



**SHIRE**  
*of*  
**DANDARAGAN**

**MINUTES**

for

**AUDIT COMMITTEE MEETING**

to be held at the

**COUNCIL MEETING ROOM, JURIEN BAY**

on

**MONDAY 25 MARCH 2024**

**COMMENCING AT 4.30PM**

**MINUTES FOR AUDIT COMMITTEE MEETING TO BE HELD MONDAY 25 MARCH 2024**

**1. DECLARATION OF OPENING**

The Presiding Member declared the meeting open at 4.30pm and welcomed those present.

**2. RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE**

**Members** Councillor J Clarke (Chair)  
 Councillor A O’Gorman  
 Councillor M McDonald

**Staff** Mr B Bailey (Chief Executive Officer)

**Apologies**

Nil

**Leave of Absence**

Nil

**3. CONFIRMATION OF MINUTES**

**3.1 MINUTES OF THE AUDIT COMMITTEE MEETING HELD 21 FEBRUARY 2024**

**AUDIT COMMITTEE DECISION**

Moved Cr McDonald, seconded Cr O’Gorman

That the Minutes of the Audit Committee Meeting held 21 February 2024 be confirmed.

**CARRIED 3 / 0**

**4. MATTERS FOR DISCUSSION**

**4.1 BUDGET REVIEW 2023 / 24**

Location:	Shire of Dandaragan
Applicant:	N / A
Folder ID:	Doc Id: SODR-1034602345-11189
Disclosure of Interest:	None
Date:	21 March 2024
Author:	Rebecca Pink, Accountant
Senior Officer:	Brent Bailey, Chief Executive Officer

**PROPOSAL**

This item presents the annual budget review for the 2023 / 2024 financial year based on the financial statements from 1 July 2023 to 31 December 2023.

**MINUTES FOR AUDIT COMMITTEE MEETING TO BE HELD MONDAY 25 MARCH 2024****BACKGROUND**

Each year all Local Governments are required to conduct a budget review to monitor financial performance and revenue/expenditure expectations. Following the preparation of budget review statements and notes Council is required to determine (by absolute majority) whether to adopt the review, any parts of the review or any recommendations made in the review.

The Department has set out the following guidance for the content of budget reviews.

- The review must consider the local government's position at the date of the review and evaluate outcomes for the end of 2023-24 that are forecast in the budget.
- Provide the estimated end-of-year amount for the item adjacent to each item in the annual budget that states an amount.
- Provide an estimated end-of-year amount for any items that did not have an amount stated in the adopted annual budget.
- Provide a copy of the budget review and the budget review item from the unconfirmed council minutes to the department within 14 days of the council meeting.

**COMMENT**

Staff have reviewed the 2023 / 2024 budget and actuals to identify any significant variances. The financial statements to the 31 December 2023 have been used as the basis for the review. Forward estimates of revenue and expenditure have been projected to year end and variances have been identified in the budget review statements.

A number of variances (attached) were identified in the review culminating in an overall recognition of a surplus of \$518,782.

For 2023/2024 the budget review has considered the completability of projects and where it is determined that a project will not be completed within this financial year it has been removed. Any projects that have been removed can be re-considered in the 2024 / 2025 budget deliberations.

The most significant variance was the difference in the opening surplus budget to actuals which was \$748,441. This difference is largely attributed to the timing of the Financial Assistance Grants and the movement of liabilities associated with grant funded projects associated with the Wheatbelt Secondary Freight Route Project.

The adopted budget has planned disposals of properties in Dandaragan that are currently on the market, these are at the time of the meeting not sold but remain in the budget with the anticipation of being finalised. If they are not sold, the associated capital spend on new residences will be withheld to avoid any impact on the final surplus/deficit.

The Statement of Budget Review which is attached details other notes, variances and the financial impact of changes to anticipated expenditure and revenue at year end.

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### CONSULTATION

Nil

### STATUTORY ENVIRONMENT

- 33A of Financial Management Regulations (1996) states;
  - (1) Between 1 January and the last day of February in each financial year a local government is to carry out a review of its annual budget for that year.
  - (2A) The review of an annual budget for a financial year must —
    - consider the local government’s financial performance in the period beginning on 1 July and ending no earlier than 31 December in that financial year; and
    - consider the local government’s financial position as at the date of the review; and
    - review the outcomes for the end of that financial year that are forecast in the budget.
    - The review of an annual budget for a financial year must be submitted to the council on or before 31 March in that financial year.
    - 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.

- Within 14 days after a council has made a determination, a copy of the review and determination is to be provided to the Department.

### POLICY IMPLICATIONS

There are no policy implications relevant to this item.

### FINANCIAL IMPLICATIONS

The adoption of this review will amend the budget with an overall recognition of a projected surplus of \$518,782. This surplus may be rationalised through the 2024 / 25 budget cycle forming part of the opening balance or considered for reserve fund transfers towards the end of the financial year.

### STRATEGIC IMPLICATIONS

There are no direct strategic implications relevant to this item, however, legislative compliance, strong financial controls and good governance are core functions of Local Government.

### ATTACHMENTS

Circulated with the agenda is the following item relevant to this report:

- Budget Review for the period ending 31 December 2023 (Doc Id: SODR-1034602345-11189)  
**(Marked 4.1)**

### VOTING REQUIREMENT

Absolute majority

**MINUTES FOR AUDIT COMMITTEE MEETING TO BE HELD MONDAY 25 MARCH 2024****OFFICER RECOMMENDATION / AUDIT COMMITTEE DECISION**

**Moved Cr McDonald, seconded Cr O’Gorman**

**That the 2023 / 2024 budget review, as presented with a surplus of \$518,782 be adopted, with the following variances being formally adopted as budget amendments:**

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GENERAL LEDGER ACCOUNT NAME	DESCRIPTION	AMOUNT DR/(CR)	AMENDED (SURPLUS) / DEFICIT
	<b>Budgeted (Surplus) / Deficit to 30 June 23</b>		(1,012,180)
	Audited closing (Surplus) / Deficit to 30 June 23		(1,760,621)
	<b>Variance of opening</b>		<b>(748,441)</b>
General Rates	Increase in interim rates and decrease in discount allowed budget	(24,811)	(773,252)
Grants, subsidies and contributions	Increase in expected standpipe charges, Grants Commission income, Fire Mitigation grant funding and reduction in Community Stewardship grant	(133,295)	(906,547)
Fees and charges	Increase in Emergency Services Levy rates and development services fees	(64,896)	(971,443)
Interest revenue	Increase on Reserve fund interest and reduction in interest penalties on rates	(174,500)	(1,145,943)
Other revenue	Increase in Fuel Rebate	(17,505)	(1,163,448)
Profit on asset disposals	Reduced sale price of 4 light vehicles	10,625	(1,152,823)
Employee costs	Increase in staff training costs and workers compensation premium, decrease in outsourced OH&S consultancy	17,944	(1,134,879)
Materials and contracts	Increase in election expenses, IT operations costs and infrastructure project costs	293,811	(841,068)
Utility charges	Reduction in street lightning costs	(90,000)	(931,068)
Insurance	Increase in insurance claim premiums	4,281	(926,787)
Other expenditure	Increase in Controlled waste costs, councillor travel costs, Emergency Services Levy costs and pound operating costs	64,701	(862,086)
Capital grants, subsidies and contributions	Postponing Lotterywest grant for park renovation and Local Roads and Community Infrastructure funding for office refurb until 2024/25 financial year.	740,929	(121,157)
Purchase of land and buildings	Postponing office refurb and cost savings on Sandy Cape amenities, Badgingarra amenities until 2024/25 financial year.	(619,000)	(740,157)
Purchase of furniture and equipment	Postponing playground additions - Cervantes Recreation reserve	(50,000)	(790,157)
Purchase and construction of infrastructure-other	Increase in project cost of Tip Cell, reduction in project cost of Niche wall and postponing of Pioneer Park upgrade	(64,250)	(854,407)
Transfers from reserve accounts	Postponing office renovation and increase in Tip Cell project cost	184,250	(670,157)
Transfers to reserve accounts	Increase in interest received in reserve accounts	162,000	(508,157)

**Non-cash adjustments to operating activities**

Less: Profit on asset disposals

(10,625)

**Total (Surplus) / Deficit** (518,782)

CARRIED 3 / 0

#### 4.2 SHIRE OF DANDARAGAN – LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996 REGULATION 17 AND FINANCIAL MANAGEMENT REVIEW

Location:	Shire of Dandaragan
Applicant:	Not Applicable
Folder Path:	SODR-1792953452-2447
Disclosure of Interest:	Nil
Date:	20 March 2024
Author:	Brent Bailey, Chief Executive Officer
Senior Officer:	Not Applicable

##### PROPOSAL

This purpose of this report is for the Audit Committee to review the CEO's report on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, financial management, internal control, and legislative compliance. The recommendation is for the Audit Committee to receive the report and submit it to Council for endorsement.

##### BACKGROUND

In accordance with the Local Government (Audit) Regulations 1996 the CEO is required to undertake a review of the Shire's systems and procedures relating to risk management, internal control, and legislative compliance not less than once every 3 years. The last review undertaken by the CEO was carried out in November 2019. This review was not undertaken with the 3-year period due to the extensive staff turnover in the Corporate Services Department during 2023 and the availability of consultants to complete the audit process.

The Audit Committee's role in the process is set out in Regulation 16 and requires the Audit Committee to review the report prepared by the CEO for Council and provide a copy of the report to Council. The Audit Committee is also tasked with responsibility to oversee any actions required from the CEO's review report. In response to this, a key recommendation of the report is to provide a standing agenda item providing the Audit Committee with a status update on matters arising from the review at each meeting.

The review has been undertaken during the months September 2023 – January 2024 by the CEO, Accountant and supporting staff members who have worked with independent consultant Moore Australia to carry out detailed testing on internal systems and processes. The results of this review have been provided in the attached review report.

While the regulations do not mandate a particular process or provide minimum standards the Department of Local Government, Sport and Cultural Industries Operational Guidelines No.9 provides guidance on key topics and content for review. In addition, Moore Australia have

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provided a range of investigative approaches and best practice recommendations based on their skills and experience in the sector.

### COMMENT

The review of risk and internal procedures is an ongoing and recurrent activity within the Shire of Dandaragan. As a small regional local government, the finance and administration staff regularly respond to changes in the operating environment whether it be legislative, human resource, political or change. The Regulation 17 review while important is not the sole or principal driver for ensuring that the Shire's internal systems are aligned with our aim of being a leader in regional local government.

The commentary and conclusions within the report support the CEO's finding that the Shire's internal systems and procedures are generally appropriate and effective for the organisation's size and context. The review process has determined a number of recommendations for business improvement, legislative compliance, and operational efficiency which will be carried out in accordance with the priority schedule noted by the CEO.

One of the major process adjustments is a major review of the Shire's risk management framework and policies which is currently being undertaken by the Executive Manager Corporate and Community Services. An outcome of this review will be a greater role for the Audit Committee to receive and review content relating to practice risk mitigation measures and identification.

In addition, the Executive Manager Corporate and Community Services is also progressing the implementation of system refinements and changes to address the matters noted in the report. The Audit Committee will be provided with sequential updates on this progress over coming meetings.

### CONSULTATION

- Moore Australia

### STATUTORY ENVIRONMENT

Local Government (Audit) Regulation 1996 - 16 Functions of audit committee, 17 - CEO to review certain systems and procedures.

#### **16. Functions of audit committee**

*An audit committee has the following functions —*

- (a) to guide and assist the local government in carrying out —*
  - (i) its functions under Part 6 of the Act; and*
  - (ii) its functions relating to other audits and other matters related to financial management.*
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to —*



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- (i) *report to the council the results of that review; and*
- (ii) *give a copy of the CEO's report to the council;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
  - (i) *regulation 17(1); and*
  - (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (e) *to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) *to oversee the implementation of any action that the local government —*
  - (i) *is required to take by section 7.12A(3); and*
  - (ii) *has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
  - (iii) *has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
  - (iv) *has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*
- (g) *to perform any other function conferred on the audit committee by these regulations or another written law.*

**17. CEO to review certain systems and procedures**

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
  - (a) *risk management; and*
  - (b) *internal control; and*
  - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Local Government (Financial Management) Regulation 1996 – 5(2)(c) - CEO's duties as to financial management

**5. CEO's duties as to financial management**

- (2) *The CEO is to —*
  - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

**POLICY IMPLICATIONS**

There are a range of policy reviews and updates which are recommended as part of this process and review.

**FINANCIAL IMPLICATIONS**

This review has been undertaken by an external consultant. Activities associated with the auditing, report writing, and follow-up have incurred approximately \$25,000 in costs.

**STRATEGIC IMPLICATIONS**

Strategic Community Plan – Envision 2029

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04 – Community	The Shire’s resident population will fastest growing population I the region supported by increased community recreation and cultural opportunities and access to key liveability factors such as health and wellbeing services and educational opportunities
<b>Priority Outcomes</b>	<b>Our Roles</b>
A region that develops and supports community leadership and collective values	Provide an Industry leading Local Government organisation prompting community confidence and support in our decision-making processes.

**ATTACHMENTS**

Circulated with the agenda is the following item relevant to this report:

- Moore Australia – Review of Financial Management, Risk Management, Legislative Compliance, and Internal Controls – ***Electronic Only*** (Doc Id: SODR-878193511-11180)
- Shire of Dandaragan AR17 FMR Risk Assessment – CEO Comments and Prioritisation Matrix final (Doc Id: SODR-878193511-11181)  
**(Marked 4.2)**

**VOTING REQUIREMENT**

Simple Majority

**OFFICER RECOMMENDATION / AUDIT COMMITTEE DECISION**

**Moved Cr O’Gorman, seconded Cr McDonald**

**That the Audit Committee:**

- 1) **Receives the Chief Executive Officer’s report and supporting attachments, satisfying Regulation 17 of the Local Government (Audit) Regulations 1996 and Regulation 5(2)(c) of the Local Government Financial Management Regulations 1996;**
- 2) **Notes that updates on the progress of the review recommendations will be submitted to the Audit Committee on a regular basis; and**
- 3) **Recommends that Council endorse the CEO’s report on Risk Management, internal controls, legislative compliance and financial management.**

**CARRIED 3 / 0**

**5. CLOSURE OF MEETING**

The Presiding Member declared the Meeting closed at 4.50pm.

**MINUTES FOR AUDIT COMMITTEE MEETING TO BE HELD MONDAY 25 MARCH 2024**

These Minutes were confirmed at a Meeting on.....

Signed.....

Presiding Person at the Meeting at which the Minutes were confirmed

Date.....