Representing</b>
Mr Tony Battersby	Chief Executive Officer (BHRC)
Ms Annie Riordan	Chief Executive Officer (Shire of Harvey)
<b>Officers (Non-Voting)</b>	<b>Representing</b>
Mr Chris Welham	Accountant
Mrs Aileen Clemens	Manager Waste Operations (City of Bunbury)
David Ransom	Manager Finance (City of Bunbury)
Miss Martinette Pieterse	Council Meeting Support Officer
<b>Others (Non-Voting)</b>	<b>Representing</b>
Cr Wendy Dickinson	Shire of Harvey

**9.2 Apologies**

Mal Osborne (CEO City of Bunbury)

**10. Public Question Time**

Nil

**11. Summary of Response to previous Questions taken on notice**

Nil

**12. Applications for Leave of Absence**

Nil

**13. Confirmation of Minutes**

The minutes of the Ordinary meeting of Council held on 26 September 2019, are confirmed as a true accurate record.

**MOVED BY:** Cr Jaysen Miguel

**SECONDED BY:** Cr Karen Turner

**RESULT:** CARRIED / ~~LOST~~ – 5/0

**RESOLUTION:** OC281119-1637

**14. Petitions / Memorials / Presentations**

Nil

**15. Declarations of Interests**

Cr Bill Adams declared his interest to his family members that are employed by the BHRC.

**16. Announcements (by the presiding member without discussion)**

Nil

**17. Reports of Committees**

Nil

**18. Reports of Officers**

**18.1 Financial Statements for the period ending 30 September 2019**

<b>Applicant / Proponent:</b>	Internal		
<b>Responsible Officer:</b>	Chris Welham, Accountant		
<b>Responsible Manager:</b>	David Ransom, Manager Finance		
<b>Executive:</b>	Tony Battersby, Chief Executive Officer		
<b>Authority / Discretion:</b>	Advocacy	<input checked="" type="checkbox"/>	Review <input type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial <input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes <input type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 1</b> – Financial Statements for Period Ending 30 September 2019 (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 30 September 2019

	ACTUAL	BUDGET	VARIANCE	
• Year-to-date Income	1,034,631	995,699	38,932	favourable
• Year-to-date Expenditure	(1,005,937)	(990,242)	(15,695)	unfavourable
• Year-to-date Operating Surplus	28,694	5,457	23,237	favourable

2. Statement of Financial Activity **(attached at Appendix 3)**

Closing Funding Surplus to 30 June 2019 is forecast at \$152,853. There is no change from the Budgeted Closing Surplus.

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

	ACTUAL	BUDGET	VARIANCE	
• Year-to-date Capital Expenditure	0	0	0	

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

• Current Assets of \$4,607,945 includes:	<b>Year-to-date</b>	<b>Forecast</b>
○ Cash and Cash Equivalents	4,071,977	2,274,689
○ Trade and Other Receivables	521,942	300,000
○ Prepayments	5,910	0
○ Inventories	8,116	2,000

Current Liabilities of \$482,571 includes:		
○ Trade and Other Payables	165,724	209,569
○ Provisions	316,847	291,163

• Working Capital ( <b>Current Assets less Current Liabilities</b> ) is:	4,125,374	2,075,957
• Equity ( <b>Total Assets less Total Liabilities</b> ) is	9,188,659	11,995,873

Reserves of \$3,228,157 includes:		
○ Plant and Infrastructure Reserve	729,012	871,476
○ Site Post Closure Rehabilitation Reserve	639,124	708,459
○ Stanley Road Environmental Protection Lined Cell Construction Reserve	765,391	11,885
○ Organics Processing Reserve	1,094,630	331,284

5. Investments

Total of <b>\$3,994,204</b> includes:			
	Invested Funds \$	% of Total Funds	Max % of Total Funds Allowed
○ Bankwest	343,157	9	75
○ Commonwealth Bank	810,115	20	75
○ National Australia Bank	2,840,932	71	75
<b>TOTAL:</b>	3,994,204	100	

*Funds which are not required for payment of creditors are invested in interest bearing Term Deposits for 1 to 3 months. Quotations are obtained to ensure the best interest rate is received. Interest earnings are shown in the financial statements.*

### **Executive Recommendation**

**That Council:**

Receive and accept the Financial Statements for period ending 30 September 2019 as presented to Council.

**MOVED BY:** Cr Jaysen Miguel

**SECONDED BY:** Cr Tania Jackson

**RESULT: CARRIED / ~~LOST~~ – 5/0**

**RESOLUTION: OC281119-1638**

### **Voting Requirement**

Simple Majority

### **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 June 2019, 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 2019/20.

### **Consultation**

There is no requirement for community consultation for this report. The Chief Executive Officer and the City of Bunbury finance staff monitor the Bunbury-Harvey Regional Council's monthly revenue and expenditure and (as required) refers any variances requiring remedial action to Council.

Approved budget amendments are recorded in the financial statements to reflect the Council's current budget and financial position at all times.

### **Financial Implications**

This Financial Management Report on the financial performance of the Council is provided for Councillor's information and does not have any financial or budget implications for the 2019/20 financial year.

### **Statutory Environment**

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

**Strategic Implications**

Nil

**Policy Implications**

Nil

**Officer Comment**

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

<b>Statement of Comprehensive Income</b>	<b>YTD Actual to YTD Budget Variance</b>
<b>Fees and Charges</b>	
<b>Banksia Road Organics Tipping Fees</b> Favourable year-to-date variance to budget due to seasonal demand and Shire of Harvey Organics now being received.	\$19,424 15%
<b>Other Revenue</b>	
<b>Landfill Levy Income</b> Favourable year-to-date variance to budget due to an increase in tonnages being received from the Perth metropolitan area.	\$15,472 62%
<b>Other Expenditure</b>	
<b>Landfill Levy Expenditure</b> Unfavourable year-to-date variance to budget due to an increase in tonnages being received from the Perth metropolitan area. This expenditure is fully recouped from customers.	(\$13,970) (61%)
<b>Statement of Financial Activity</b>	
<b>Revenues by Nature and Type</b>	
<b>Other Revenue Favourable</b> year-to-date variance to budget due to an increase in Landfill Levy Income derived from tonnages being received from the Perth metropolitan area and an increase in Fuel tax Credits received due to higher use of plant and equipment for rehabilitation works.	21,375 48%

**18.2 Financial Statements for the period ending 31 October 2019**

<b>Applicant / Proponent:</b>	Internal			
<b>Responsible Officer:</b>	Chris Welham, Accountant			
<b>Responsible Manager:</b>	David Ransom, Manager Finance			
<b>Executive:</b>	Tony Battersby, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input checked="" type="checkbox"/>	Review	<input type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 2</b> – Financial Statements for Period Ending 31 October 2019 (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)**
  - b. Year-to-date Financial Performance to 31 October 2019

	<b>ACTUAL</b>	<b>BUDGET</b>	<b>VARIANCE</b>	
• Year-to-date Income	1,435,804	1,311,275	124,529	favourable
• Year-to-date Expenditure	(1,547,495)	(1,464,727)	(82,768)	unfavourable
• Year-to-date Operating Surplus	(111,691)	(153,452)	41,761	favourable

2. Statement of Financial Activity **(attached at Appendix 3)**

Closing Funding Surplus to 30 June 2019 is forecast at \$143,918. The Budgeted Closing Surplus amount of \$152,853 has been decreased by \$9K due to increased landfill levy income (\$50K) and capital income (\$15K), which is offset by increased landfill levy expenditure (\$46K), increased capital expenditure (\$8K), and increased skip bin recycling employee costs (\$20K).

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

	ACTUAL	BUDGET	VARIANCE	
• Year-to-date Capital Expenditure	8,435	0	(8,435)	unfavourable

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

• Current Assets of <b>\$4,479,456</b> includes:	Year-to-date	Forecast
○ Cash and Cash Equivalents	3,877,069	2,265,754
○ Trade and Other Receivables	590,331	300,000
○ Prepayments	3,940	0
○ Inventories	8,116	2,000

Current Liabilities of <b>\$441,533</b> includes:		
○ Trade and Other Payables	136,145	209,569
○ Provisions	305,388	291,163

• Working Capital ( <b>Current Assets less Current Liabilities</b> ) is:	4,037,923	2,067,022
• Equity ( <b>Total Assets less Total Liabilities</b> ) is:	9,039,838	11,995,373
Reserves of <b>\$3,137,412</b> includes:		
○ Plant and Infrastructure Reserve	731,746	871,476
○ Site Post Closure Rehabilitation Reserve	544,618	708,459
○ Stanley Road Environmental Protection Lined Cell Construction Reserve	766,418	11,870
○ Organics Processing Reserve	1,094,630	331,299

5. Investments

Total of <b>\$3,706,415</b> includes:			
	Invested Funds \$	% of Total Funds	Max % of Total Funds Allowed
○ Commonwealth Bank	198,420	5	75
○ National Australia Bank	1,278,852	35	75
○ Westpac	2,229,143	60	75
<b>TOTAL:</b>	<b>3,706,415</b>	<b>100</b>	

*Funds which are not required for payment of creditors are invested in interest bearing Term Deposits for 1 to 3 months. Quotations are obtained to ensure the best interest rate is received. Interest earnings are shown in the financial statements.*

**Executive Recommendation**

**That Council:**

Receive and accept the Financial Statements for period ending 31 October 2019 as presented to Council.

MOVED BY: Cr Jaysen Miguel

SECONDED BY: Cr Karen Turner

RESULT: CARRIED / ~~LOST~~ – 5/0

RESOLUTION: OC281119-1639

#### *Voting Requirement*

Simple Majority

#### *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 June 2019, 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 2019/20.

#### *Consultation*

There is no requirement for community consultation for this report. The Chief Executive Officer and the City of Bunbury finance staff monitor the Bunbury-Harvey Regional Council's monthly revenue and expenditure and (as required) refers any variances requiring remedial action to Council.

Approved budget amendments are recorded in the financial statements to reflect the Council's current budget and financial position at all times.

#### *Financial Implications*

This Financial Management Report on the financial performance of the Council is provided for Councillor's information and does not have any financial or budget implications for the 2019/20 financial year.

#### *Statutory Environment*

Section 12 and 13 of the Local Government (Financial Management) Regulations 1996 apply.

#### *Strategic Implications*

Nil

#### *Policy Implications*

Nil

#### *Officer Comment*

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

**Unconfirmed Minutes OC Meeting - 28.11.2019**

<b>Statement of Comprehensive Income</b>	<b>YTD Actual to YTD Budget Variance</b>
<b>Fees and Charges</b>	
<b>Fees and Charges</b>	
<b>Banksia Road Organics Tipping Fees</b> Favourable year-to-date variance to budget due to increased tonnages being received from Capel FOGO and the Shire of Harvey.	\$55,083 31%
<b>Landfill Levy Income</b> Favourable year-to-date variance to budget due to an increase in skip bin tonnages being received from the Perth metropolitan area.	\$50,450 151%
<b>Employee Costs</b>	
<b>Skip Bin Recycling Operations</b> Unfavourable year-to-date variance to budget due to increased bulk waste entering the site and having to process waste via a seven-day operation.	(\$17,245) (60%)
<b>Other Expenditure</b>	
<b>Landfill Levy Expenditure</b> Unfavourable year-to-date variance to budget due to an increase in skip bin tonnages being received from the Perth metropolitan area. This expenditure is fully recouped from customers.	(\$46,962) (153%)
<b>Statement of Financial Activity</b>	
<b>Revenues by Nature and Type</b>	
<b>Other Revenue Favourable</b> year-to-date variance to budget due to an increase in Landfill Levy Income derived from tonnages being received from the Perth metropolitan area and an increase in Fuel tax Credits received due to higher use of plant and equipment for rehabilitation works.	56,326 95%
<b>Other Expenditure</b> Unfavourable year-to-date variance to budget due to an increase in landfill levy expenditure in relation to skip bin tonnages being received from the Perth metropolitan area. This expenditure is fully recouped from customers.	(\$40,496) (38%)
<b>Proceeds from Sale of Assets</b> Favourable year-to-date variance to budget due to the sale of a Plain Breaker Bar, an accessory for the Shredder, which is surplus to requirements.	\$15,500 100%

**18.3 Summary of Accounts paid for period ending 30 September 2019**

<b>Applicant / Proponent:</b>	Internal			
<b>Responsible Officer:</b>	Chris Welham, Accountant			
<b>Responsible Manager:</b>	David Ransom, Manager Finance			
<b>Executive:</b>	Tony Battersby, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input checked="" type="checkbox"/>	Review	<input type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 3</b> - Summary of Accounts paid for period ending 30 September 2019			

**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 30 September 2019

**Officer Recommendation**

**That Council:**

Receive and accept the Summary of Accounts paid for period ending 30 September 2019 as presented to Council.

**MOVED BY:** Cr Jaysen Miguel

**SECONDED BY:** Cr Karen Turner

**RESULT:** CARRIED / ~~LOST~~ – 5/0

**RESOLUTION:** OC281119-1640

**Voting Requirement**

Simple Majority

**Background**

As noted in Summary.

**Officer Comment**

The attachment details all payments made for 30 September 2019

**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 2019/2020 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

**18.4 Summary of Accounts paid for period ending 31 October 2019**

<b>Applicant / Proponent:</b>	Internal			
<b>Responsible Officer:</b>	Chris Welham, Accountant			
<b>Responsible Manager:</b>	David Ransom, Manager Finance			
<b>Executive:</b>	Tony Battersby, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input checked="" type="checkbox"/>	Review	<input type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 4</b> - Summary of Accounts paid for period ending 31 October 2019			

### **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 2019

### **Officer Recommendation**

#### **That Council:**

Receive and accept the Summary of Accounts paid for period ending 31 October 2019 as presented to Council.

**MOVED BY:** Cr Jaysen Miguel

**SECONDED BY:** Cr Tania Jackson

**RESULT: CARRIED / ~~LOST~~ – 5/0**

**RESOLUTION: OC281119-1641**

### **Voting Requirement**

Simple Majority

### **Background**

As noted in Summary.

### **Officer Comment**

The attachment details all payments made for 31 October 2019

### **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 2019/2020 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

**18.5 Auditors Report and Annual Financial Statements for the Year Ending 30 June 2019**

<b>Applicant / Proponent:</b>	Audit Committee			
<b>Responsible Officer:</b>	Chris Welham, Accountant			
<b>Executive:</b>	Tony Battersby, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input checked="" type="checkbox"/>	Review	<input checked="" type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 5</b> – Auditors Report and Annual Financial Statements for the Year Ending 30 June 2019 ( <b>Appendix 2</b> )			

**Summary**

The Auditor’s Report and Annual Financial Report of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2019 are attached. The signed Auditor’s Report will be forwarded to Councillors after the signed Auditor’s Report has been received. There are no qualifications to the audit opinion.

**Committee Recommendation**

**That Council:**

Receive the Annual Report including the Auditor’s Report and the Audited Annual Financial Report of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2019.

**MOVED BY:** Cr Jaysen Miguel

**SECONDED BY:** Cr Tania Jackson

**RESULT:** CARRIED / ~~LOST~~ – 5/0

**RESOLUTION:** OC281119-1642

**Voting Requirement**

Simple Majority

**Background**

The Auditor General has audited the 2018/19 Annual Financial Statements and have provided an Independent Auditor’s Report (refer pages iv to vi in the attached Annual Financial Report) as required under the relevant provisions of the *Local Government Act 1995* (the Act). The Auditor’s Report and Annual Financial Statements were reviewed at the Audit Committee Meeting on 28 November 2019 and are now referred to Council.

Furthermore, section 7.12A(2) of the Act requires a local government to meet with its Auditor at least once in every year. Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General WA, who is representing the Auditor General, attended the Audit Committee meeting held on 28 November 2019 and discussed with the Committee the audit and any queries arising from the 2018/19 Audit.

**Council Policy Compliance**

N/A

**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 Comments**

Council's financial 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 expenditure has exceeded operating revenue during the financial year (i.e. operating deficit).

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2019 include:

	<u>2019</u>	<u>2018</u>
Operating Revenue	\$ 3,859,531	\$ 3,880,750
Operating Expenses	\$ (4,420,892)	\$ (4,794,690)
Operating Surplus, (Deficit)	\$ (561,541)	\$ (913,940)
Net Result (utilised for capital works)	\$ (583,769)	\$ (969,733)
Net Result (net of site rehabilitation expenses)	\$ 552,550	\$ 521,375

For the year ending 30 June 2019, the operating deficit was \$561K compared to a deficit of \$914K in 2017/18, a decrease of \$353K. The decrease of \$21K in revenue is mainly due to increases in casual tipping fees (\$33K) and sale of scrap metal (\$80K), which was offset by a decrease in landfill levy income (\$134K). The \$374K decrease in expenditure is mainly due to reductions in employee costs (\$86K), site rehabilitation expenditure (\$345K), landfill levy expenditure (\$120K), and a GST recoup in relation to bad debts written off (\$68K); which were offset by increases in organics expenditure (\$43K) and skip bin recycling costs (\$137K), bore monitoring expenses (\$39K) and technical services (\$26K).

When the profit/loss on disposal of assets and loss on revaluation of infrastructure are included, the Net Result was a deficit of \$584K (compared to a deficit of \$970K in 2017/18).

**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 2019.

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2019 include:

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 4,363,836	\$ 5,702,569
Current Liabilities	\$ 410,505	\$ 669,080
Current Assets over Current Liabilities	\$ 3,953,331	\$ 5,033,489
Non-Current Assets	\$ 5,188,615	\$ 4,719,504
Non-Current Liabilities	\$ 6,654	\$ 33,935
Total Equity	\$ 9,135,291	\$ 9,719,060

Council's current assets exceed current liabilities by \$3.9M compared to \$5M in 2017/18. The total Equity as at 30 June 2019 was \$9.1M a decrease of \$584K on 2017/18.

**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 2019, the Equity decreased from \$9.7M to \$9.1M.

**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 \$3.9M compared to \$5.3M in 2017/18.



**Analysis of Financial and Budget Implications**

There are no financial or budget implications for Council to accept the Auditor’s Report and the Audited Annual Financial Report for the year ending 30 June 2019.

**Community Consultation**

The annual Report including the Auditor’s Report and Annual Financial report will be made available to the public via the website.

**18.6 2018/19 Annual Financial Report Audit Findings**

<b>Applicant / Proponent:</b>	Audit Committee			
<b>Responsible Officer:</b>	Chris Welham, Accountant			
<b>Executive:</b>	Tony Battersby, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input checked="" type="checkbox"/>	Review	<input checked="" type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 6 – Annual Financial Report Audit Findings (Appendix 4)</b>			

**Summary**

The Auditor General in the Auditor’s Report for the 2018/19 financial year has identified that the Operating Surplus Ratios are below the Department of Local Government, Sport and Cultural Industries (DLGSCI) ratio standard. A report addressing these findings is attached at Appendix 4.

This report is to bring this matter to the attention of Council as required under Section 7.12A(4) of the Local Government Act.

**Committee Recommendation**

**That Council:**

1. Notes the findings by the Auditor General in the Auditor’s Report for the 2018/19 financial year, and
2. Receives the report addressing the 2018/19 Auditor’s Report findings.

**MOVED BY:** Cr Jaysen Miguel

**SECONDED BY:** Cr Tania Jackson

**RESULT:** CARRIED / ~~LOST~~ – 5/0

**RESOLUTION:** OC281119-1643

**Strategic Relevance**

Long Term Financial Plan objectives: financial sustainability in the long term, through sound financial management practices.

**Background**

The Auditor’s Report for the year ended 30 June 2019 indicates that the Operating Surplus Ratio is below the Department’s standard for the last 3 years.

The Local Government Act, Section 7.12A(4) requires local governments to examine the audit report it receives and implement appropriate actions in respect to the significant matters raised.

A report addressing the significant matters identified in the audit report must be prepared and then considered by the Audit Committee before being adopted by Council. The Audit Committee met on 28 November 2019 and now refers this report to Council.

**Council Policy Compliance**

There are no Council policies relating to this report.

**Legislative Compliance**

Local Government Act, Section 7.12A(4) – Duties of local governments; with respect to matters identified as significant by the auditor.

**Officer Comments**

A report has been prepared for Council’s information on the adverse ratio trends identified in the 2019 Auditor’s Report, their implications to the financial position of the Council and how these ratios can be improved (refer Appendix 4).

This report will be provided to the Minister within three months of receiving the audit report and within 14 days after giving the report to the Minister, the Council will publish a copy of this report on the Council’s website as required by the Local Government Act.

**Analysis of Financial and Budget Implications**

Nil

**Community Consultation**

A copy of the report on the 2018/19 Audit Findings will be published on the Council’s website.

**Councillor/Officer Consultation**

This report is to bring this matter to the attention of Council by the Audit Committee.

**18.7 Interim Audit Report and Financial Management Systems Review**

<b>Applicant / Proponent:</b>	Audit Committee			
<b>Responsible Officer:</b>	Chris Welham, Accountant			
<b>Executive:</b>	Tony Battersby, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input checked="" type="checkbox"/>	Review	<input checked="" type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 7</b> – Interim Audit Report 30 June 2019 ( <b>Appendix 5</b> ) <b>Attachment 8</b> – 2019 Financial Management Systems Review ( <b>Appendix 6</b> )			

**Summary**

The purpose of this report is for the Audit Committee to receive the Interim Audit Report for the year ending 30 June 2019 and the Financial Management Systems Review (FMSR) June 2019 prepared by the Office of the Auditor General (OAG) and AMD Chartered Accountants respectively.

**Committee Recommendation**

**That Council:**

Receive the Interim Audit Report for the year ending 30 June 2019 and Financial Management Systems Review June 2019 as presented.

**MOVED BY: Cr Karen Turner**

**SECONDED BY: Cr Tania Jackson**

**RESULT: CARRIED / ~~LOST~~ – 5/0**

**RESOLUTION: OC281119-1644**

### **Voting Requirement**

Simple Majority

### **Strategic Relevance**

Long Term Financial Plan objectives: financial sustainability in the long term, through sound financial management practices.

### **Background**

In May 2019, AMD Chartered Accountants conducted the Interim Audit for the year ending 30 June 2019 on behalf of the Council's Auditor, the Auditor General. During this audit, AMD also undertook a review of the Council's financial management systems and procedures in accordance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

The resulting reports have now been completed and are presented to the Audit Committee for information. A copy of these reports is attached at Appendices 5 and 6.

### **Council Policy Compliance**

There is no current Council Policy relevant to this item.

### **Legislative Compliance**

The Interim Audit is completed as part of the Annual Audit required under Section 7.2 of the Local Government Act 1995 that requires the accounts and annual financial report to be audited. Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 outlines the Chief Executive Officer's duties as to financial management.

### **Officer Comments**

Both reports include recommendations to improve the City's internal controls and a management response to each of these recommendations.

Findings identified during the interim audit were in the following areas:

1. Payroll master file changes
2. Termination pay Procedures

Findings Reported in the Prior year

3. Daily receipting procedures
4. Non-compliance with legal and regulatory requirements
5. Purchase orders dated after invoice
6. Audit Committee Meetings

The areas that were reviewed as part of the Financial Management Systems Review were:

1. Collection of money
2. Custody and security of money
3. Maintenance and security of financial records
4. Accounting for municipal or trust transactions
5. Authorisation for incurring liabilities and making payments
6. Maintenance of payroll, stock control and costing records
7. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations

AMD have provided the following comment in the FMSR report:

Following the completion of our review and subject to the recommendations outlined within sections 2 to 8, we are pleased to report that in context of the City's overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

### **Analysis of Financial and Budget Implications**

Nil

**Community Consultation**

Community Consultation has not been sought on this matter.

**Applicant Consultation**

Not applicable

**Councillor/Officer Consultation**

This report is presented to the Audit Committee meeting held 28 November 2019.

**Timeline: Council Decision Implementation**

Not applicable.

**18.8 Audit Committee – Amendment to Terms of Reference**

<b>Applicant / Proponent:</b>	Audit Committee			
<b>Responsible Officer:</b>	Chris Welham, Accountant			
<b>Executive:</b>	Tony Battersby, Chief Executive Officer			
<b>Authority / Discretion:</b>	Advocacy	<input checked="" type="checkbox"/>	Review	<input checked="" type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial	<input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes	<input type="checkbox"/>
<b>Attachment(s):</b>	-			

**Summary**

The purpose of this report is for Council to consider making some amendments to the terms of reference (ToR) for the Audit Committee in light of recent amendments to the local government Financial Management and Audit regulations.

**Committee Recommendation**

**That Council:**

1. Adopts the revised terms of reference for the Audit Committee as presented; and
2. Notes that these changes reflect the recent amendment to the Audit provisions within the Local Government Act 1995 and associated Regulations.

**MOVED BY:** Cr Karen Turner

**SECONDED BY:** Cr Tania Jackson

**RESULT:** CARRIED / ~~LOST~~ – 5/0

**RESOLUTION:** OC281119-1645

**Voting Requirement**

Simple Majority

**Strategic Relevance**

Long Term Financial Plan objectives: financial sustainability in the long term, through sound financial management practices.

**Background**

At its meeting held today on 28 November 2019, prior to this meeting, the Committee recommended some changes to its terms of reference to reflect amendments to the *Local Government Act 1995* (the Act) which removed power from local governments to appoint their own auditors, and also to reflect amendments to the Local Government Audit and Financial Management Regulations.

### **Council Policy Compliance**

N/A

### **Legislative Compliance**

The proposed changes to the ToR for the committee would ensure that they stay within the parameters of the amended legislation.

### **Officer Comments**

The following amendments to the *Local Government (Financial Management) Regulations 1996* have been made:

#### **Timeframe for review of financial management systems**

Regulation 5 regarding the CEO's duties as to financial management has been amended to require the CEO to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures from no less than once in every four financial years to no less than three financial years.

#### **Assets valued under \$5,000**

Amendments to Regulation 17A will exclude assets in a local government annual financial report valued under \$5,000. In order to ensure effective asset management of low value assets that are susceptible to theft or loss, local governments will be required to maintain a property register of portable and attractive items. This change brings local governments in line with State Government agencies as specified in Treasurer's Instruction 410 Record of Assets.

#### **Timeframe for local governments to revalue assets**

Regulation 17A(4)(b) has been amended to set the timeframe for local governments to revalue their assets to between three and five years, which is consistent with Australian Accounting Standards Board standard 116: Property, Plant and Equipment. The following amendments to the *Local Government (Audit) Regulations 1996* have been made:

#### **Role of the Audit Committee**

The role of the Audit Committee will be amended so that the Audit Committee will have greater involvement in assisting the CEO to carry out the review under Regulation 17 of the Audit Regulations of systems and procedures concerning risk management, internal control, and legislative compliance.

This will include helping the CEO to formulate recommendations to council to address issues identified in the reviews. The Audit Committee will also support the auditor as required and have functions to oversee:

- the implementation of audit recommendations made by the auditor, which have been accepted by council; and
- accepted recommendations arising from reviews of local government systems and procedures.

#### **Role of the council assisting the auditor**

Local governments will be required to provide the auditor with a copy of their adopted Long-Term Financial Plan, Asset Management Plan, Corporate Business Plan and Strategic Community Plan.

#### **Timeframe for reviewing audit systems and procedures**

An amendment to Regulation 17(2) will require the CEO to undertake a review of audit systems and procedures no less than once in every three financial years (currently 2 years).

Accordingly, the following amended ToR is suggested:

*a) Provide guidance and assistance to Council as to the carrying out the functions of the local government in relation to audits and matters related to financial management;*

*b) Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;*

*c) 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;*

d) 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 oversee the implementation of any action so determined that appropriate action is taken in respect of those matters;

e) 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 6 months after the last report prepared by the auditor is received, whichever is the latest in time;

f) Review the scope of the audit plan and program and its effectiveness;

g) Review the appropriateness of special internal audit assignments undertaken by internal audit at the request of Council or CEO;

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

i) 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;

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

k) 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;

l) 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;

m) 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;

n) 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;

o) Review the annual Compliance Audit Return and report to the council the results of that review, and

p) Having regard to the culture and capability of the organisation, 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.

q) Monitor and advise the CEO when the CEO is carrying out functions in relation to a review of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance;

r) Oversee the implementation of any action required following receipt of the review of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance;

s) Monitor and advise the CEO when the CEO is carrying out functions in relation to a review of the appropriateness and effectiveness of the financial management systems and procedures;

t) Oversee the implementation of any action required following receipt of a review of the appropriateness and effectiveness of the financial management systems and procedures.

### **Analysis of Financial and Budget Implications**

There are no financial or budget implications relating to the recommendations in this report.

**18.9 Annual Report 2018/2019**

<b>Applicant / Proponent:</b>	Internal		
<b>Responsible Officer:</b>	Chris Welham, Accountant and Michelle Lloyd, Compliance Officer		
<b>Responsible Manager</b>	David Ransom, Manager Finance		
<b>Executive:</b>	Tony Battersby, Chief Executive Officer		
<b>Authority / Discretion:</b>	Advocacy	<input checked="" type="checkbox"/>	Review <input type="checkbox"/>
	Executive/Strategic	<input checked="" type="checkbox"/>	Quasi-Judicial <input type="checkbox"/>
	Legislative	<input checked="" type="checkbox"/>	Information Purposes <input type="checkbox"/>
<b>Attachment(s):</b>	<b>Attachment 9</b> – Annual Report and Annual Financial Statements for the year ending 30 June 2019 (as detailed in Appendix 2)		

**Summary**

The Annual Report, including the Auditor’s Report and Annual Financial Report of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2019 is attached.

There are no qualifications to the audit opinion.

**Officer Recommendation**

**That Council:**

Receive the Annual Report including the Auditor’s Report and the Audited Annual Financial Report of the Bunbury-Harvey Regional Council for the financial year ending 30 June 2019.

**MOVED BY:** Cr Karen Turner

**SECONDED BY:** Cr Tania Jackson

**RESULT: CARRIED / ~~LOST~~ – 5/0**

**RESOLUTION: OC281119-1646**

**Voting Requirement**

Simple Majority

**Background**

The Auditor General has audited the 2018/19 Annual Financial Statements and have provided an Independent Auditor’s Report (refer pages iv to vi in the attached Annual Financial Report) as required under the relevant provisions of the *Local Government Act 1995* (the Act). The Auditor’s Report and Annual Financial Statements were reviewed at the Audit Committee Meeting on 28 November 2019 and are now referred to Council.

Furthermore, section 7.12A(2) of the Act requires a local government to meet with its Auditor at least once in every year. Ms Carly Meagher, Director Financial Audit, from the Office of the Auditor General WA, who is representing the Auditor General, attended the Audit Committee meeting held on 28 November 2019 and discussed with the Committee the audit and any queries arising from the 2018/19 Audit.

**Council Policy Compliance**

N/A

**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 Comments**

Council's financial 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 expenditure has exceeded operating revenue during the financial year (i.e. operating deficit).

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2019 include:

	<u>2019</u>	<u>2018</u>
Operating Revenue	\$ 3,859,531	\$ 3,880,750
Operating Expenses	\$ (4,420,892)	\$ (4,794,690)
Operating Surplus, (Deficit)	\$ (561,541)	\$ (913,940)
Net Result (utilised for capital works)	\$ (583,769)	\$ (969,733)
Net Result (net of site rehabilitation expenses)	\$ 552,550	\$ 521,375

For the year ending 30 June 2019, the operating deficit was \$561K compared to a deficit of \$914K in 2017/18, a decrease of \$353K. The decrease of \$21K in revenue is mainly due to increases in casual tipping fees (\$33K) and sale of scrap metal (\$80K), which was offset by a decrease in landfill levy income (\$134K). The \$374K decrease in expenditure is mainly due to reductions in employee costs (\$86K), site rehabilitation expenditure (\$345K), landfill levy expenditure (\$120K), and a GST recoup in relation to bad debts written off (\$68K); which were offset by increases in organics expenditure (\$43K) and skip bin recycling costs (\$137K), bore monitoring expenses (\$39K) and technical services (\$26K).

When the profit/loss on disposal of assets and loss on revaluation of infrastructure are included, the Net Result was a deficit of \$584K (compared to a deficit of \$970K in 2017/18).

**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 2019.

Key financial figures within the audited Annual Financial Report for the year ended 30 June 2019 include:

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 4,363,836	\$ 5,702,569
Current Liabilities	\$ 410,505	\$ 669,080
Current Assets over Current Liabilities	\$ 3,953,331	\$ 5,033,489
Non-Current Assets	\$ 5,188,615	\$ 4,719,504
Non-Current Liabilities	\$ 6,654	\$ 33,935
Total Equity	\$ 9,135,291	\$ 9,719,060

Council's current assets exceed current liabilities by \$3.9M compared to \$5M in 2017/18. The total Equity as at 30 June 2019 was \$9.1M a decrease of \$584K on 2017/18.

**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 2019, the Equity decreased from \$9.7M to \$9.1M.

**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 \$3.9M compared to \$5.3M in 2017/18.

**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 2018/19. In 2018/19, \$3.3M in fees and charges were raised, an increase of \$112K, or 3%, on 2017/18. This was mainly due to increased sales of scrap metal.

<b>Financial Information by Ratio:</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Current Ratio</b>	2.32	1.99	2.07
<i>Current Assets as a ratio of Current Liabilities.</i>			

*(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)*

<b>Asset Sustainability Ratio</b>	0.57	2.43	2.55
<i>Capital renewal and replacement expenditure as a ratio of depreciation expense.</i>			

*(Measures the extent to which assets are being renewed/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)*

<b>Asset Consumption Ratio</b>	0.81	0.89	0.98
<i>Depreciated replacement cost of assets as a ratio of Current replacement cost of assets.</i>			

*(Measures the extent to which depreciable assets have been consumed by comparing their written down value to their replacement cost. The Department of Local Government indicates that the standard is met if the ratio is greater than 0.50, and is improving if the ratio is between 0.60 and 0.75)*

<b>Asset Renewal Funding Ratio</b>	0.81	0.77	0.87
<i>NPV of planning renewal over 10 years as a ratio of NPV of required capital expenditure over 10 years.</i>			
<i>(Measures the ability of a local government to fund its projected asset renewal / replacements in the future. The Department of Local Government indicates that the standard is met if the ratio is between 0.75 and 0.95)</i>			

<b>Debt Service Cover Ratio</b>	Nil	Nil	Nil
<i>Operating Surplus before Interest and Depreciation as a ratio of principal and interest expense for borrowings. Council had no borrowings as at 30 June 2019.</i>			

*(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  $\geq 2.0$ . An Advanced standard is  $\geq 5.0$ )*

<b>Operating Surplus Ratio</b>	-0.16	-0.25	-0.04
<i>Operating Revenue minus Operating Expenditure as a ratio of own source operating revenue.</i>			

*(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).*

<b>Operating Surplus Ratio (Revised)</b>	0.94	0.89	0.96
<i>Operating Revenue minus Operating Expenditure (excluding site rehabilitation expenditure) as a ratio of own source operating revenue.</i>			

<b>Own Source Revenue Ratio</b>	0.84	0.77	1.02
<i>Own source operating revenue as a ratio of operating expense.</i>			

*(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. A basic standard is achieved if the ratio is between 0.4 and 0.6)*

***Analysis of Financial and Budget Implications***

There are no financial or budget implications for Council to accept the Auditor's Report and the Audited Annual Financial Report for the year ending 30 June 2019.

***Community Consultation***

The annual Report including the Auditor's Report and Annual Financial report will be made available to the public via the website.

**19. Elected Member motions of which previous notice has been given**

Nil

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

Nil

**21. Confidential Business (Meeting Closed to the Public)**

Nil

**22. Next Meeting**

The next meeting is scheduled for Thursday, 30 January 2020 at the Shire of Harvey Council Chambers, 7 Mulgara Street, Australind, commencing at 4:00pm.

**23. Close of Meeting**

The Presiding Member declares meeting closed at 4:55pm.