



SHIRE OF NORTHAM

**NOTICE FOR
AUDIT COMMITTEE MEETING
COMMENCING AT
7:30 PM
WEDNESDAY
13 MARCH 2013**

Councillors:

Please be advised that the next Audit Committee Meeting will be held as above.

**D R Gobbart
EXECUTIVE MANAGER CORPORATE SERVICES
15 March 2013**

SHIRE OF NORTHAM

SUMMARY OF AGENDA TO BE PRESENTED TO THE AUDIT COMMITTEE MEETING TO BE HELD ON 13 MARCH 2013 AT 7:30 PM

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SHIRE OF NORTHAM

Notice and Agenda of an Audit Committee Meeting of Council to be held in the Council Chambers on WEDNESDAY, 13 March 2013 at 7:30 pm

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In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or limitation of approval made by a member or officer of the Shire of Northam during the course of any meeting is not intended to be and is not taken as notice or approval from the Shire of Northam. The Shire of Northam warns that anyone who has an application lodged with the Shire of Northam must obtain and only should rely on **WRITTEN CONFIRMATION** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Northam in respect of the application.

1. **DECLARATION OF OPENING AND WELCOME**

2. **DECLARATION OF INTEREST**

Parts of Division 6 Subdivision 1 of the Local Government Act 1995 requires Council members and employees to disclose any direct or indirect financial interest or general interest in any matter listed in this agenda.

The Act also requires the nature of the interest to be disclosed in writing before the meeting or immediately before the matter being discussed.

NB A Council member who makes a disclosure must not preside or participate in, or be present during, any discussion or decision making procedure relating to the disclosed matter unless the procedures set out in Sections 5.68 or 5.69 of the Act have been complied with.

3. ATTENDANCE

COUNCIL

President
Councillors

Cr S B Pollard
T M Little
K D Saunders
U Rumjantsev
R W Tinetti
D A Hughes
D G Beresford
J E Williams
R M Head
A W Llewellyn

Executive Manager Corporate Services

D R Gobbart

4. APOLOGIES

5. CONFIRMATION OF MINUTES

That the Minutes of the Audit Committee Meeting held on Wednesday, 13 February 2013 be confirmed as a true and correct record of that meeting.

6. AGENDA ITEMS

6.1 COMPLIANCE AUDIT RETURN 2012

| | |
|--------------------|---------------------------|
| Name of Applicant: | Internal Report |
| File Ref: | 1.6.1.6 |
| Officer: | Denise Gobbart |
| Officer Interest: | N/A |
| Policy: | Local Government Act 1995 |
| Voting: | Simple Majority |
| Date: | 07/03/2013 |

PURPOSE

For Council to adopt the Compliance Audit Return (CAR) 2012.

BACKGROUND

Under the Local Government (Audit) Regulations 1996, a Local Government is required to carry out a Compliance Audit for the period 1 January 2012 to 31 December 2012. The certified return needs to be submitted to the Director General, Department of Local Government and Regional Development by 31 March 2013.

The Compliance Audit Return must be:

1. presented to Council at a meeting of the Council;
2. adopted by the Council; and
3. recorded in the minutes of the meeting at which it is adopted.

A copy of the return is submitted for Councillor's perusal, comment and adoption by Council before 31 March 2013. It is necessary for the Shire President and the Chief Executive Officer to sign off the return as a certified copy.

To undertake the 2012 Compliance Audit Return we engaged the services of a local government consultant Gary Martin, to enable an independent assessment of our compliance. The review was undertaken between Monday 25 and Tuesday 26 February 2013.

The compliance review process provides both the CEO and the Council with an additional element of accountability through an independent check on internal management systems, procedures and record keeping and this demonstrates the Shire's emphasis on improving its good governance, compliance, and best practice through voluntary exposure to external scrutiny.

STATUTORY REQUIREMENTS

- Local Government Act 1995;
- Local Government (Functions and General) Regulations 1996;
- Local Government (Administration) Regulations 1996;
- Local Government (Elections) Regulations 1997;
- Local Government (Audit) Regulations 1996;
- Local Government (Rules of Conduct) Regulations 2007.

CONFORMITY WITH THE PLAN FOR THE FUTURE

N/A

BUDGET IMPLICATIONS

N/A

OFFICER'S COMMENT

The comments received back from the consultant Gary Martin are as follows;

The standard of compliance was again very high. It is apparent that the Shire has a strong culture of awareness of compliance requirements. For context purposes, non-compliance or partial non-compliance related to only two of the total 78 items included in the Compliance Return, or an achievement of 97.4%, the same as the previous year.

The Shire has sound management systems and procedures. The few examples of non-compliance noted reflected inconsistent or incomplete compliance and human error, and not any systemic failure.

It is important to note that the actual compliance audit process is a detached, retrospective examination of minute, multifaceted, and ambiguous statutory detail specified by the Local Government Act 1995 and associated regulations. Significantly, the CAR excludes the actual working environment and pressures of the day-by-day operational circumstances, and other community priorities that exist in the pragmatic management of the wide range of functions and issues experienced in a vibrant and growing local government such as the Shire. The overall compliance requirement to observe "all written law" places an onerous responsibility on the CEO of a growing local government.

The level of compliance achieved is a significant indicator in respect of the high standard of management of the Shire.

A number of deficiencies have been identified in the Shire of Northam Compliance Audit Return 2012, namely:

Delegation:

The delegation register and associated record keeping was of a high standard.

Page 2, No 6, s5.42(1), 5.43 Admin Reg 18G – Delegation A02 requires clarification that the seal is only affixed subject to a specific resolution of Council and that any employee is specifically authorised to sign documents by the Council.

Page 2, No 13, s5.46(3), Admin Reg 19 – Some aspects, such as the record keeping associated with exercising a delegated power was difficult to gauge.

Disclosure of Interest:

The management of the Primary and Annual returns and registers, and disclosure of interest at meetings were of a high standard.

Page 2, No 1, s5.67 – The minute record of disclosures at the Special meeting held 29 February 2012 and the Ordinary Council meeting held 21 March 2012 is inconsistent and indicate that members that disclosed a financial interest did not leave the Chambers and voted. The item related to the Shire of Northam Draft Local Planning Scheme No.6 and the interests may be an exempt interest.

The record of disclosures of financial interests at meetings and the register of Financial Interests were checked and an anomaly found in the disclosures, minute recording and register for the Special Council meeting held 29 February 2012 and the Ordinary Council meeting held 21 March 2012.

The minutes record financial disclosures by members at the commencement of the meeting but these disclosures are not then reflected in the minutes when the item(s) were discussed, and it appears that the relevant members may have stayed, participated and voted.

However on both occasions the business item related to the Shire of Northam Draft Local Planning Scheme No.6 and this may be an exempt interest under s5.63(2). If that is the case the minutes should record the exemption to support the participation in the business item.

The minutes of the meeting held 29 February 2012 record nine members attending, but the decisions being carried 10/0, which may be a typographical error, but this indicates that the disclosing member may have voted.

Mr Martin - Local Government Consultant, recommended that the circumstances associated with the disclosures and recording in the minutes and registers be researched and clarified and the outcome reported to the Department of Local Government.

Tenders:

The tender process is thorough and supported by comprehensive documentation. It was noted that the Audit report for 2011/2012 reported that the register was not maintained in accordance with statutory requirements, but at the time of this review the register complied.

It was noted that the Tender Register was also being used as the relevant Tender file for each tender called and therefore the register contained material and information not

required by the register. It is strongly recommended that the register only contain the statutory information (i.e. the register sheet and a copy of the Statewide notice) and all other information including the completed checklist be filed separately.

The “Tender Register” is a public document that may be inspected during office hours, and therefore caution is required to ensure that only the necessary statutory information is recorded and that any confidential or sensitive information is not included in the register but filed separately.

General:

The Shire has well documented policies and procedures and the negligible items of non-compliance seem to arise from inconsistency or human error rather than any system breakdown.

RECOMMENDATION

That the Compliance Audit Return 2012, as attached, be adopted and submitted to the Department of Local Government, inclusive of comments on matters to be addressed.

6.2 BUDGET REVIEW 2013

| | |
|--------------------|---------------------------------|
| Name of Applicant: | Internal Report |
| File Ref: | 8.2.7.1 |
| Officer: | Denise Gobbart |
| Officer Interest: | N/A |
| Policy: | N/A |
| Voting: | Absolute Majority Vote Required |
| Date: | 10 March 2013 |

PURPOSE

To consider and adopt the Budget Review as presented in the Statement of Financial Activity for the period 1 July 2012 to 31 January 2013.

BACKGROUND

A Statement of Financial Activity incorporating year to date budget variations and forecasts to 30 June 2013 for the period ending 31 January 2013 is presented for council to consider. The *Local Government (Financial Management) Regulations 1996*, regulation 33A as amended, requires that local governments conduct a budget review between 1 January and 31 March in each financial year. A copy of the review and determination is to be provided to the Department of Local Government within 30 days of the adoption of the review.

STATUTORY REQUIREMENTS

Regulation 33A of the *Local Government (Financial Management) Regulations 1996* requires:

(1) Between 1 January and 31 March in each financial year a local government is to carry out a review of its annual budget for that year.

(2A) The review of an annual budget for a financial year must —

- (a) consider the local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and*
- (b) consider the local government's financial position as at the date of the review; and*
- (c) review the outcomes for the end of that financial year that are forecast in the budget.*

(2) Within 30 days after a review of the annual budget of a local government is carried out it is to be submitted to the council.

(3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.

*Absolute majority required.

(4) Within 30 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

CONFORMITY WITH THE PLAN FOR THE FUTURE

Key Result Area: The Shire Organisation.

Outcome – to operate in a sustainable manner.

The budget review process is aimed at ensuring this objective is being met.

BUDGET IMPLICATIONS

The subsequent review will incorporate Budget Amendments which will impact, however the Budget will remain in balance.

OFFICER'S COMMENT

The budget review has been prepared to include information required by the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards. Council adopted a 10% and a \$20,000 minimum for the reporting of material variances to be used in the statements of financial activity and the annual budget review. Features of the budget review include:

| | |
|--|------------|
| Decrease in Opening Funds | -\$306,537 |
| Increase in Interest on Investments | \$100,000 |
| Decrease in Untied Grants | -\$85,846 |
| Decrease in Road Grants | -\$35,678 |
| Reimbursement Paid Parental Leave | \$21,834 |
| Decrease in Valuation expenses | \$40,000 |
| Recycling Bin - Purchase | -\$383,470 |
| Recycling Bin - Grant | \$383,470 |
| Decrease in Planning Consultants | \$40,000 |
| Cemetery Capitals Works to be carried forward | \$50,700 |
| Henry St Oval authorised works | -\$70,000 |
| Decrease in Community Sponsorship | \$25,000 |
| Increase in Bakers Hill Water Project | -\$265,135 |
| CSRFF Grant Bakers Hill Water Project | \$151,250 |
| Increase Reserve Transfers Rec & Comm Facilities | \$67,085 |
| Decrease in Road to Recovery Funding | -\$44,749 |
| Decrease in Laneway Acquisition & Construction | \$50,000 |
| Increased Depot rehabilitation expenses | -\$63,783 |
| Savings in Salaries - delays in appointments | \$77,000 |

The budget has been reviewed to continue to deliver on other strategies adopted by the Council and maintains a high level of service across all programs. The closing funds return to a surplus of \$1,793 as a result of this budget review.

RECOMMENDATION

That Audit Committee recommend that Council:

- 1. receive the Budget Review conducted for the seven (7) months ended 31 January 2013;**
- 2. authorise the Chief Executive Officer to amend the 2012/13 Budget in accordance with the attached report titled 'Budget Review as at 31 January 2013 - Budget Amendment Recommendations' and dated 10 March 2013.**

7. CLOSURE OF MEETING