



**AUDIT COMMITTEE  
MEETING  
WEDNESDAY 27 FEBRUARY 2019**

**AGENDA**

**SHIRE OF WONGAN-BALLIDU**



# SHIRE OF WONGAN-BALLIDU

## NOTICE OF MEETING AUDIT COMMITTEE

### NOTICE OF AN AUDIT COMMITTEE MEETING

DEAR COMMITTEE MEMBER

THE NEXT MEETING OF THE SHIRE OF WONGAN-BALLIDU FINANCE AUDIT AND REVIEW COMMITTEE WILL BE HELD ON WEDNESDAY 27 FEBRUARY 2019, IN THE COUNCIL CHAMBERS, CNR ELPHIN CRESCENT & QUINLAN STREET, WONGAN HILLS, COMMENCING AT 2.00PM.

STUART TAYLOR  
**CHIEF EXECUTIVE OFFICER**

#### **DISCLAIMER**

THE RECOMMENDATIONS CONTAINED IN THE AGENDA ARE SUBJECT TO CONFIRMATION BY COUNCIL. THE SHIRE OF WONGAN-BALLIDU WARNS THAT ANY PERSON(S) WHO HAS AN APPLICATION LODGED WITH COUNCIL, SHOULD RELY ONLY ON WRITTEN CONFIRMATION OF THE DECISION MADE AT THE COUNCIL MEETING. NO RESPONSIBILITY WHATSOEVER IS IMPLIED OR ACCEPTED BY THE SHIRE OF WONGAN-BALLIDU FOR ANY ACT, OMISSION, STATEMENT OR INTIMATION TAKING PLACE DURING A COUNCIL MEETING.

## INDEX

1.	DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS:.....	1
2.	ATTENDANCE AND APOLOGIES:.....	1
3.	CONFIRMATION OF MINUTES OF PREVIOUS MEETING:.....	1
3.1	CONFIRMATION OF MINUTES OF AUDIT COMMITTEE MEETING .....	
	HELD 18 APRIL 2018 .....	1
4.	STAFF REPORTS: .....	2
4.1	BUDGET REVIEW 2018/2019 .....	2
5.	CLOSURE.....	4



## **AUDIT COMMITTEE MEETING AGENDA**

**To be Held in the Council Chambers, Cnr Elphin  
Crescent & Quinlan Street, Wongan Hills, on  
Wednesday 27 February 2019 commencing at 2.00pm**

**1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS:**

**2. ATTENDANCE AND APOLOGIES:**

**3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING:**

### **3.1 CONFIRMATION OF AUDIT COMMITTEE MEETING 18 APRIL 2018**

#### **STAFF RECOMMENDATION:**

**That the minutes of the Audit Committee Meeting held on Wednesday 18 April 2018 be confirmed as a true and correct record of the proceedings.**

## 4. STAFF REPORTS:

### 4.1 BUDGET REVIEW 2018-2019

FILE REFERENCE:	F1.3.2
REPORT DATE:	22 February 2019
APPLICANT/PROPONENT:	N/A
OFFICER DISCLOSURE OF INTEREST	NIL
PREVIOUS MEETING REFERENCES:	BUDGET 2018-2019
AUTHOR:	Alan Hart – Deputy Chief Executive Officer
ATTACHMENTS:	Separate Attachment - Budget Review 2018-19

#### PURPOSE OF REPORT:

To consider and adopt the Budget Review for the period of 1<sup>st</sup> July 2018 to 31<sup>st</sup> January 2019.

#### BACKGROUND:

Local Governments are required to conduct a budget review between 1<sup>st</sup> January and 31<sup>st</sup> March each financial year. The budget review is to be submitted to Council within 30 days of the review for Council to consider and determine whether or not to adopt the review and any recommendations made within the review.

The budget review is a comparison of the year to date actual results with the adopted or amended budget. The original budget was adopted in June 2018. The purpose of the budget review in accordance with the legislation is to;

1. Consider the financial performance of the Council for the 2018/19 financial year to-date;
2. Consider the Council's financial position at the date of review and
3. Review the estimated financial position at the end of the financial year.

#### COMMENT:

There is no statutory format to present the budget review to Council, the report together with the standard monthly financial report, with another column added detailing the amended budget forms the budget review. The use of the standard monthly reports is to ensure consistency in reporting to Council in a format that is familiar to the Council.

The 2018/19 budget remains within overall original estimates. Management forecasts an end of year surplus to remain the same as the adopted budget. A summary of changes to the annual budget are as follows:

1. Surplus funds carried forward from the 2017/18 financial year was \$407,393 more than budget forecasts.
2. Operating Expenditure will increase by \$94,400,
3. Capital/Infrastructure Expenditure will increase by \$100,801
4. Proceeds from the Sale of Assets will increase by \$72,570,
5. Transfers to Reserves will increase by \$119,482,

6. Transfers from Reserves will decrease by \$14,450,
7. The balance of the surplus funds (\$151,830) to be transferred to the Sporting Co-Location Reserve.

A copy of the review and Council decision is to be provided to the Department of Local Government and Regional Development within 30 days of the decision by Council.

**POLICY REQUIREMENTS:**

There is no policy requirements in relation to this item

**LEGISLATIVE REQUIREMENTS:**

Regulation 33A Local Government (Financial Management) Regulations 1996

**STRATEGIC IMPLICATIONS:**

The budget review helps determine and document any significant variations to the adopted annual budget.

This is necessary to facilitate appropriate financial control and to ensure that Council's financial resources are allocated in the most effective manner.

**SUSTAINABILITY IMPLICATIONS:**

➤ ***Environment***

There are no known significant environmental implications associated with this proposal

➤ ***Economic***

The Budget review process provides a timely indication of ability of the local government to achieve the budget performance for the year and timing allows corrective actions if required prior to 30<sup>th</sup> June.

➤ ***Social***

There are no known social implications associated with this item.

**FINANCIAL IMPLICATIONS:**

The purpose of the budget review is to ensure that the Income and Expenditure for the current year is monitored in line with the adopted budget and to make amendments to the budget or scope of works as required.

**VOTING REQUIREMENTS:**

**ABSOLUTE MAJORITY REQUIRED: Yes**

**OFFICER RECOMMENDATION:**

**It is recommended that committee accept the attached 2018-2019 Budget review.**

## Shire of Wongan-Ballidu 2018/19 Budget Review Report

The Local Government (Financial Management) Regulations requires Council to review the annual budget between 1<sup>st</sup> January to the 31<sup>st</sup> March each year. The budget review is to assess if there have been material changes in the activities of Council that will alter the budgeted outcome at the 30<sup>th</sup> June.

A comprehensive assessment of the 2018/19 Budget has been undertaken as part of this review and amendments detailed in the budget review document are considered necessary to ensure Council is able to achieve its corporate objectives and maintain a sound financial position as at 30 June 2019.

This report has been split into a number of components, which are detailed below. In addition, a revised Rate Setting Statement has been prepared incorporating the budget adjustments below.

### Current Year Opening Balance

The adopted budget for 2018/19 was a budget with a small surplus of \$24,000 at the 30<sup>th</sup> June 2019. This was based on an estimated surplus brought forward of \$2,081,517. The end of year result in the audited financial statements reported a surplus of \$2,488,910. This is an increase of \$407,393 from the adopted budget.

### Budget Amendments this year

#### Operating Income

Operating Income is being received as expected for the 2018/19 financial year. The review has not highlighted any significant variances to budget.

#### Operating Expenditure

Operating Expenditure is in-line with the annual budget. The review has not highlighted any significant variances to expenditure on programs or services in the 2018/19 financial year that will affect the final outcome at the 30<sup>th</sup> June 2018.

The following items of expenditure will amend the 2018/19 Budget as detailed below.

Item	Description	Amount
Burakin Hall Demolition- Increase in Expenditure	The 2018/19 Annual Budget budgeted to demolish this building and construct a Gazebo. This was carried forward from the 2017/18 year. When preparing the annual budget, this item was incorrectly classified as Capital Expenditure. This amendment is to transfer this cost to Operating Expenditure.	\$52,500
Promapp-Process Mapping System	With the Auditor General taking over Local Government Audits, there is an increasing focus on Local Government processes and procedures that underpin	\$11,400

	decisions made by Local Governments. There is a need to introduce systems that can assist officers in documenting these processes and the CEO in controlling the implementation and change management associated with these procedures and processes.	
Salaries and Wages	When preparing the 2018/19 Annual Budget, full time position was inadvertently budgeted to be part-time which reflected the actual hours that the employee was working. This amendment is to re-establish this position to full-time position.	\$34,000
Minor Plant and Equipment Purchases-Parks and Gardens	When preparing the 2018/19 Annual Budget, the programmed replacement of a mower was incorrectly classified as operating expenditure as the changeover was less than the \$5,000 capital threshold. The final cost of the mower was over this threshold, and now needs to be treated as a capital expenditure item. This amendment is to transfer this item to Capital Expenditure.	(\$3,500)
<b>SUB-TOTAL</b>		<b>\$94,400</b>



## Capital/Infrastructure Expenditure

Capital/Infrastructure Expenditure programming is proceeding as planned in. The review has not highlighted any significant variances to expenditure on programs or services in the 2018/19 financial year that will affect the final outcome at the 30<sup>th</sup> June 2018.

The following items of expenditure will amend the 2018/19 Budget as detailed below.

### Capital/Infrastructure Items

Item	Description	Amount
Mocardy Dam Pipeline Project	Works that were planned in 2017/18 were not completed by 30 June 2018 and were not carried forward into 2018/19 Budget.	\$32,544
CCTV-Fenton Place	Works that were planned in 2017/18 were not completed by 30 June 2018 and were not carried forward into 2018/17 Budget and following the adoption of budget, the final project costs became known, which required an increase in expenditure. This amendment has 2 components. 1. Carrying forward the 2017/18 budget allocation, \$49,000 and 2. Increasing the project budget, \$74,000.	\$123,000
Burakin Hall Demolition- Decrease in Capital Expenditure	The 2018/19 Annual Budget budgeted to demolish this building and construct a Gazebo. This was carried forward from the 2017/18 year. When preparing the annual budget, this item was incorrectly classified as Capital Expenditure. This amendment is to transfer this cost to Operating Expenditure.	(\$52,500)
<b>SUB-TOTAL</b>		<b>\$103,044</b>

### Plant and Equipment Replacement Program

The majority of the items planned to be replaced in the 2018/19 Annual Budget has occurred the following are amendments to the budget;

Item	Description	Amount
Parks Tractor-Acquisition	The Actual Cost to Replace this item of plant is less than budgeted in the 2018/19 Budget	(\$6,250)
Parks Tractor-Disposal	The trade-in received from the old item of plant is higher than budget	(\$8,000)
Grader Utility-Acquisition	The Actual Cost to Replace this item of fleet is less than budgeted in the 2018/19 Budget	(\$5,593)
Grade Utility-Disposal	The trade-in received from the old item of fleet is higher than budget	(\$2,407)
Parks Mower-Acquisition	This item was incorrectly classified as operating expenditure in the 2018/19 budget.	\$6,600

Parks Mower-Disposal	The proceeds from disposal of the old Item of plant	(\$1,800)
Forklift	Acquisition of second hand forklift	\$3,000
<b>SUB-TOTAL-CAPITAL EXPENDITURE</b>		<b>(\$2,243)</b>
<b>SUB-TOTAL- PROCEEDS FROM DISPOSAL OF FLEET AND PLANT</b>		<b>(\$12,207)</b>

The effect of these adjustments is to reduce the transfer from the fleet and plant reserve, which funds the replacement of the above items.

### Proceeds from Sale of Assets

It is necessary to increase the 2018/19 Budget this line item, as a result of the following;

Item	Description	Amount
Sale of Property- 2 Elphin Crescent-Increase in Income	The Shire has received an offer to purchase this building. This amendment will recognise the proceeds from the sale of this property	(\$45,000)
Sale of Property-Sale Yards infrastructure	The Shire has sold the saleyards. This amendment will recognise the sale proceeds for the Saleyards infrastructure	(\$16,363)
<b>SUB-TOTAL</b>		<b>(\$61,363)</b>

### Reserve Transfers

The following are changes to the transfers to/from Reserves budget for the 2018/19 year;

Item	Description	Amount
Transfer to Sporting Co-Location Reserve	The 2018/19 Annual Budget incorrectly allocated only 2% of rates to transfer to this reserve. In 2018/19 this amount should have been 6% of rates	\$58,119
Transfer to Sporting Co-Location Reserve	This adjustment is to transfer the proceeds from the sale of Assets (detailed above)	\$61,363
Transfer from Plant Replacement Reserve	This adjustment is to reduce the transfer from the Fleet Replacement Reserve due to savings in the changeover of plant (detailed above)	\$14,450
<b>SUB-TOTAL</b>		<b>\$133,932</b>

Taking the above into account, the effect on the Annual Budget will be as follows

Increase in Opening Balance (Surplus 1/7/18)	(\$407,393)
Increase in Operating Expenditure	\$94,400
Increase in Capital Expenditure	\$103,044
Decrease in changeover in Fleet and Plant	(\$14,450)
Increase in Proceeds from the Sale of Assets	(\$61,363)
Adjustments to Reserve Transfers	\$133,932
<b>Amendment to the estimated Closing Balance 30/6/19</b>	<b>-151,830</b>

As a result of the above amendments to the Annual Budget, there will an amendment to the closing balance at the 30<sup>th</sup> June 2019 of \$151,830. This can be considered an 'unallocated surplus' and is available to fund on other projects. In this case, it is recommended that these funds be transferred to the Sports Co-location Reserve. The effect of this transfer will mean that the surplus at the 30<sup>th</sup> June 2019 will remain at \$24,000.

**SHIRE OF WONGAN-BALLIDU**  
**RATE SETTING STATEMENT AS AT 31 JANUARY 2019**

	2018-2019 Approved Budget	2018/19 Amendments to Budget	2018-2019 Amended Budget	2018-2019 Actual
<b><u>OPERATING INCOME</u></b>				
General Purpose Funding	(1,005,000)		(1,005,000)	(562,548)
Governance	(53,400)		(53,400)	(27,625)
Law, Order & Public Safety	(35,500)		(35,500)	(22,332)
Health	(32,100)		(32,100)	(1,924)
Education & Welfare	(18,498)		(18,498)	(9,413)
Housing	(80,787)		(80,787)	(38,818)
Community Amenities	(202,040)		(202,040)	(194,253)
Recreation & Culture	(592,812)		(592,812)	(33,473)
Transport	(1,283,680)		(1,283,680)	(616,070)
Economic Services	(42,950)		(42,950)	(32,887)
Other Property & Services	(279,584)		(279,584)	(258,896)
<b>A</b>	<b>(3,626,351)</b>	-	<b>(3,626,351)</b>	<b>(1,798,240)</b>
<b><u>OPERATING EXPENSES</u></b>				
General Purpose Funding	118,466		118,466	63,708
Governance	251,200	11,400	262,600	171,165
Law, Order & Public Safety	150,930		150,930	86,162
Health	155,804		155,804	75,565
Education & Welfare	218,055		218,055	100,706
Housing	200,532		200,532	97,884
Community Amenities	468,989		468,989	235,246
Recreation & Culture	1,573,368	49,000	1,622,368	916,131
Transport	2,010,485		2,010,485	1,499,594
Economic Services	203,639		203,639	96,964
Other Property & Services	825,931	34,000	859,931	530,041
<b>B</b>	<b>6,177,399</b>	<b>94,400</b>	<b>6,271,799</b>	<b>3,873,168</b>
<b>C= A and B</b>	<b>2,551,048</b>	<b>94,400</b>	<b>2,645,448</b>	<b>2,074,928</b>
<b><u>ADJUST FOR CASH BUDGET REQUIREMENTS</u></b>				
<b><u>Non-Cash Expenditure and Income</u></b>				
Depreciation on Assets	(1,569,779)		(1,569,779)	(1,374,285)
Profit/(Loss) on Asset Sales	(176,512)		(176,512)	(13,137)
<b><u>Capital Expenditure &amp; Income</u></b>				
Purchase of land & buildings	1,881,195	(52,500)	1,828,695	122,641
Purchase of furniture & equipment	24,000		24,000	-
Purchase of motor vehicles	150,000		150,000	92,423
Purchase of plant & machinery	688,600	(2,243)	686,357	118,914
Purchase of other infrastructure	628,450	155,544	783,994	582,515
Purchase of roads infrastructure	1,602,464		1,602,464	912,071
Proceeds from sale of assets	(191,800)	(73,570)	(265,370)	(62,455)
<b><u>Financing Activities</u></b>				
Repayment of Loan Principal	80,481		80,481	134,260
Loan proceeds / refinancing CL to NCL adj	-		-	-
Loans paid to SSL parties	-		-	-
Self Supporting Loan Income	(80,481)		(80,481)	(134,260)
<b><u>Reserve Movements</u></b>				
Transfers to Reserves	148,119	119,482	267,601	16,364
Transfer Surplus to Sporting Co-Location Reserve		151,830	151,830	-
Interest paid to Reserves	32,500		32,500	19,796
Transfer from Reserves	(835,285)	14,450	(820,835)	-
Net Movement in LSL Reserve				(703)
LSL Provsion in reserves	-		-	-
Estimated Muni (Surplus)/Deficit July 1 B/Fwd.	(2,081,517)	(407,393)	(2,488,910)	(2,488,916)
Estimated Muni (Surplus)/Deficit June 30 C/Fwd.	-		-	<b>(2,557,178)</b>
<b>AMOUNT REQUIRED TO BE RAISED FROM RATES</b>	<b>2,851,483</b>	-	<b>2,851,483</b>	<b>2,557,333</b>
<b>TOTAL RATES RAISED</b>	<b>2,875,483</b>		<b>2,875,483</b>	<b>2,557,333</b>
(Surplus) / Deficit Variance	(24,000)	-	(24,000)	-

## 5. CLOSURE