

**SHIRE OF MUKINBUDIN  
2017-2018 COMPLIANCE AUDIT RETURN  
AND  
THE SHIRES OPERATION AND THE PLAN FOR THE FUTURE DOCUMENTS**

**Summary**

Following the report addressing a significant adverse trend in the financial position of the shire presented to the Audit Committee and then council on 17 July 2019 a letter has been received from Department of Local Government, Sport and Cultural Industries (DLGSCI) seeking additional information.

The issues relate to whether "... the Shires current operation as audited, are aligned with the financial and asset management content of the Shire's Plan for the future documents."

Items raised are as follows:

In the 2018 Compliance Audit Return (CAR);

1. The Shire had a Corporate Business Plan and Strategic Community Plan which had both been reviewed since adoption, but the Shire elected not to provide the date of endorsement by Council for those plans and reviews.
2. The Shire elected to not to answer the question on Asset Management Plan as the Compliance Audit return clearly stated that a date wasn't required and it was therefore left blank accordingly.
3. The Shire indicated it had a Long Term Financial Plan (LTFFP) that was adopted by Council in May 2014.

A report to the DLGSCI is required to clarify:

1. The currency of the Shires Integrated Planning and Reporting Plans (IPR Plans).
2. When the IPR plans be published on the Shire's website in accordance with recently introduced section 5.96A (e) of the Local Government Act 1995?
3. Detail any plans for the next 12 months to review any existing IPR Plans or create new plans.
4. Whether the Shire's financial Performance for the year ending 30 June 2018 is consistent with the Long Term Financial Plan (LTFFP) adopted in May 2014 in relation to the Operating Surplus and Asset Sustainability Ratios?
5. Whether the asset renewal expenditure since July 2014 is tracking under or over the proposed expenditure from the LTFFP of May 2014 and to what extent?

A response with respect to the above items was requested within 2 months of 19 August 2019.

An extension of time request, until November 2019, was sent to Stuart Fraser at DLGSCI on 17 October 2019. Approval was received on 8 November 2019.

## **Compliance Audit Return Information**

Please see below information about issues raised from the Compliance Audit Return.

1. The CEO elected not to provide the date of endorsement by Council for the Corporate Business Plan and Strategic Community Plans and reviews as all the questions in Integrated Planning and Reporting section had the notation "*This question is optional, answer N/A if you choose not to respond.*" and it was considered that although all the information was optional some information was better than none. Relevant adoption dates are as follows:
  - Corporate Business Plan - Adopted 18 September 2013
  - Strategic Community Plan - Adopted 15 May 2013 and 19 September 2018
2. The Shire elected to not to answer the question on the Asset Management Plan because the question had the notation "*This question is optional, answer N/A if you choose not to respond.*" As the question was optional it was not answered. The Shire had the following Asset Management Plans:
  - Recreation Asset Management Plan – Adopted 19 March 2014
  - Transport Asset Management Plan – Adopted 19 March 2014
  - Plant & Equipment Asset Management Plan – Adopted 19 March 2014
  - Property Asset Management Plan – Adopted 19 March 2014

Financial prorata extensions of these plans has been included in the Long term Financial Plan Adopted in May 2014 and more recently in Long term Financial Plan adopted on 19 June 2019.

The Long Term Financial Plan adopted on 19 June 2019 includes a fully funded financial Plant & Equipment Asset Management Plan.

3. The Shire indicated it had a Long Term Financial Plan (LTFP) that was adopted by Council in May 2014. A later version was adopted on 19 June 2019.

## **DLGSCI Report**

1. The currency of the Shires Integrated Planning and Reporting Plans is as follows:

<u>Plan</u>	<u>Adopted</u>	<u>Status</u>
Corporate Business Plan	18/9/2013	Current Last reviewed 17/18
Strategic Community Plan	19/9/2018	Current
Recreation Asset Management Plan	19/9/2014	In need of a review
Transport Asset Management Plan	19/9/2014	Current last reviewed 15/16
Plant & Equipment Asset Management	19/9/2014	In need of a review
Property Asset Management Plan	19/9/2014	In need of a review
Long Term Financial Plan	19/6/2019	Current
Workforce Plan	18/9/2013	In need of a review

2. The IPR plans were published on the Shire's website on 29 September 2019. The website was updated / replaced with a new modern version in October 2018 and the required IPR documents had not been reuploaded. This was a simple oversight and was rectified as soon as we became aware of the problem.

3. The Shire of plans to review all IPR plans identified as “In need of a review” within the next 12 months. There is no plan to create any new IPR plans.
4. The Shire’s financial Performance for the year ending 30 June 2018 in relation to the Operating Surplus and Asset Sustainability Ratios and those within Long Term Financial Plan (LTFP) adopted in May 2014 are shown below.

<u>Ratios at 30 June 2018</u>	<u>LTFP May 2014</u>	<u>Financial Statements</u>
Operating Surplus	(.06)	(0.77)
Asset Sustainability	.52	0.78

The Operating Surplus Ratio is not consistent between the LTFP and the 30/6/2018 Financial Statements. The two most significant differences are shown below:

Item	LTFP	Financial Statements	Difference
Operating Employee Expenses	547,497	1,190,863	643,366
Depreciation	1,428,192	1,792,666	364,474
Total			1,007,840

The increased Operating Employee cost is probably largely due to changes in the allocation of Public Works Overheads since the construction of the original LTFP.

The increased Depreciation cost is largely due to an increase in the depreciating infrastructure assets, by 2018 it was approximately \$17,400,000 more by 2018 than the LTFP predicted due to capital works and revaluations. This equates to about a 47% increase.

The Asset Sustainability ratio in the 30/6/2018 Financial Statements is an improvement compared with the LTFP as a larger proportion of road infrastructure capital expenditure being renewal.

5. Asset renewal expenditure since July 2014 compared to the the proposed expenditure from the LTFP of May 2014 is as follows.

Year	LTFP Renewal Expenditure	Financial Statements Renewal Expenditure	Difference in Renewal Expenditure
2014	293,831	1,003,658	709,827
2015	1,319,809	2,909,022	1,589,213
2016	905,932	1,667,647	761,715
2017	956,707	1,188,716	232,009
2018	747,739	1,410,684	662,945

The actual renewal expenditure has been consistently greater than the LTFP predictions.