



## Shire of Menzies

### AUDIT AND RISK COMMITTEE MEETING AGENDA

Notice is hereby given that an Audit and Risk Committee Meeting will be held:

Date : Thursday 23 March 2023  
Time : 11am  
Venue : Council Chambers, 124 Shenton Street, Menzies

#### SECTION 7.1A LGA 1995

#### Committee Brief:

1. *Provide guidance and assistance to the local government-*
  - a) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
  - b) *as to the development of a process to be used to select and appoint a person to be an auditor; and*
2. *May provide guidance and assistance to the local government as to-*
  - a) *matters to be audited; and*
  - b) *the scope of audits; and*
  - c) *its functions under Part 6 of the Act; and*
  - d) *the carrying out of its functions relating to other audits and other matters related to financial management; and*
3. *Is to review a report given to it by the CEO under Regulation 17(3) (the CEO's report) and is to-*
  - a) *report to the Council the results of that review; and*
  - b) *give a copy of the CEO's report to the Council.*

*Rob Stewart*

Rob Stewart  
Acting Chief Executive Officer

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**1 DECLARATION OF OPENING**

The Chairperson declared the meeting open at \_\_\_\_\_.

**2 ANNOUNCEMENT OF VISITORS**

**3 RECORD OF ATTENDANCE**

Councillors: Cr I Baird, Chairperson  
Cr J Dwyer, Deputy Chairperson  
Cr G Dwyer  
Cr S Sudhir

Staff: Mr R Stewart, Acting Chief Executive Officer  
Ms K Van Kuyl, Chief Financial Officer  
Ms M Mertyn, Executive Officer (Minutes)

**4 DISCLOSURES OF INTEREST**

**5 CONFIRMATION OF MINUTES**

*(Provided under Separate Cover)*

**OFFICER RECOMMENDATION**

That the Minutes of the Audit and Risk Committee Meeting held on 15 December 2022 be confirmed as a true and correct record.

**COMMITTEE DECISION:**

<b>Committee Resolution Number</b>	
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<b>Moved</b>		<b>Seconded</b>	
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<b>Carried</b>	
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## 6 REPORTS OF OFFICERS

<b>6.1</b>	<b>Mid-year Budget Review Financial Year 2022/23</b>
<b>LOCATION</b>	<b>Nil</b>
<b>APPLICANT</b>	<b>Internal</b>
<b>DOCUMENT REF</b>	<b>NAM1057</b>
<b>DATE OF REPORT</b>	<b>14 March 2023</b>
<b>AUTHOR</b>	<b>Kristy Van Kuyl, Chief Financial Officer</b>
<b>RESPONSIBLE OFFICER</b>	<b>Acting Chief Executive Officer, Rob Stewart</b>
<b>OFFICER DISCLOSURE OF INTEREST</b>	<b>Nil</b>
<b>ATTACHMENT</b>	1. Mid-Year Budget Review-Financial Year 2022/23 [6.1.1 - 12 pages]

### SUMMARY:

To consider the Shire of Menzies' financial position as at 28 February 2023 and performance for the period 1 July 2022 to 28 February 2023 in relation to the adopted Annual Budget and projections estimated for the remainder of the Financial Year (FY).

### BACKGROUND:

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. The report for the period 1 July 2022 to 28 February 2023 as shown in the attachment has been prepared incorporating year to date budget variations and forecasts to 30 June 2023 and is presented for the Council's consideration.

Consideration of the status of various projects and programs was undertaken to ensure any anticipated variances were captured within the review document where possible.

The material variance levels which have been reported for the budget review are based upon management judgement where explanations are considered appropriate.

### COMMENT:

The budget review report includes at 'Note 4' in the attachment, a summary of predicted variances by nature and type activities contained within the rate setting statement, including whether variances are considered to be permanent (where a difference is likely between the current budget and the expected outcome to 30 June) or due to timing (e.g. where a project is likely to be delayed).

Features of the budget review include:

Increase in fees and charges of Building License applications	\$22,000
Increase in interest earning from term depot and operational municipal	\$169,500
Minor increase from other revenue including reimbursement and credit from Goldfields Record Storage Financial Year (FY) 2021/22	\$11,000
Increase of employee costs for training and recruitment fees requirement	(\$4,500)
Revisions relating to materials and contract expenses considered within all reporting programs, including adjustment to reclassify expenditure where required. Including consultant fee, CRC operational, staff housing general maintenance, Caravan Park operational and maintenance and Elected Member's reimbursement	(\$144,907)
Reduce works in land and building capital projects: unlikely to be undertaken in this reporting period. Project was deferred until the next FY following contaminated sites report	\$500,000
Reduce works in land and building capital projects: unlikely to be undertaken in this reporting period	\$100,000
Increase of works in land and building capital projects for staff housing renovation	(\$25,000)
Minor increase in plant and equipment for CEO vehicle replacement and reduce relocation for plant and equipment including and software and IT system upgrade unlikely undertaken in this reporting period	\$150,000
Reduction in other infrastructure: others have been deferred until next FY following other grant	\$28,755
Transfer to commercial enterprise reserve	\$952,700
Increase in net current assets brought forward upon receipt of audited annual financial statement	(\$108,942)
Loss on disposal/depreciation of asset (non-cash write back)	\$12,000
Capital projects carry over to Annual Budget FY 2023/24	\$790,000
Overall Change (Surplus)	\$2,452,606

In considering the above variances and projections within the attached budget review, the closing position has increased from \$0 to \$2,452,606 reflected in the Statement of Budget Review by Nature or Type.

Following completion of the budget review and to properly consider the impact of estimated projections on 30 June 2023, some items have been identified as requiring a budget amendment to properly account for these variances where appropriate. Required budget amendments which are proposed have been included in 'Note 5' of the attached

budget review document for information, and also presented as a separate recommendation to the budget review for the Council consideration.

Further budget amendments may be required to be presented to the Council at future meetings as projects are continually reviewed and monitored

### **CONSULTATION:**

Moore Australia, Consultant

### **STATUTORY AUTHORITY:**

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

- (1) Between 1 January and 31 March in each year a local government is to carry out a review of its annual budget for that year.
- (2A) (a) Consideration and review is to be given to a local government's financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year
- (b) Consideration and review is to be given to the local government's financial position as at the review date
- (c) Review of the outcomes for the end of the financial year that are forecast in the budget is to be undertaken
- (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

Section 6.8(1) (b) of the *Local Government Act 1995* provides that expenditure can be incurred when not included in the annual budget provided it is authorised in advance by resolution (absolute majority required).

### **POLICY IMPLICATIONS:**

There are no known policy implications arising from this report.

**FINANCIAL IMPLICATIONS:**

Authorisation of expenditure through budget amendments is recommended. Other specific financial implications are outlined in the body of this report.

**RISK ASSESSMENT:**

Risk Statement	Level of Risk	Risk Mitigation Strategy
This item has been evaluated against the Shire of Menzies’ Risk Management Strategy, Risk Assessment Matrix.	The perceived level of risk is high prior to treatment.	Adoption of recommendations as presented will reduce the risk to low.

**STRATEGIC IMPLICATIONS:**

The budget review has been developed having regard for the Shire’s integrated planning and reporting documents adopted by the Council.

**VOTING REQUIREMENTS:**

Simple Majority

**OFFICER RECOMMENDATION:**

That it be a recommendation to the Council:

That:

1. The attached Mid-year Budget Review of Financial Year 2022/23 be adopted
2. The budget amendments to the adopted Annual Budget of Financial Year 2022/23, as contained in the attached ‘Note 5’ of the Mid-year Budget Review of Financial Year 2022/23 be adopted.

**COMMITTEE DECISION:**

<b>Committee Resolution Number</b>	
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<b>Moved</b>		<b>Seconded</b>	
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<b>Carried</b>	
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**SHIRE OF MENZIES**

**BUDGET REVIEW REPORT**

**FOR THE PERIOD ENDED 28 FEBRUARY 2023**

**LOCAL GOVERNMENT ACT 1995  
LOCAL GOVERNMENT (FINANCIAL MANAGEMENT) REGULATIONS 1996**

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SHIRE OF MENZIES  
STATEMENT OF BUDGET REVIEW  
(NATURE OR TYPE)  
FOR THE PERIOD ENDED 28 FEBRUARY 2023

Note	Budget v Actual		Predicted			
	Adopted Budget (a)	YTD Actual (b)	Variance Permanent (c)	Variance Timing (Carryover) (d)	Year End (a)+(c)+(d)	
	\$	\$	\$	\$	\$	
<b>OPERATING ACTIVITIES</b>						
Net current assets at start of financial year surplus/(deficit)	4.5.2	4,059,160	3,950,218	(108,942)	0	3,950,218 ▼
<b>Revenue from operating activities (excluding rates)</b>						
Operating grants, subsidies and contributions	4.1.2	3,406,392	1,026,558	0	0	3,406,392 ▲
Fees and charges	4.1.3	242,085	224,087	22,000	0	264,085 ▲
Interest earnings	4.1.6	101,500	125,198	169,500	0	271,000 ▲
Other revenue	4.1.7	30,451	19,504	11,000	0	41,451 ▲
Profit on asset disposals	4.1.8	4,231	0	0	0	4,231 ▲
		3,784,659	1,395,347	202,500	0	3,987,159
<b>Expenditure from operating activities</b>						
Employee costs	4.2.1	(2,562,797)	(1,478,713)	(4,500)	0	(2,567,297) ▲
Materials and contracts	4.2.2	(2,770,434)	(1,436,981)	(122,907)	0	(2,893,341) ▲
Utility charges	4.2.3	(114,910)	(68,383)	0	0	(114,910) ▲
Depreciation on non-current assets	4.2.4	(1,961,063)	(1,506,486)	(12,000)	0	(1,973,063) ▲
Insurance expenses	4.2.6	(135,278)	(115,163)	0	0	(135,278) ▲
Other expenditure	4.2.7	(454,410)	(162,475)	(10,000)	0	(464,410) ▲
Loss on asset disposals	4.2.8	(20,827)	(10,910)	0	0	(20,827) ▲
		(8,019,719)	(4,779,111)	(149,407)	0	(8,169,126)
Non-cash amounts excluded from operating activities		1,977,659	1,518,370	12,000	0	1,989,659 ▲
<b>Amount attributable to operating activities</b>		1,801,759	2,084,824	(43,849)	0	1,757,910
<b>INVESTING ACTIVITIES</b>						
Non-operating grants, subsidies and contributions	4.3.1	3,648,940	155,214	0	0	3,648,940 ▼
Purchase land and buildings	4.4.2	(4,778,021)	(238,540)	575,000	500,000	(3,703,021) ▼
Purchase plant and equipment	4.4.3	(655,000)	(37,749)	150,000	290,000	(215,000) ▼
Purchase and construction of infrastructure-roads	4.4.5	(4,995,830)	(639,990)	0	0	(4,995,830) ▼
Purchase and construction of infrastructure-other	4.4.6	(2,141,124)	(190,356)	28,755	0	(2,112,369) ▼
Proceeds from disposal of assets	4.3.2	40,000	19,090	0	0	40,000
<b>Amount attributable to investing activities</b>		(8,881,035)	(932,331)	753,755	790,000	(7,337,280)
<b>FINANCING ACTIVITIES</b>						
Transfers to cash backed reserves (restricted assets)	4.5.10	(1,315,921)	(53,525)	952,700	0	(363,221) ▼
Transfers from cash backed reserves (restricted assets)	4.5.11	4,294,927	0	0	0	4,294,927
<b>Amount attributable to financing activities</b>		2,979,006	(53,525)	952,700	0	3,931,706
<b>Budget deficiency before general rates</b>		(4,100,270)	1,098,968	1,662,606	790,000	(1,647,664)
<b>Estimated amount to be raised from general rates</b>	4.5.1	4,100,270	4,176,984	0	0	4,100,270
<b>Closing funding surplus/(deficit)</b>	3 (c)	0	5,275,952	1,662,606	790,000	2,452,606 ▲

**SHIRE OF MENZIES**  
**NOTES TO AND FORMING PART OF THE BUDGET REVIEW REPORT**  
**FOR THE PERIOD ENDED 28 FEBRUARY 2023**

**1. BASIS OF PREPARATION**

The budget review comprises financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

**Local Government Act 1995 requirements**

*Local Government (Financial Management) Regulations 1996* prescribe that the budget review be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from *AASB 16* which would have required the Shire of Menzies to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this budget review have been consistently applied unless stated otherwise. Except for rate setting information, the budget review has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Financial reporting disclosures in relation to assets and liabilities required by the Australian Accounting Standards have not been made unless considered important for the understanding of the budget review or required by legislation.

**The local government reporting entity**

All funds through which the Shire of Menzies controls resources to carry on its functions have been included in the financial statements forming part of this budget review.

All monies held in the Trust Fund are excluded from the financial statements.

**Rounding off figures**

All figures shown in this budget review are rounded to the nearest dollar.

**2022-23 actual balances**

Balances shown in this budget review report as YTD Actual are as forecast at the time of budget review preparation and are subject to final adjustments.

**Budget comparative figures**

Unless otherwise stated, the budget comparative figures shown in the budget review relate to the original budget estimate for the relevant item of disclosure.

**Judgements, estimates and assumptions**

The preparation of the annual budget review in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

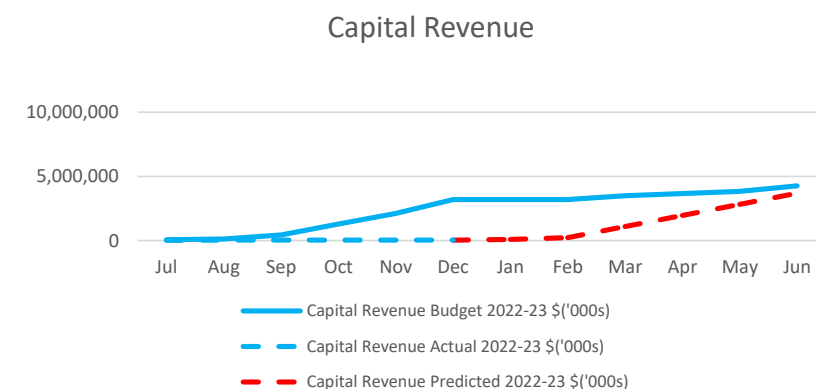
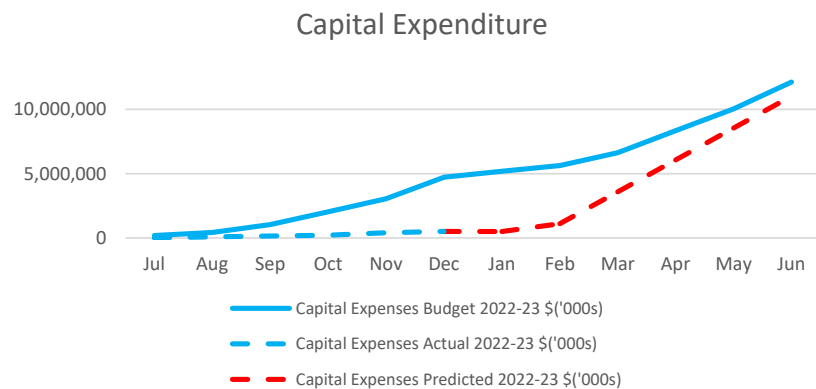
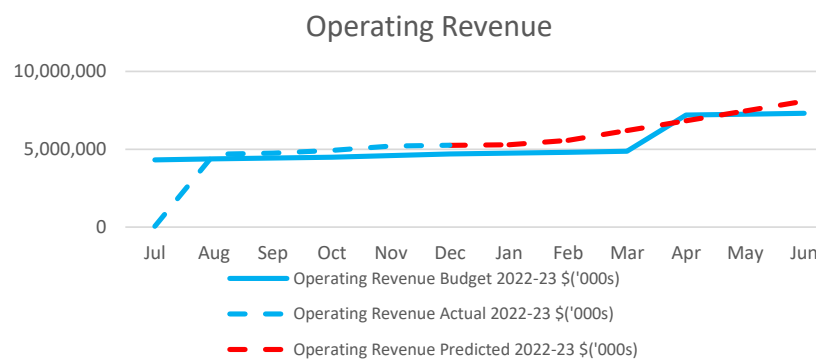
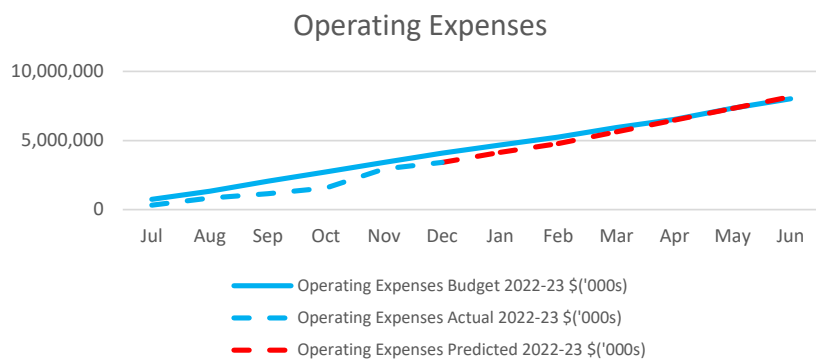
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- estimation of fair values of land and buildings and investment property
- impairment of financial assets
- estimation uncertainties and judgements made in relation to lease accounting
- estimated useful life of assets

**SHIRE OF MENZIES  
SUMMARY GRAPHS - BUDGET REVIEW  
FOR THE PERIOD ENDED 28 FEBRUARY 2023**

**2. SUMMARY GRAPHS - BUDGET REVIEW**



This information is to be read in conjunction with the accompanying financial statements and notes.

SHIRE OF MENZIES  
NOTES TO THE BUDGET REVIEW REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2023

3 NET CURRENT FUNDING POSITION

EXPLANATION OF DIFFERENCE IN NET CURRENT ASSETS AND SURPLUS/(DEFICIT)

Operating activities excluded from budgeted deficiency

When calculating the budget deficiency for the purpose of Section 6.2 (2)(c) of the *Local Government Act 1995* the following amounts have been excluded as provided by *Local Government (Financial Management) Regulation 32* which will not fund the budgeted expenditure.

(a) Operating activities excluded from budgeted deficiency

The following non-cash revenue or expenditure has been excluded from operating activities within the Rate Setting Statement.

	Actual - Used for Budget 30 June 2022	Audited Actual 30 June 2022	Budget 30 June 2023	Actual 28 February 2023
<b>Adjustments to operating activities</b>			\$	\$
Less: Profit on asset disposals	0	(2,031)	(4,231)	0
Less: Fair value adjustments to financial assets at fair value through profit and loss	0	(999)	0	0
Add: Movement in liabilities associated with restricted cash	0	13,869	0	974
Add: Loss on asset disposals	835	835	20,827	10,910
Add: Depreciation on non-current assets	2,127,668	2,130,098	1,961,063	1,506,486
Add: Employee benefit provisions	0	9,652	0	0
<b>Non-cash amounts excluded from operating activities</b>	<b>2,128,503</b>	<b>2,151,424</b>	<b>1,977,659</b>	<b>1,518,370</b>

(b) Current assets and liabilities excluded from budgeted deficiency

The following current assets and liabilities have been excluded from the net current assets used in the Rate Setting Statement.

<b>Adjustments to net current assets</b>				
Less: Restricted cash	(11,335,846)	(11,335,845)	(8,356,840)	(11,389,370)
Add: Provisions - employee	192,238	206,107	192,238	207,082
<b>Total adjustments to net current assets</b>	<b>(11,143,608)</b>	<b>(11,129,738)</b>	<b>(8,164,602)</b>	<b>(11,182,288)</b>

(c) Composition of estimated net current assets

Current assets

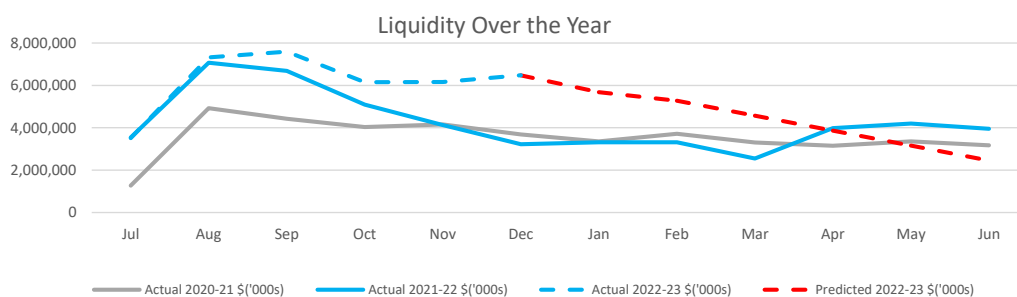
Cash unrestricted	3,272,349	3,266,152	121,189	4,994,514
Cash restricted	12,187,905	12,194,102	8,403,899	12,389,370
Receivables - other	986,213	811,678	451,213	655,216
Contract assets	57,622	273,723	37,122	273,723
Inventories	15,211	16,438	17,711	16,438
	<b>16,519,300</b>	<b>16,562,093</b>	<b>9,031,134</b>	<b>18,329,261</b>

Less: current liabilities

Payables	(272,235)	(416,056)	(627,235)	(395,273)
Contract liabilities	(220,984)	(215,464)	(20,984)	(262,145)
Unspent non-operating grants	(631,075)	(642,793)	(26,075)	(1,005,779)
Provisions	(192,238)	(207,824)	(192,238)	(207,824)
	<b>(1,316,532)</b>	<b>(1,482,137)</b>	<b>(866,532)</b>	<b>(1,871,021)</b>

Net current assets

Less: Total adjustments to net current assets	(11,143,608)	(11,129,738)	(8,164,602)	(11,182,288)
<b>Closing funding surplus / (deficit)</b>	<b>4,059,160</b>	<b>3,950,218</b>	<b>0</b>	<b>5,275,952</b>



**SHIRE OF MENZIES  
NOTES TO THE BUDGET REVIEW REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2023**

**3 COMMENTS/NOTES - NET CURRENT FUNDING POSITION (CONTINUED)**

**SIGNIFICANT ACCOUNTING POLICIES**

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

Bank overdrafts are shown as short term borrowings in current liabilities.

**FINANCIAL ASSETS AT AMORTISED COST**

The Shire of Menzies classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

**TRADE AND OTHER RECEIVABLES**

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

The Shire of Menzies applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, rates receivable are separated from other trade receivables due to the difference in payment terms and security for rates receivable.

**INVENTORIES**

**General**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**CONTRACT ASSETS**

A contract asset is the right to consideration in exchange for goods or services the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

**CURRENT AND NON-CURRENT CLASSIFICATION**

An asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire of Menzies's operational cycle. In the case of liabilities where the Shire of Menzies does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Shire of Menzies's intentions to release for sale.

**TRADE AND OTHER PAYABLES**

Trade and other payables represent liabilities for goods and services provided to the Shire of Menzies prior to the end of the financial year that are unpaid and arise when the Shire of Menzies becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

**PREPAID RATES**

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire of Menzies recognises revenue for the prepaid rates that have not been refunded.

**EMPLOYEE BENEFITS**

**Short-Term Employee Benefits**

Provision is made for the Shire of Menzies's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire of Menzies's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current of financial trade and other payables in the statement position. Shire of Menzies's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

**PROVISIONS**

Provisions are recognised when the Shire of Menzies has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**CONTRACT LIABILITIES**

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amount is due) from the customer. Grants to acquire or construct recognisable non-financial assets to be controlled by the Shire of Menzies are recognised as a liability until such time as the Shire of Menzies satisfies its obligations under the agreement.

SHIRE OF MENZIES  
 NOTES TO THE REVIEW OF THE ANNUAL BUDGET  
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

4. PREDICTED VARIANCES

Comments/Reason for Variance	Variance \$	
	Permanent	Timing
<b>4.1 OPERATING REVENUE (EXCLUDING RATES)</b>		
<b>4.1.1 SPECIFIED AREA RATES</b>		
No material variance	0	0
<b>4.1.2 OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS</b>		
No material variance	0	0
<b>4.1.3 FEES AND CHARGES</b>		
Increase in revenue from building licence applications	22,000	0
<b>4.1.4 OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS</b>		
No material variance	0	0
<b>4.1.5 SERVICE CHARGES</b>		
No material variance	0	0
<b>4.1.6 INTEREST EARNINGS</b>		
Increase in revenue from term deposit interest and general municipal interest earned	169,500	0
<b>4.1.7 OTHER REVENUE</b>		
Credits received from GRS annual meeting FY 21/22. Increase in reimbursements received.	11,000	0
<b>4.1.8 PROFIT ON ASSET DISPOSAL</b>		
No material variance	0	0
Predicted Variances Carried Forward	<b>202,500</b>	<b>0</b>

SHIRE OF MENZIES  
NOTES TO THE REVIEW OF THE ANNUAL BUDGET  
FOR THE PERIOD ENDED 28 FEBRUARY 2023

## 4. PREDICTED VARIANCES

Comments/Reason for Variance	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	202,500	0
<b>4.2 OPERATING EXPENSES</b>		
<b>4.2.1 EMPLOYEE COSTS</b>		
Training for new Finance/Rates Officer. Costs for recruitment fees.	(4,500)	0
<b>4.2.2 MATERIAL AND CONTRACTS</b>		
Debt collection with AMPAC increased. Consulting fees for rates billing and end of financial year assistance. staff and elected member travel expenses. Consultants engaged for IPR strategic review. Town pest control expenses. Furniture for staff housing and accommodation. General staff housing maintenance. Increase engineering consultants fee. additional promotions for Community Resource Centre operation. Lake Ballard and Caravan Park operation. Community Resource Centre Engagement Officer vacant. General rubbish tip maintenance	(435,500)	0
	312,593	0
<b>4.2.3 UTILITY CHARGES</b>		
No material variance		
<b>4.2.4 DEPRECIATION (NON CURRENT ASSETS)</b>		
Additional new asset depreciation from FY 21/22	(12,000)	0
<b>4.2.5 INTEREST EXPENSES</b>		
No material variance	0	0
<b>4.2.6 INSURANCE EXPENSES</b>		
No material variance	0	0
<b>4.2.7 OTHER EXPENDITURE</b>		
Additional for travel reimbursement up to June 2023	(10,000)	0
<b>4.2.8 LOSS ON ASSET DISPOSAL</b>		
No material variance	0	0
Predicted Variances Carried Forward	53,093	0

SHIRE OF MENZIES  
 NOTES TO THE REVIEW OF THE ANNUAL BUDGET  
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

4. PREDICTED VARIANCES

Comments/Reason for Variance	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	53,093	0
<b>4.3 CAPITAL REVENUE</b>		
<b>4.3.1 NON OPERATING GRANTS, SUBSIDIES AND CONTRIBUTIONS</b>		
No material variance	0	0
<b>4.3.2 PROCEEDS FROM DISPOSAL OF ASSETS</b>		
No material variance	0	0
<b>4.3.3 PROCEEDS FROM NEW DEBENTURES</b>		
No material variance	0	0
<b>4.3.4 PROCEEDS FROM SALE OF INVESTMENT</b>		
No material variance	0	0
<b>4.3.5 PROCEEDS FROM ADVANCES</b>		
No material variance	0	0
<b>4.3.6 SELF-SUPPORTING LOAN PRINCIPAL</b>		
No material variance	0	0
<b>4.3.7 TRANSFER FROM RESERVES (RESTRICTED ASSETS)</b>		
No material variance	0	0
Predicted Variances Carried Forward	53,093	0



SHIRE OF MENZIES  
NOTES TO THE REVIEW OF THE ANNUAL BUDGET  
FOR THE PERIOD ENDED 28 FEBRUARY 2023

4. PREDICTED VARIANCES

Comments/Reason for Variance	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	53,093	0
<b>4.4 CAPITAL EXPENSES</b>		
<b>4.4.1 LAND HELD FOR RESALE</b>		
No material variance	0	0
<b>4.4.2 LAND AND BUILDINGS</b>		
Arts Centre and Community Shed projects on hold. Kitchen renovations for 57, 12A and 12B Walsh Street.	575,000	500,000
<b>4.4.3 PLANT AND EQUIPMENT</b>		
Software and IT systems upgrade project on hold. ERP software project on hold. CEO vehicle replacement. Rubbish truck with compactor project on hold.	150,000	290,000
<b>4.4.4 FURNITURE AND EQUIPMENT</b>		
No material variance	0	0
<b>4.4.5 INFRASTRUCTURE ASSETS - ROADS</b>		
No material variance	0	0
<b>4.4.6 INFRASTRUCTURE ASSETS - OTHER</b>		
Marmion Village improvements. Drink fountain and hand wash at BBQ area on hold for LRCI Phase 4. Bores to support road works.	28,755	0
<b>4.4.7 PURCHASES OF INVESTMENT</b>		
No material variance	0	0
<b>4.4.8 REPAYMENT OF DEBENTURES</b>		
No material variance	0	0
<b>4.4.9 ADVANCES TO COMMUNITY GROUPS</b>		
No material variance	0	0
Predicted Variances Carried Forward	806,848	790,000

SHIRE OF MENZIES  
 NOTES TO THE REVIEW OF THE ANNUAL BUDGET  
 FOR THE PERIOD ENDED 28 FEBRUARY 2023

4. PREDICTED VARIANCES

Comments/Reason for Variance	Variance \$	
	Permanent	Timing
Predicted Variances Brought Forward	806,848	790,000
<b>4.5 OTHER ITEMS</b>		
<b>4.5.10 TRANSFER TO RESERVES (RESTRICTED ASSETS)</b>		
Transfers to Commercial Enterprise Reserve	952,700	0
<b>4.5.11 TRANSFER FROM RESERVES (RESTRICTED ASSETS)</b>		
No material variance	0	0
<b>4.5.1 RATE REVENUE</b>		
No material variance	0	0
<b>4.5.2 OPENING FUNDING SURPLUS(DEFICIT)</b>		
Difference between adopted 22/23 budget and closing balance of 21/22 audited statements.	(108,942)	0
<b>4.5.3 NON-CASH WRITE BACK OF PROFIT (LOSS)</b>		
Depreciation for additional asset	12,000	0
<b>Total Predicted Variances as per Annual Budget Review</b>	<b>1,662,606</b>	<b>790,000</b>

SHIRE OF MENZIES  
NOTES TO THE BUDGET REVIEW REPORT  
FOR THE PERIOD ENDED 28 FEBRUARY 2023

5. BUDGET AMENDMENTS

Amendments to original budget since budget adoption. Surplus/(Deficit)

Description	Council Resolution	Classification	No Change - (Non Cash Items) Adjust.	Increase in Available Cash	Decrease in Available Cash	Amended Budget Running Balance
			\$	\$	\$	\$
<b>Budget Adoption</b>		Opening Surplus(Deficit)	0	0	(108,942)	(108,942)
Transfers to cash backed reserves (restricted assets)	CM - 292	Capital Expenses	0	34,200	0	(74,742)
Transfers to cash backed reserves (restricted assets)	CM - 278	Capital Expenses	0	18,500	0	(56,242)
Transfers to cash backed reserves (restricted assets)	CM - 309	Capital Expenses	0	900,000	0	843,758
Purchase land and buildings	CM - 309	Capital Expenses	0	500,000	0	1,343,758
Purchase and construction of infrastructure-other	CM - 292	Capital Expenses	0	0	(34,200)	1,309,558
Purchase and construction of infrastructure-other	CM - 278	Capital Expenses	0	0	(18,500)	1,291,058
Fees and charges		Operating Revenue	0	22,000	0	1,313,058
Interest earnings		Operating Revenue	0	169,500	0	1,482,558
Other revenue		Operating Revenue	0	11,000	0	1,493,558
Employee costs		Operating Expenses	0	0	(4,500)	1,489,058
Materials and contracts		Operating Expenses	0	312,593	(435,500)	1,366,151
Depreciation on non-current assets		Operating Expenses	(12,000)	0	0	1,366,151
Other expenditure		Operating Expenses	0	0	(10,000)	1,356,151
Purchase land and buildings		Capital Expenses	0	860,371	(285,371)	1,931,151
Purchase plant and equipment		Capital Expenses	0	490,000	(50,000)	2,371,151
Purchase and construction of infrastructure-other		Capital Expenses	0	122,700	(41,245)	2,452,606
<b>Amended Budget Cash Position as per Council Resolution</b>			(12,000)	3,440,864	(988,258)	2,452,606

<b>6.2</b>	<b>Compliance Audit Return 2022</b>
<b>LOCATION</b>	<b>Not applicable</b>
<b>APPLICANT</b>	<b>Internal</b>
<b>DOCUMENT REF</b>	<b>NAM1059</b>
<b>DATE OF REPORT</b>	<b>9 March 2023</b>
<b>AUTHOR</b>	<b>Tanya Browning, Consultant-Moore Australia</b>
<b>RESPONSIBLE OFFICER</b>	<b>Acting Chief Executive Officer, Rob Stewart</b>
<b>OFFICER DISCLOSURE OF INTEREST</b>	<b>Nil</b>
<b>ATTACHMENT</b>	<ol style="list-style-type: none"> <li>1. Compliance Audit Return [6.2.1 - 11 pages]</li> <li>2. Summary of Issues [6.2.2 - 1 page]</li> </ol>

### **SUMMARY:**

Each year, the Council is required to complete an annual Compliance Audit Return (CAR) for the calendar year immediately preceding (1 January to 31 December) as published by the Department of Local Government, Sport and Cultural Industries (DLGSCI). The CAR is then to be reviewed by the Audit and Risk Committee and a report presented to the Council prior to the adoption of the CAR.

### **BACKGROUND:**

This year, the CAR was reviewed and completed by Moore Australia. Tanya Browning, Associate Director, and Jessica Spark, Senior Project Officer, Local Government Services from Moore Australia attended the Shire offices on 1 February 2023, during which time the CAR was completed through interviews with senior staff and the inspection of various documents and records including:

- Minute books
- Tender Register
- Financial Interest and Return Register
- Complaints Register
- Delegations Register
- Council website

The CAR is one of the tools that allow the Council to monitor how the organisation is functioning regarding compliance with the *Local Government Act 1995* and provides the Audit and Risk Committee the opportunity to report to the Council any cases of non-compliance or where full compliance was not achieved.

This process also provides an opportunity for the Audit and Risk Committee to consider matters that may require further review within ongoing risk framework assessments and actions.

## **COMMENT:**

Through the completion of the 2022 CAR, there was an instance of non-compliance noted, relating to procurement under \$250,000. Whilst systems and processes are in place in an effort to maintain compliance with the purchasing policy, it is impossible to certify compliance in every instance without a complete examination of all purchases. It was noted with management it is very difficult to declare during the review period the appropriate number of quotations had been obtained for every purchase (particularly low value purchases) in accordance with the purchasing policy.

A summary of matters noted during the completion of the 2022 CAR is attached for information. The attached summary also notes general improvement opportunities to systems and processes identified through the completion of the CAR. These improvements may assist the Shire in its risk management activities and continual improvement of administrative and compliance functions.

## **CONSULTATION:**

Moore Australia

## **STATUTORY AUTHORITY:**

Regulation 14 of the *Local Government (Audit) Regulations 1996* provides:

(1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.

(2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.

(3A) The local government's audit committee is to review the compliance audit return and is to report to the Council the results of that review.

(3) After the audit committee has reported to the Council under subregulation (3A), the compliance audit return is to be —

- (a) presented to the Council at a meeting of the Council; and
- (b) adopted by the Council; and
- (c) recorded in the minutes of the meeting at which it is adopted.

Regulation 14 of the *Local Government (Audit) Regulations 1996* details the requirements with regard to certifying the CAR and issuing to the Departmental CEO

Section 7.13(1)(i) of the *Local Government Act 1995* refers to the provisions within regulations with regard to audits.

**POLICY IMPLICATIONS:**

There are no policy implications resulting from the recommendation of this report.

**FINANCIAL IMPLICATIONS:**

There are no financial implications resulting from the recommendation of this report.

**RISK ASSESSMENT:**

Risk Statement	Level of Risk	Risk Mitigation Strategy
This item has been evaluated against the Shire’s Risk Management Strategy, Risk Assessment Matrix.	The perceived level of risk is medium prior to treatment.	Implementation of improvements as noted in attached summary.

**STRATEGIC IMPLICATIONS:**

The Shire’s Strategic Community Plan 2021-2031 outlines the following Outcomes and Strategies which support this activity:

4.1 A strategically focused Council, leading our community.

4.1.1 Provide strategic leadership and governance.

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

Accordingly, the officer’s recommendation aligns with the Strategic Community Plan.

**VOTING REQUIREMENTS:**

Simple Majority

**OFFICER RECOMMENDATION:**

That it be a recommendation to the Council:

That:

- 1. The attached Compliance Audit Return for 2022 be adopted
- 2. The Shire President and Chief Executive Officer be authorised to sign the Compliance Audit Return 2022 for submission to the Department of Local Government, Sport and Cultural Industries.

**COMMITTEE DECISION:**

<b>Committee Resolution Number</b>	
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<b>Moved</b>		<b>Seconded</b>	
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<b>Carried</b>	
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Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Menzies



## Menzies – Compliance Audit Return

Commercial Enterprises by Local Governments				
No	Reference	Question	Response	Comments
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2022?	N/A	
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2022?	N/A	
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2022?	N/A	
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2022?	N/A	
5	s3.59(5)	During 2022, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A	

Delegation of Power/Duty				
No	Reference	Question	Response	Comments
1	s5.16	Were all delegations to committees resolved by absolute majority?	N/A	
2	s5.16	Were all delegations to committees in writing?	N/A	
3	s5.17	Were all delegations to committees within the limits specified in section 5.17 of the Local Government Act 1995?	N/A	
4	s5.18	Were all delegations to committees recorded in a register of delegations?	N/A	
5	s5.18	Has council reviewed delegations to its committees in the 2021/2022 financial year?	N/A	
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Local Government Act 1995?	Yes	



Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Menzies



7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes	Item 13.2.1 OMC 24/11/2022 res. CM-366
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes	
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority?	N/A	
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes	
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2021/2022 financial year?	Yes	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Local Government (Administration) Regulations 1996, regulation 19?	Yes	

Disclosure of Interest				
No	Reference	Question	Response	Comments
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69 of the Local Government Act 1995, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes	
2	s5.68(2) & s5.69(5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by the Local Government (Administration) Regulations 1996 regulation 21A, recorded in the minutes of the relevant council or committee meeting?	Yes	Item 13.2.1 OMC 28/04/2022
3	s5.73	Were disclosures under sections 5.65, 5.70 or 5.71A(3) of the Local Government Act 1995 recorded in the minutes of the meeting at which the disclosures were made?	Yes	
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes	
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2022?	Yes	
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes	

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7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76 of the Local Government Act 1995?	Yes	
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28?	Yes	
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76 of the Local Government Act 1995, did the CEO remove from the register all returns relating to that person?	Yes	
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) of the Local Government Act 1995 been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes	
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B of the Local Government Act 1995, in the form prescribed in the Local Government (Administration) Regulations 1996, regulation 28A?	Yes	
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes	
13	s5.89A(6)	When people cease to be a person who is required to make a disclosure under section 5.87A or 5.87B of the Local Government Act 1995, did the CEO remove from the register all records relating to those people?	N/A	
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A(6) Local Government Act 1995 been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	N/A	
15	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes	
16	s5.71A & s5.71B(5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under section 5.71A(1) of the Local Government Act 1995 relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	N/A	

Department of Local Government, Sport and Cultural Industries - Compliance Audit Return - Menzies



17	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under section 5.71B(6) of the Local Government Act 1995, recorded in the minutes of the council meeting at which the decision was considered?	N/A	
18	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates within 3 months of the prescribed model code of conduct coming into operation (3 February 2021)?	Yes	Item 12.5.2 OMC 25/03/2021 resolution 2128
19	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4) of the Local Government Act 1995?	N/A	
20	s5.104(7)	Has the CEO published an up-to-date version of the code of conduct for council members, committee members and candidates on the local government's website?	Yes	
21	s5.51A(1) & (3)	Has the CEO prepared and implemented a code of conduct to be observed by employee of the local government? If yes, has the CEO published an up-to-date version of the code of conduct for employees on the local government's website?	Yes	Item 12.2.7 OMC 29/04/2021 resolution 2153

Disposal of Property				
No	Reference	Question	Response	Comments
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) of the Local Government Act 1995 (unless section 3.58(5) applies)?	N/A	
2	s3.58(4)	Where the local government disposed of property under section 3.58(3) of the Local Government Act 1995, did it provide details, as prescribed by section 3.58(4) of the Act, in the required local public notice for each disposal of property?	N/A	

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Elections				
No	Reference	Question	Response	Comments
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate in accordance with regulations 30G(1) and 30G(2) of the Local Government (Elections) Regulations 1997?	N/A	
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years in accordance with regulation 30G(4) of the Local Government (Elections) Regulations 1997?	N/A	
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with regulation 30G(5) of the Local Government (Elections) Regulations 1997?	N/A	

Finance				
No	Reference	Question	Response	Comments
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Local Government Act 1995?	Yes	Item 12.2.1 OMC 28/10/2021 resolution CM-81
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Local Government Act 1995, did it do so by absolute majority?	N/A	Audit Committee has no delegated authority
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2022 received by the local government by 31 December 2022?	Yes	Received 16/12/2022
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under section 7.9(1) of the Local Government Act 1995	N/A	Matters reported in audit management letter were reported to the audit committee and

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		required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?		Council December 2022. No significant audit findings were noted in the audit report.
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	N/A	As per question 4.
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under section 7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website?	N/A	
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June 2022 received by the local government within 30 days of completion of the audit?	Yes	

Local Government Employees				
No	Reference	Question	Response	Comments
1	s5.36(4) & s5.37(3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Local Government (Administration) Regulations 1996, regulation 18A?	Yes	
2	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	N/A	CEO recruitment remained ongoing at end of reporting period
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4) of the Local Government Act 1995?	N/A	
4	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	Yes	Item 13.2.6 OMC 20/12/2022 resolution CM-396
5	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A	

Official Conduct				
No	Reference	Question	Response	Comments

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1	s5.120	Has the local government designated an employee to be its complaints officer?	Yes	CEO is complaints officer Item 14.1 OMC 25/02/2021 resolution 2114
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a) of the Local Government Act 1995?	Yes	
3	S5.121(2)	Does the complaints register include all information required by section 5.121(2) of the Local Government Act 1995?	Yes	
4	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes	

Tenders for Providing Goods and Services				
No	Reference	Question	Response	Comments
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy, adopted under the Local Government (Functions and General) Regulations 1996, regulations 11A(1) and (3) in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	No	Cannot guarantee compliance has occurred with all purchasing activities below \$250,000. Systems updated to minimise risk of non compliance.
2	s3.57 F&G Reg 11	Subject to Local Government (Functions and General) Regulations 1996, regulation 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in regulation 11(1) of the Regulations?	Yes	
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 of the Local Government Functions and General) Regulations 1996, required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with Regulation 14(3) and (4)?	Yes	
4	F&G Reg 12	Did the local government comply with Local Government (Functions and General) Regulations 1996, Regulation 12 when deciding to enter into multiple contracts rather than a single contract?	Yes	

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5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents, or each acceptable tenderer notice of the variation?	N/A	
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 15 and 16?	Yes	
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulation 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes	
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	N/A	
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	Yes	
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	Yes	
11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of the Local Government (Functions and General) Regulations 1996, Regulations 21 and 22?	N/A	
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A	
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under the Local Government (Functions and General) Regulations 1996, Regulation 23(1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	N/A	
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with Local Government (Functions and General) Regulations 1996, Regulation 24?	N/A	

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15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with Local Government (Functions & General) Regulations 1996 regulations 24AD(4) and 24AE?	N/A	
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A	
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	N/A	
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24AG?	N/A	
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	N/A	
20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A	
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A	
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of Local Government (Functions and General) Regulations 1996, Regulation 24E and 24F?	Yes	

Integrated Planning and Reporting				
No	Reference	Question	Response	Comments
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan?	Yes	25/02/2021



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		If Yes, please provide the adoption date or the date of the most recent review in the Comments section?		Item 12.5.4 OMC 25/02/2021 resolution 2105
2	Admin Reg 19DA(1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	8/06/2022  Item 9.2.1 SMC 08/06/2022 resolution CM-230
3	Admin Reg 19DA(2) & (3)	Does the corporate business plan comply with the requirements of Local Government (Administration) Regulations 1996 19DA(2) & (3)?	Yes	

Optional Questions				
No	Reference	Question	Response	Comments
1	Financial Management Reg 5(2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the Local Government (Financial Management) Regulations 1996 regulations 5(2)(c) within the three financial years prior to 31 December 2022? If yes, please provide the date of council's resolution to accept the report.	Yes	21/12/2021 Item 6.3 ARC Meeting decision ARC-15 & Item 12.1.3 OMC 21/12/2021 resolution CM-121
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Local Government (Audit) Regulations 1996 regulation 17 within the three financial years prior to 31 December 2022? If yes, please provide date of council's resolution to accept the report.	Yes	21/12/2021 Item 6.3 ARC Meeting decision ARC-15 & Item 12.1.3 OMC 21/12/2021 resolution CM-121
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B of the Local Government Act 1995, were the disclosures made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C of the Act?	N/A	No gifts recorded
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events?	Yes	Item 12.2.8 OMC 25/03/2021 resolution 2134

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5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4) of the Local Government Act 1995?	Yes	
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes	Item 12.2.9 OMC 25/03/2021 resolution 2135
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2021/2022 financial year and publish it on the local government's official website by 31 July 2022?	Yes	
8	s6.4(3)	By 30 September 2022, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2022?	Yes	
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all its expenditure, revenue and income?	Yes	

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 Chief Executive Officer

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 Date

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 Mayor/President

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 Date

## Shire of Menzies 2022 Compliance Audit Return – Summary of Matters Noted

Question No.	Section/Topic	Matters Identified / Improvements	Reportable in CAR (Y/N)
1	Tenders for Providing Goods and Services	<p>Non-compliance between procurement thresholds and purchasing requirements for low value purchases has possibly occurred during the review period. It was noted with management it is very difficult to declare during the review period the appropriate number of quotations had been obtained for every purchase (particularly low value purchases) in accordance with the purchasing policy.</p> <p><b>Improvement:</b> Review systems and controls to minimise risks of non compliance with adopted purchasing policy.</p>	Y
-	Tenders	<p>We noted during periods of senior staff turnover, the practice of maintaining some record keeping related to tender documentation and correspondence had not been updated to the central record keeping system at the time of our review. Previous checklists used to monitor tender compliance had not been updated as per established systems and processes.</p> <p><b>Improvement:</b> Ensure systems and processes established to assist with compliance are maintained, reviewed and monitored. Consider including in routine reviews/monthly processes etc.</p>	N

<b>6.3</b>	<b>Organisational Risk Management</b>
<b>LOCATION</b>	<b>Not applicable</b>
<b>APPLICANT</b>	<b>Internal</b>
<b>DOCUMENT REF</b>	<b>NAM1059</b>
<b>DATE OF REPORT</b>	<b>14 March 2023</b>
<b>AUTHOR</b>	<b>Tanya Browning, Consultant-Moore Australia</b>
<b>RESPONSIBLE OFFICER</b>	<b>Acting Chief Executive Officer, Rob Stewart</b>
<b>OFFICER DISCLOSURE OF INTEREST</b>	<b>Nil</b>
<b>ATTACHMENT</b>	1. CONFIDENTIAL - Draft Risk Register [6.3.1 - 2 pages]

### **SUMMARY:**

To present the summary of Organisational Risk Management activities from November 2022 to February 2023.

### **BACKGROUND:**

From 1 July 2022, the Shire of Menzies sought proposals through Vendor Panel from external consultants for compliance and governance services, which included the Risk Management support services. Moore Australia (WA) were successful with their proposal and have been engaged to provide compliance and risk management support services for 2022, 2023 and 2024.

The Shire's Risk Management Strategy, as previously reviewed by the Audit and Risk Committee, and the Shire's risk management policy (previously adopted by the Council) align to *AS/NZS ISO 31000:2018 Risk Management Guidelines*. The Risk Management Strategy is prepared utilising the Principles, Framework and Process as defined within the standard, considers the context of the Shire and conforms to the requirements of the standard by providing the necessary guidance and direction to be followed by the Shire in its Risk Management activities, aligned to the Risk Management policy.

The guidance and direction within the Risk Management Strategy includes the assessment, prioritisation and communication of risks. This includes the reporting of risks through the Audit and Risk Committee. The reporting of risk management activities historically occurred through quarterly 'dashboard reports', bi-annual 'summary reports' and an annual 'risk control assurance workshop', which will continue through the Shire's current engagement with Moore Australia.

A workshop with the Senior Staff was held onsite on 9-10 November 2022 to review risk profiles, controls, consider emerging or new risks as well as setting out planned control assurance activities for the year. Following the workshop, updates to the risk profiles were made, and the risk register populated with updated information to be reported to the Audit and Risk Committee. A further site visit was undertaken in February 2023 for

general governance and compliance services, where risk management activities were considered and reviewed.

These activities continue to form the foundation for risk management activities to be reported and monitored through the Audit and Risk Committee.

**COMMENT:**

A risk summary report is to be provided bi-annually to the Audit and Risk Committee. This report enables analysis of what has changed for the organisation, and whether these changes result in new or emerging risks against each risk profile. This subsequently allows for the risk register to be updated, and to summarise new risks or changes to existing risks for the Committee. The risk summary report highlighting risk changes identified against each profile, including actions and treatments in place for high level risks, were considered by the Audit and Risk Committee in December 2022.

A quarterly dashboard report has been prepared for the Committee’s information to summarise the current number of reportable risks, unaddressed high-level risks, total new risks etc. The table below highlights the progress risk movements this quarter.

<b>Risk Category</b>	<b>No. of High or Extreme Rated Risks Identified</b>	<b>No. of High or Extreme Rated Risks after Treatment</b>	<b>No. of New Risks Identified (February 2023)</b>	<b>No. of Risks Closed (February 2023)</b>
Performance	2	1	0	0
Environmental	2	1	0	0
Reputational Damage	2	1	0	0
Financial	4	1	0	0
Service Delivery / Business Interruption	5	2	0	0
Legislative / Regulatory / Policy/ Occupational Safety and Health	3	2	0	0

Discussions with Moore Australia as well as future site visits will be undertaken to further update risk profiles, actions and treatments for the next reporting period. These reports will be updated for the next meeting for committee information.

**CONSULTATION:**

Moore Australia, Consultant

**STATUTORY AUTHORITY:**

Regulation 17.1 of the *Local Government (Audit) Regulations 1996* requires the CEO to monitor the appropriateness and effectiveness of systems and procedures regarding risk management, internal controls and legislative compliance.

**POLICY IMPLICATIONS:**

The Risk Management Policy outlines the Shire’s commitment and approach to managing risks impacting on day-to-day operations and the delivery of strategic objectives.

**FINANCIAL IMPLICATIONS:**

Provision is included in the 2022/23 Adopted Budget for Moore Australia to deliver compliance and governance services, including risk management support, in line with the awarded Vendor Panel RFQ.

**RISK ASSESSMENT:**

Risk Statement	Level of Risk	Risk Mitigation Strategy
This item has been evaluated against the Shire of Menzies’ Risk Management Strategy and Risk Assessment Matrix	The perceived level of risk is high prior to treatment	The progression of risk management activities aligned with the Risk Management Strategy will reduce the risk to low

**STRATEGIC IMPLICATIONS:**

One of the Council’s responsibilities in risk management is to be satisfied that risks are identified, managed and controlled appropriately, to achieve the Shire’s strategic objectives, as well as to support the allocation of funds / resources to treat risks as required.

The Chief Executive Officer and Senior Staff play a key role in the establishment and development of an effective risk management framework. To ensure the successful delivery of the Strategic Planning objectives, the strategy requires ongoing monitoring and revision for alignment to the Plan for the Future.

One role of the Audit and Risk Committee is to monitor identified strategic high-level risks and their treatment solutions to ensure the community receives the services delivered effectively as outlined within the Plan for the Future.

Monitoring and reviewing activities will continue to provide evidence of the appropriateness and effectiveness of systems and procedures regarding risk management, internal control and legislative compliance, as required by the *Local*

Government (Audit) Regulations 1996. The Risk Management Strategy also provides direction for the implementation of risk management activities.

The Shire’s Strategic Community Plan 2021-2031 outlines the following Outcomes and Strategies which support this activity:

Outcome

4.1 A strategically focused Council, leading our community.

Strategy

4.1.1 Provide strategic leadership and governance.

Outcome

4.2 An efficient and effective organisation.

Strategy

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

Accordingly, the officer’s recommendation aligns with the Strategic Community Plan.

**VOTING REQUIREMENTS:**

Simple Majority

**OFFICER RECOMMENDATION:**

That:

- 1. The attached draft of Risk Register updated as of February 2023 be received
- 2. The above report updating the Risk Management activities be received

**COMMITTEE DECISION:**

<b>Committee Resolution Number</b>	
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<b>Moved</b>		<b>Seconded</b>	
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<b>Carried</b>	
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**7 INFORMATION REPORTS**

**8 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

**9 NEW BUSINESS OF AN URGENT NATURE**

**10 NEXT MEETING**

**11 CLOSURE OF MEETING**