



SHIRE OF MENZIES

MINUTES

**OF THE AUDIT COMMITTEE MEETING OF
COUNCIL HELD**

Thursday 29 June 2017

Shire of Menzies

Commencing at 3.01 pm

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1 DECLARATION OF OPENING

The Shire President declared the meeting open at 3.01pm.

2 RECORD OF ATTENDANCE

The Chairperson advised a request had been received from Councillor Baird and Councillor Hansen to attend the meeting via electronic means as they are more than 150 kilometres from the Shire of Menzies office and is still in Western Australia.

COMMITTEE RESOLUTION

Moved: Cr Mazza

Seconded: Cr Mader

That Council approve the attendance of Cr Baird and Cr Hansen by electronic communications.

Carried 5/0

Present

Councillors:	Cr J Dwyer	Shire President
	Cr I Baird	Deputy Shire President (by electronic communication)
	Cr I Tucker	
	Cr J Mazza	
	Cr J Lee	Cr
	K Mader	Cr
	D Hansen	(by electronic communication from 3.07pm)

Staff	Rhonda Evans	Chief Executive Officer
	Jeanette Taylor	Manager Finance

3 APPLICATIONS FOR LEAVE OF ABSENCE

There were no applications for leave

4 DECLARATIONS OF INTEREST

There were no declarations of interest

3.03pm Cr Baird left the meeting

5 NOTICE OF ITEMS TO BE DISCUSSED BEHIND CLOSED DOORS

There were no items to be discussed behind closed doors

3.04pm Cr Baird returned to meeting

6 CONFIRMATION / RECEIVAL OF MINUTES

**6.1 Confirmation of Minutes of the Audit Committee Meeting held on
23 February 2017**

*That the minutes of the Audit Committee Meeting held on Thursday 23 February 2017 be
confirmed as a true and correct record.*

COMMITTEE RESOLUTION

Moved: Cr Mader

Seconded: Cr Mazza

*That the minutes of the Audit Committee Meeting held on Thursday 23 February 2017
be confirmed as a true and correct record.*

Carried 6/0

3.07pm Cr Debbie Hansen entered the meeting

7 REPORT OF MANAGER FINANCE AND ADMINISTRATION

7.1 Status of Budget and Accounts

LOCATION:	N/A
APPLICANT:	N/A
FILE REF:	EDM 052
DISCLOSURE OF INTEREST:	The Author has no interest to disclose
DATE:	23 June 2017
AUTHOR:	Jeanette Taylor, Manager Finance & Administration
ATTACHMENT:	7.1.1 Differential Rates Objects and Reasons 2017/18 7.1.2 Rates Modelling OCM May 2017

COMMITTEE RESOLUTION

Moved: Cr Lee

Seconded: Cr Mader

That Audit Committee receive the report from the Manager Finance and Administration.

Carried 7/0

OFFICER RECOMMENDATION:

That Audit Committee receive the report from the Manager Finance and Administration.

VOTING REQUIREMENTS: Simple Majority

IN BRIEF:

The Differential Rating strategy for 2017/2018 was tabled at the Ordinary Council Meeting of 25 May 2017. The schedule of Fees and Charges was also adopted. A report showing the carried forward capital items is included in this agenda.

It is proposed that the Budget for the year ending 30 June 2018 will be presented for adoption to the ordinary meeting of Council on 27 July 2017.

RELEVANT TO STRATEGIC PLAN:

14.3 Active civic leadership achieved

- Regularly review plans with community consultation on significant decisions affecting the shire.
- Where possible, support opportunities to build the capacity of the community within the Shire of Menzies.
- Regularly monitor and report on the Shire's activities, budgets, plans and performance.
- Maintain sustainability through our leadership, our regional and government partnerships and ensure we make informed resource decisions for our community good.
- Continue to engage with our community, to advocate on behalf of our community, to
- be accountable and to manage within our governance and legislative framework.

STATUTORY AUTHORITY:

Local Government Act 1995 Section 6.36

POLICY IMPLICATIONS: Nil

FINANCIAL IMPLICATIONS:

Financial Management standards in relation to delivery of Council services.

RISK ASSESSMENT:

OP14 Council does not raise the correct level of rate income.

OP32 Lack of working capital to meet Councils financial commitments.

OP49 Inability to fund the maintenance, replacement and renewal of infrastructure assets.

BACKGROUND:

Each year prior to adopting the Annual Budget Councils who decide to use differential rates must, in compliance with the Local Government Act 1995 (the Act) Section 6.36 advertise the proposed rate in the dollar (RID) and minimum rates for those categories to be rated using the differential option.

At the briefing section held prior to the Ordinary Council Meeting 27 April 2017, Council considered the needs for the forthcoming financial year, and that indicated that a rate increase of no less than 3.5% would be required to enable the program for the year ending 30 June 2018. Council has adopted a proposed rate increase of less than this amount after considering the substantial rate increase adopted in 2016/2017.

COMMENT:

Using the rates adopted at the Ordinary Council Meeting 17 May 2017, \$2,924,111.87 rates revenue is calculated to be raised for the year ended 30 June 2018. Rates levied for the year ended 30 June 2017 was \$2,859,020. The increase of \$65,000 will be used in the operating area to cover the increased costs of motor vehicle licensing and associated stamp duty.

Fees and Charges, for the most part have remained the same as those set for the 2016/2017 Year. Service levels are proposed to remain similar to those for the current year.

The Capital works program for the 2016/2017 year has been carried over into the 2017/2018 year. It is proposed to ensure that the current program is complete prior to setting the next. Funds earmarked for projects to be undertaken will be transferred to Reserve to ensure adequate funds are available when required.

High priority must be given to the review of the Community Strategic Plan. Once complete, Council will be in a better position to prioritise the works and programs to be undertaken.

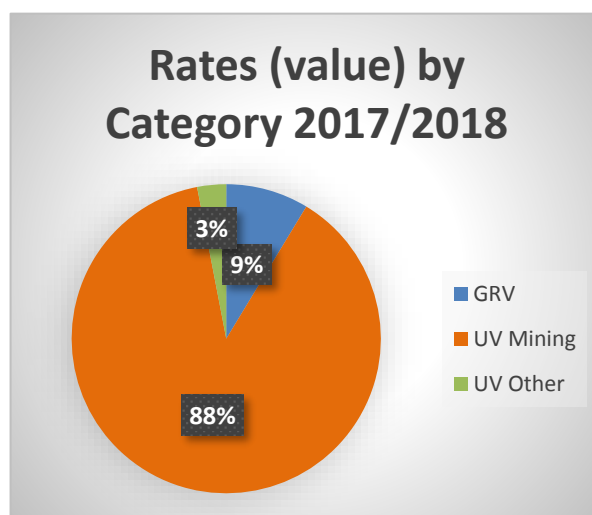
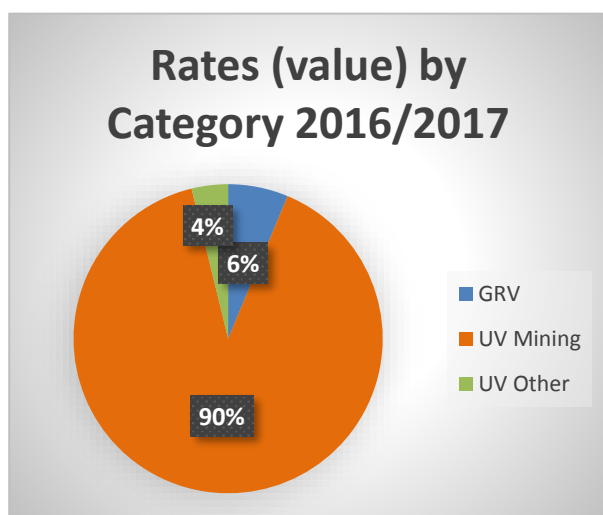


Objects and Reasons for Rating in the Shire of Menzies 2017/2018

The objective for all Council's rates is to meet the shortfall between planned expenditures and expected revenues in order to achieve a balanced budget.

In arriving at the proposed rate in the dollar and minimum payments, Council has taken into consideration many factors and attempted to balance the need for revenue to fund essential services, facilities and infrastructure to the entire community, given the funding variability from grants and other income sources, the shire looks to mining to be able to ensure funds are available.

The balance and contribution by each of the categories of ratepayers is materially the same. The reduced Minimum for GRV Other is to encourage owners of vacant lots in town to retain ownership and not hand the blocks back to the shire. The increase in all sectors reflects the changes to the rate in the dollar of this sector.



Rates Increase for 2017/2018.

For the 2017/2018 Council has agreed to increase the overall rate yield by at least 3.5% (1.75% on top of forecast CPI growth of 1.75%) with the exception of Minimum Rates for GRV Vacant which will reduce to \$200.

Basis of Rating

The basis for calculating property rates are the Gross Rental Value (GRV) and Unimproved Value (UV) provided for individual properties by Landgate's Property and Valuations area. A property's GRV represents the amount of the gross rental the land might obtain if it is let on a tenancy from year to year. A property's UV means the amount the land may reasonably be expected to obtain if it was sold and assuming no improvements to the land.

Updated Valuations

Updated unimproved values for rural properties are provided every year and updated gross rental values for residential, commercial and special rural properties are provided every five years.

Council's approach for 2017/2018 is to apply a 3.5% increase to the rate in the dollar for the following categories, with the exception of Minimum Rates for GRV Vacant which will reduce to \$200.

GRV Vacant Land	from 8.20 c to 8.49c	minimum from \$306 to \$200
GRV improved Land	from 8.18c to 8.47c	minimum from \$306 to \$317
UV Mining Lease	from 15.70c to 16.25c	minimum from \$306 to \$317
UV Prospecting Lease	from 14.26c to 14.76c	minimum from \$240 to \$249
UV Exploration Lease	from 14.475c to 14.98c	minimum from \$270 to \$280
UV Other (includes Pastoral and Kookynie Townsite)	from 8.00c to 8.28c	minimum from \$306 to \$317

Objects and Reasons for Differential Rates.

GROSS RENTAL VALUE (GRV).

Covers properties within the Townsite of Menzies and one mining camp. The average Townsite non vacant property rate is \$555. Of the 38 properties in this category, only six attract rates in excess of \$500. Four of the six are commercial premises, and two are multi residential.

The majority of the properties rated GRV are vacant lots. The minimum of \$200 has been set for these vacant lots. This represents a contribution to the community of \$3.85 per week, which although below expectation is considered to be fair to encourage owners of vacant blocks in town to retain ownership and not hand the blocks back into the Shire.

The reason for differentially rating this category is to meet the criteria of the Local Government Act 1995, which does not allow for a minimum rate exceeding \$200 per lot where the number of lots which attract the minimum rate is greater than 50% of the properties in the category (being GRV).

Were the Council to resolve to apply a minimum of \$200 per property to the 216 properties rated as GRV Vacant to recognize the difficulty of developing land in Menzies, the loss of income to the Shire is \$22,896. A more onerous rating position may result in properties being surrendered to the shire.

UNIMPROVED VALUATIONS (UV)

Mining, Exploration and Prospecting Leases are rated differentially to reflect the nature of the lease. Prospecting leases attract a lower minimum and rate in the dollar (RID) to acknowledge that these leases are not, for the most part, income producing.

Also considered is the higher traffic volumes and subsequent higher road infrastructure maintenance costs to the shire once production commences. Exploration, prospecting and operations have different levels of impact on the Shire's road infrastructure, although, there remains the need to fund the maintenance and renewal of this vital community while recognising the Shire's goal to encourage mining in the district.

As per previous years, the differential rate for UV Pastoral and Other has been set taking into account issues of rating equity including capacity to pay. The Pastoral and Other sector are increasingly taking the opportunities afforded to them to diversify, and it is believed that the capacity to pay for this sector has improved.

Objects and Reasons for Minimum Rates

The setting of minimum rates within rating categories is an important method of ensuring that all properties contribute an equitable rate amount. A minimum rate for UV Mining Exploration and UV Mining Prospecting categories has been set lower than other rating categories to reflect the Shire's goal to encourage mining in the district.

Rates calculation 2017/18 based on rates adopted by Council at OCM May 2017														
Line	Code	Total Props	UV Value	GRV Value	Min Amt	UV %	GRV %	Calculated Rates	Props on Min	Concession	Actual Rates to Raise	% Var Exp	% Var LY	
1	00	8	\$ -	\$ 516.00				\$ -		\$ -	\$ -			Non Rateable
2	01	216	\$ -	\$ 59,301.00	\$ 200.00		8.3400	\$ 4,946.30	213	\$ -	\$ 43,905.38	787.64	-33.94	GRV - Vacant
3	02	38	\$ -	\$ 2,505,965.00	\$ 311.00		8.3200	\$ 208,496.33	8	\$ -	\$ 210,251.08	0.84	1.88	GRV - General
4	09	283	\$ 11,713,164.00	\$ -	\$ 311.00	15.9700		\$ 1,870,592.35	62	\$ -	\$ 1,882,200.76	0.62	4.58	UV - Mining Operational
5	10	27	\$ 750,995.00	\$ -	\$ 311.00	8.1400		\$ 61,131.00	8	\$ -	\$ 62,247.97	1.82	4.13	UV - Pastoral
6	12	66	\$ 317,200.00	\$ -	\$ 311.00	8.1400		\$ 25,820.08	3	\$ -	\$ 26,207.70	1.50	1.74	UV - Other
7	13	391	\$ 3,898,408.00	\$ -	\$ 275.00	14.7300		\$ 574,235.54	166	\$ -	\$ 597,884.80	4.11	19.57	UV - Mining Exploration
8	14	355	\$ 584,790.00	\$ -	\$ 244.00	14.5100		\$ 84,853.19	158	\$ -	\$ 101,414.18	19.51	8.34	UV - Mining Prospecting
9	99	1376	\$ 17,264,557.00	\$ 2,565,266.00				\$ 2,830,074.79	618	\$ -	\$ 2,924,111.87			
			\$ 19,829,823.00											



2017/2018 FEES AND CHARGES

GENERAL			
Photocopying - per A4 sheet	\$	0.60	inc GST
Photocopying - per A3 sheet	\$	0.85	inc GST
Council Meeting Agenda - hard copy. (Free when attending Council Meeting or on website)	\$	11.00	inc GST
Council Minutes - hard copy. (Free on website)	\$	11.00	inc GST
Electoral Rolls - per roll - set by the Electoral Act			GST Free
Faxes Sent - minimum charge	\$	2.20	inc GST
Faxes Received - per sheet	\$	0.30	inc GST
Rate Refund Admin Fee - per assessment	\$	25.00	inc GST
Laminating - A4 colour per sheet	\$	2.90	inc GST
Laminating - A3 colour per sheet	\$	4.40	inc GST
Orders & Requisitions - per assessment	\$	60.00	inc GST
Rate Enquiry Fee - per assessment (1-3 enquiries)	\$	12.50	inc GST
Rate Enquiry Fee - per half hour - bulk enquiries (minimum charge)	\$	30.00	inc GST
Water from Standpipe - per 1,000 litres	\$	15.00	inc GST
Domestic Refuse Removal - first bin, per annum (issued with rates notice)	\$	135.00	GST Free
Domestic Refuse Removal - second bin or non rateable properties	\$	135.00	plus GST
Room Hire - per day - alcohol consumed - \$250 bond	\$	80.00	inc GST
Room Hire - per day - no alcohol consumed - \$100 bond	\$	80.00	inc GST
Room Hire - per day - Community purpose - \$100 bond	\$	-	inc GST
- or amenity fee \$1.50 per person per day	\$	1.50	inc GST
PRIVATE WORKS (MUST BE APPROVED BY CEO)			
Grader Hire - per hour	\$	224.00	inc GST
Mercedes Truck & Trailer Hire - per hour	\$	194.00	inc GST
Mack Truck & Trailer Hire - per hour	\$	244.00	inc GST
Light Truck - Hino - per hour	\$	124.00	inc GST
Backhoe - per hour	\$	120.00	inc GST
Loader - John Deere - per hour	\$	129.00	inc GST
Float Trailer + 6 Wheel Truck - per hour	\$	244.00	inc GST
Skid Steer (Caterpillar) - per hour	\$	99.00	inc GST
Labour hire - per hour	\$	55.00	inc GST
Whipper Snipper - per hour	\$	70.00	inc GST
Lawn Mower - per hour	\$	64.00	inc GST
Grid Moulds - per day	\$	150.00	inc GST
<i>Please Note - no dry hire of machinery</i>			
SULLAGE/WASTE REMOVAL			
Petrol and Oil - no charges if delivered to Menzies Shire Depot	\$	-	
Sewerage deposited in Sewer Ponds - per litre	\$	0.03	inc GST



2017/2018 FEES AND CHARGES

CARAVAN PARK

* Family is defined as "a group of UP TO seven related people (two of whom may be over 18 years of age) i.e. One adult and up to six minors or two adults and up to five minors."

Non-Powered Site - Day Rate*	\$	22.00	inc GST
Non-Powered Site - Weekly Rate*	\$	100.00	inc GST
Powered Site - Day Rate*	\$	30.00	inc GST
Powered Site - Weekly Rate*	\$	165.00	inc GST
Chalet - 1 bedroom	\$	100.00	inc GST
Chalet - additional days	\$	50.00	inc GST
Chalet - 2 bedrooms	\$	125.00	inc GST
Chalet - additional days	\$	50.00	inc GST
Showers - per person	\$	5.00	inc GST
Washing Machine - per load	\$	3.00	inc GST
Dryer - pe rload	\$	3.00	inc GST

STAFF HOUSING RENTAL

Housing Rental - per week	\$	45.00	GST Free
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INTERNET USE (for use of computers at Community Resource Centre)

15 Minutes	\$	3.00	inc GST
30 Minutes	\$	5.00	inc GST
45 Minutes	\$	8.00	inc GST
60 Minutes	\$	10.00	inc GST
8 Hours	\$	20.00	inc GST

Internet access is free for 15 minutes per session - users will require a Voucher with access code.

ADVERTISING IN MENZIES MATTERS

Quarter Page - per issue	\$	5.00	inc GST
Half Page - per issue	\$	10.00	inc GST
Whole Page - per issue	\$	20.00	inc GST

COMMUNITY POST BOX LEASE

Small Box - per annum	\$	25.00	inc GST
Large Box - per annum	\$	50.00	inc GST



2017/2018 FEES AND CHARGES

DOG FEES AND CHARGES - STATUTORY (DOG ACT, 1976)

Annual Registration - Sterilised Dog or Bitch*	\$	20.00	inc GST
Annual Registration - Unsterilised Dog or Bitch	\$	50.00	inc GST
Three Year Registration - Sterilised Dog or Bitch*	\$	42.50	inc GST
Three Year Registration - Unsterilised Dog or Bitch	\$	120.00	inc GST
Life Registration - Sterilised Dog or Bitch*	\$	100.00	inc GST
Life Registration - Unsterilised Dog or Bitch	\$	250.00	inc GST
Concessions - Guide Dogs	\$	-	
Concessions - Dogs used for Droving/Tending Stock - 25% of Fee		25% of Fee	inc GST
Concessions - Dogs owned by Pensioners - 50% of Fee		50% of Fee	inc GST
Concessions - Registration after 31 May - 50% of Fee		50% of Fee	inc GST
Impounding Fees - As per Dog Act & Regulations	\$	100.00	inc GST
Microchipping		At Cost	inc GST

** Must sight certificate signed by a Registered Vet, a Statutory Declaration or sight ear tattoo for Sterilisation Concession*

All dogs three months of age + must be licenced. Licences are due on November 1 of each year and can be paid at the Shire of Menzies Administration office during normal office hours.

In respect of every first registration made after 31 May, in any year, only one half of the registration fee shall be payable. Renewals are to take effect from 1 November in any year, within the preceding period period of 21 days from and including 11 October

CAT FEES AND CHARGES - STATUTORY (CAT REGULATIONS 2012)

Annual Registration	\$	20.00	inc GST
Three Year Registration	\$	42.50	inc GST
Life Registration	\$	100.00	inc GST
Pensioners		50% of Fee	inc GST
Microchipping		At Cost	inc GST

HEALTH

Lodging House Licence Per Annum	\$	225.00	GST Free
Lodging House New Registration	\$	125.00	GST Free
Eating House Application	\$	120.00	GST Free
Notification of New Food Business	\$	55.00	GST Free
Registration Fee of New Food Business	\$	150.00	GST Free
Low Risk Food Business Registration Renewal - Annual	\$	120.00	GST Free
Medium Risk Food Business Registration Renewal - Annual	\$	235.00	GST Free
Request for Inspection/Service/Advise - Per Hour	\$	130.00	inc GST

STATUTORY - HEALTH ACT, 1911

Septic Tank Application Fee	\$	118.00	GST Free
Septic Tank Installation Fee	\$	118.00	inc GST
Septic Tank Inspection Fee	\$	40.00	inc GST



2017/2018 FEES AND CHARGES

TOWN PLANNING		
Town Planning Scheme Amendment - text based only plus advertising cost	\$ 600.00	inc GST
Town Planning Scheme Amendment - minor plus advertising costs	\$ 1,320.00	inc GST
Town Planning Scheme Amendment - major plus advertising costs	\$ 2,640.00	inc GST
Planning Application for all Land Uses other than "P" (Permitted) uses as set out in the Zoning Table		
- Not more than \$50,000	\$ 147.00	GST Free
	0.32% of the	
	estimated cost of	
- More than \$50,000 but less than \$500,000	development	GST Free
	\$1,700 + 0.257%	
	for every \$1 in	
- More than \$500,000 but not more than \$2.5 Million	excess of \$0.5m	GST Free
	\$7,161 + 0.206%	
	for every \$1 in	
- More than \$2.5 Million but not more than \$5 Million	excess of \$2.5m	GST Free
	\$12,633 + .123%	
	for every \$1 in	
- More than \$5 Million but not more than \$21.5 Million	excess of \$5m	GST Free
- More than \$21.5 Million	\$ 34,196.00	GST Free
Inspection/ Assessment of Potential Home-Based Businesses, other than Home Occupation as Defined by the Town Planning Scheme.	\$ 60.00	GST Free
Home Occupation - Initial Application	\$ 215.00	GST Free
Home Occupation - Annual Fee	\$ 70.00	GST Free
Zoning & Other Information Enquiry (Non Resident), or provide Zoning Certificate	\$ 73.00	GST Free



BUILDING

Certified Application - Building Permit

		Fee	
Class 1 or 10 (houses, sheds, etc)	Application Fee	0.19% of building value inc GST. Min \$96	GST Free
	BCITF Levy	0.2% of value over \$20,000 inc GST	GST Free
	Building Levy	0.137% of building value inc GST. Min \$61.65	GST Free
Class 2-9 building or incidental structure	Application Fee	0.19% of building value inc GST. Min \$96	GST Free
	BCITF Levy	0.09% of building value inc GST. Min \$96	GST Free
	Building Levy	0.137% of building value inc GST. Min \$61.65	GST Free

Uncertified Application - Building Permit

Class 1 or 10 only (houses, sheds, etc)	Application Fee	0.32% of building value inc GST. Min \$96	GST Free
	BCITF Levy	0.2% of value over \$20,000 inc GST	GST Free
	Building Levy	0.137% of building value inc GST. Min \$61.65	GST Free

Demolition Permit

Class 1 or 10 (houses, sheds, etc)	Application Fee	\$96	GST Free
	Building Levy	0.137% of building value inc GST. Min \$61.65	GST Free
Class 2-9 building or incidental structure	Application Fee	\$96	GST Free
	Building Levy	0.137% of building value inc GST. Min \$61.65	GST Free

Occupancy Permit

(s46,47,48,49,52) - completed building, temporary occupation for an incomplete building, change of use or class of building, additional temporary use, registration of strata scheme or subdivision	Application Fee	\$96	GST Free
	Building Levy	\$61.65 (N/A for section 46 & 48)	GST Free
Class 2-9 Unlawful works - s51	Application Fee	0.18% of (current)building value. Min \$96	GST Free
	Building Levy	0.274 % of (current)building value. Min \$123.30	GST Free

Strata Registration s50

	Strata - s50 only	\$10.60 per unit, min \$105.80	GST Free
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Building Approval Certificate

Class 1 or 10, unlawful works	Application Fee	0.38% of (current)building value. Min \$96	GST Free
	Building Levy	0.274 % of (current)building value. Min \$123.30	GST Free

Extension of Time

All Applications	Application Fee	\$96	GST Free
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7.2 Related Party Transactions

LOCATION:	N/A
APPLICANT:	N/A
DOCUMENT REF:	EDM 052
DISCLOSURE OF INTEREST:	The Author has no interest to disclose
DATE:	26 June 2017
AUTHOR:	Jeanette Taylor, Manager Finance & Administration
ATTACHMENT:	7.2.1 Related Party Transactions and Disclosures 7.2.2 Procedure for Related Party Disclosures 7.2.3 Related Party Disclosures Declaration 7.2.4 Related Party Disclosure Declaration Checklist

COMMITTEE RESOLUTION

Moved: Cr Mazza

Seconded: Cr Mader

That the Audit Committee recommend that Council adopt the following transactions and provision of services as ‘Ordinary Citizen Transactions’ in relation to AASB 124 Related Party Disclosures:

- 1. Paying rates*
- 2. Fines*
- 3. Use of Shire of Menzies owned facilities, such as library, parks, ovals and other public open spaces (whether charged a fee or not)*
- 4. Attending council functions that are open to the public; and That Council adopt a materiality threshold of \$300 for transactions declared by KMP not included in the list above on declarations submitted in relation to AASB 124 Related Party Disclosures.*

Carried 7/0

OFFICER RECOMMENDATION:

That the Audit Committee recommend that Council adopt the following transactions and provision of services as ‘Ordinary Citizen Transactions’ in relation to AASB 124 Related Party Disclosures:

- Paying rates
- Fines
- Use of Shire of Menzies owned facilities, such as library, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending council functions that are open to the public; and That Council adopt a materiality threshold of \$300 for transactions declared by KMP not included in the list above on declarations submitted in relation to AASB 124 Related Party Disclosures.

VOTING REQUIREMENTS:

Simple Majority

IN BRIEF:

AASB 124 Related Party Disclosures came into effect 1 July 2016 and is required to be disclosed in the Shire of Menzies Annual Report 2016-2017.

RELEVANT TO STRATEGIC PLAN:

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

STATUTORY AUTHORITY:

Accounting Standard AASB 124 Related Party Disclosures was extended in July 2015 to include application by not for profit entities, including local governments.

Disclosures are required 1 July 2016, with the first disclosures to be made in the Financial Statements for the year ended 30 June 2017

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 that will have any detrimental effect on the Shire's finances

RISK ASSESSMENTS:

There is no risk assessment relating to this matter.

BACKGROUND:

In accordance with AASB 124 Related Party Disclosures, local governments must disclose in the annual financial statements related party relationships, transactions and outstanding balances (including commitments) from 1 July 2016.

Related parties include Key Management Personnel (KMP), which in the Shire of Menzies case will include all elected members and executive staff, their close family members, and any entities that they control or jointly control.

The disclosure requires any transactions with these parties, whether monetary or not, to be identified and assessed as to whether disclosure is required or not. A disclosure may be in aggregate and will only occur where a transaction has actually occurred.

For larger local governments and perhaps local governments that are located in the metropolitan region, this disclosure would be fairly simple given the variety of suppliers and operators available, and as such, the reporting aspect would not be too onerous on staff. With smaller local governments located in more remote areas however, the circumstances are different in that family businesses operate extensively within small communities, there are fewer alternatives available, and that inevitably family members and connections are much

more prevalent due to the smaller employment pool and population base. In this respect, not only is it important to properly disclose and declare related party transactions, the data collection and evidence trail is likely to be much more labour intensive.

Recently, Moore Stephens held a Financial Reporting Workshop in Perth, which went into the requirements surrounding AASB 124 fairly extensively. Moore Stephens are to be congratulated for the effort and lengths that they have gone to in order to provide clarity and guidance to the industry

With regard to the disclosures, the following approach has been considered to ensure that management can properly address the requirements of the accounting standard:

- A procedure / guide for related party disclosures to be established
- Establishment of a system to identify and record related parties of KMPs
- Establishment of a system to identify and record related party relationships of KMPs
- Establishment of a system to identify and record related party transactions
- Identify 'Ordinary Citizen Transactions' (OCTs) that will not be disclosed by Council
- Create declaration forms to be completed by KMPs
- Set a materiality threshold for management to apply when assessing transactions for inclusion in the financial statements

The types of services or transactions that would normally require disclosure would include:

- Paying rates
- Fines
- Use of Shire of Menzies owned facilities, such as library, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending council functions that are open to the public
- Employee compensation whether it is for KMP or close family members of KMP
- Application fees paid to the Shire of Menzies for licences, approvals or permits
- Lease agreements for housing rental (whether for a Shire of Menzies owned property or property subleased by the Shire of Menzies through a Real Estate Agent)
- Lease agreements for commercial properties
- Monetary and non-monetary transactions between the Shire of Menzies and any business or associated entity owned or controlled by the related party (including family) in exchange for goods and/or services provided by/to the Shire of Menzies (trading arrangement)
- Sale or purchase of any property owned by the Shire of Menzies, to a person identified above.
- Sale or purchase of any property owned by a person identified above, to the Shire of Menzies
- Loan Arrangements
- Contracts and agreements for construction, consultancy or services

Ordinary Citizen Transactions (OTC)

- OTCs are considered to be the types of transactions or provision of services that are provided on the same terms and conditions and are no different than what applies to the general public.
- Many of the above listed transactions and services are provided in exactly the same way to KMPs as they are to all other members of the public. As a result, some of these transactions and services mentioned are highly *unlikely* to influence the decisions made by the KMPs.
- These OCTs are to be identified and recommended to Council on an annual basis, which will not be required to be disclosed.
- When a transaction or service occurs that is *not at arm's length and under the same terms and conditions applying to the general public*, whether an OTC or not, KMP will still need to include the disclosure within their declaration.

The following transactions and services are being recommended as OCTs, as management has assessed that they are provided on the same terms and conditions that are no different to those applying to the general public:

- Paying rates
- Fines
- Use of Shire of Menzies owned facilities, such as Recreation Centre, Oval Complex, library, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending council functions that are open to the public
- When assessing materiality, the threshold being recommended is \$300. This will mean that any transactions that would normally require disclosure within the financial statements will not be included if they are \$300 or less. The purpose behind the assessment of the \$300 limit, is that this is the same limit as a prohibited gift, however further consideration to the threshold will be undertaken to complete declarations on a quarterly basis to allow staff to progressively collate data and correspondence financial transactions and details

COMMENT:

AASB 124 Related Party Disclosures are required to be disclosed in the Annual Accounts for the year ended 30 June 2017 and covers the period 1 July 2016 to 30 June 2017.

Going forward the information will be captured on a regular basis.

The information provided in the attachments is based on documents prepared by Tanya Browning, Deputy Chief Executive Officer, Shire of Leonora



AASB 124 – “Related Party Disclosures”

PROCEDURE FOR RELATED PARTY DISCLOSURES

The scope of AASB 124 *Related Party Disclosures* was extended in July 2015 to include application by not-for-profit entities, including local governments. The operative date for Local Government is 1st July 2016, with the first disclosures to be made in the Financial Statements for year ended 30th June 2017. This procedure outlines required mechanisms to meet the disclosure requirements of AASB 124.

BACKGROUND

The objective of the standard is to ensure that an entity’s financial statements contain disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and transactions.

The disclosure requirements apply to the existence of relationships regardless of whether a transaction has occurred or not. For each financial year, the Shire of Menzies must make an informed judgement as to who is considered to be a related party and what transactions need to be considered, when determining if disclosure is required.

The purpose of this procedure is to stipulate the information to be requested from related parties to enable an informed judgement to be made.

1. Identification of Related Parties

AASB 124 provides that the Shire of Menzies will be required to disclose in its Annual Financial reports, related party relationships, transactions and outstanding balances.

Related parties includes a person who has significant influence over the reporting entity, a member of the key management personnel (KMP) of the entity, or a close family member of that person who may be expected to influence that person.

KMP are defined as a person having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

For the purposes of determining the application of the standard, the Shire of Menzies has identified the following persons as meeting the definition of *Related Party*:

- An elected Council member

- Key management personnel being a person employed under section 5.36 of the Local Government Act 1995 in the capacity of Chief Executive Officer or Director
- Close members of the family of any person listed above, including that person's child, spouse or domestic partner, dependents of that person or person's spouse or domestic partner.
- Entities that are controlled or jointly controlled by a Council member, KMP or their close family members. (Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs).

The Shire of Menzies will therefore be required to assess all transactions made with these persons or entities.

2. Identification of related party transactions

A related party transaction is a transfer of resources, services or obligations between the Shire of Menzies (reporting entity) and the related party, regardless of whether a price is charged.

For the purposes of determining whether a related party transaction has occurred, the following transactions or provision of services have been identified as meeting this criteria:

- Paying rates
- Fines
- Use of Shire of Menzies owned facilities, such as Recreation Centre, library, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending council functions that are open to the public
- Employee compensation whether it is for KMP or close family members of KMP
- Application fees paid to the Shire of Menzies for licences, approvals or permits
- Lease agreements for housing rental (whether for a Shire of Menzies owned property or property sub-leased by the Shire of Menzies through a Real Estate Agent)
- Lease agreements for commercial properties
- Monetary and non-monetary transactions between the Shire of Menzies and any business or associated entity owned or controlled by the related party (including family) in exchange for goods and/or services provided by/to the Shire of Menzies (trading arrangement)
- Sale or purchase of any property owned by the Shire of Menzies, to a person identified above.
- Sale or purchase of any property owned by a person identified above, to the Shire of Menzies
- Loan Arrangements
- Contracts and agreements for construction, consultancy or services

Some of the transactions listed above, occur on terms and conditions no different to those applying to the general public and have been provided in the course of delivering public service objectives. These transactions are those that an ordinary citizen would undertake with council and are referred to as an Ordinary Citizen Transaction (OCT). Where the Shire of Menzies can determine that an OCT was provided at arms length, and in similar terms and conditions to other members of the public and, that the nature of the transaction is immaterial, no disclosure in the annual financial report will be required.

3. Disclosure Requirements

For the purposes of determining relevant transactions in point 2 above, elected Council members and key management personnel as identified above, will be required to complete a *Related Party Disclosures – Declaration* form for submission to financial services.

Ordinary Citizen Transactions (OCTs)

Management will put forward a draft resolution to Council annually, declaring that in its opinion, based on the facts and circumstances, the following OCT that are provided on terms and conditions no different to those applying to the general public and which have been provided in the course of delivering public service objectives, are unlikely to influence the decisions that users of the Council's financial statements make. As such, no disclosure in the quarterly *Related Party Disclosures – Declaration* form will be required.

- Paying Rates
- Fines
- Use of Shire of Menzies owned facilities such as Recreation Centre, library, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending council functions that are open to the public

Where these services **were not** provided at arms length and under the same terms and conditions applying to the general public, elected Council members and KMP will be required to make a declaration in the *Related Party Disclosures – Declaration* form about the nature of any discount or special terms received.

All other transactions

For all other transactions listed in point 2 above, elected Council members and KMP will be required to make a declaration in the *Related Party Disclosures – Declaration* form.

Frequency of disclosures

Elected Council members and KMP will be required to complete a *Related Party Disclosures – Declaration* form each quarter.

Disclosures must be made by all Councillors immediately prior to any ordinary or extraordinary election.

Disclosures must be made immediately prior to the termination of employment of/by a KMP.

Confidentiality

All information contained in a disclosure return, will be treated in confidence. Generally, related party disclosures in the annual financial reports are reported in aggregate and as such, individuals are not specifically identified. Notwithstanding, management is required to exercise judgement in determining the level of detail to be disclosed based on the nature of a transaction or collective transactions and materiality. Individuals may be specifically identified, if the disclosure requirements of AASB 124 so demands.

4. Materiality

Management will apply professional judgement to assess the materiality of transactions disclosed by related parties and their subsequent inclusion in the financial statements.

In assessing materiality, management will consider both the size and nature of the transaction, individually and collectively.

Associated Regulatory Framework

AASB 124 Related Party Disclosures

Local Government Act 1996

Local Government (Financial Management) Regulations 1996

Associated Policies

Include if relevant

Further Information

Related Party Disclosures – Declaration form

Review Responsibility

Chief Executive Officer / Deputy Chief Executive Officer

Date Adopted: XX
Review Required: As Required
Review Undertaken: XX

Chief Executive Officer

___ / ___ / ____
Date

Approved / Not Approved



Appendix 2.1

AASB 124 – “Related Party Disclosures”

Close Family Members

Close family members include:

- a child, spouse or domestic partner;
- children of your spouse or domestic partner
- dependents of you or your spouse or domestic partner;
- any other close family member;

who may be expected to influence, or be influenced by, your dealings with the council.

The following table may assist you in identifying your close family members:

Definitely a close family member	May be a close family member
Your spouse/domestic partner	Your brothers and sisters, if they could be expected to influence or be influenced by you in their dealings with council
Your children	Your aunts, uncles and cousins, if they could be expected to influence or be influenced by you in their dealings with council
Your dependents	Your parents and grandparents, if they could be expected to influence or be influenced by you in their dealings with council
Children of your spouse/domestic partner	Your nieces and nephews, if they could be expected to influence or be influenced by you in their dealings with council
Dependents of your spouse/domestic partner	Any other member of your family if they could be expected to influence or be influenced by you in their dealings with council

There may be relationships that a council has which are not identified in this appendix but still meet the definition of a related party.

Example: Cousin of Councillor

A Councillor for the Shire has lived in the Shire her whole life. In fact her family has been in the area for generations.

The Councillor's cousin, owns and operates the local newsagent through a company ABC Pty Ltd, in which she owns 100% of the shares. The Councillor and her cousin have always been close and regularly socialise together.

From these facts it would appear that the Councillor's cousin is a close family member of the Councillor because she would be expected to influence, or be influenced by, that person in her dealings with Council.

Both the cousin and the company she controls, ABC Pty Ltd would therefore be related parties of Council.

Any transactions that the Council makes with the newsagent would need to be separately identified and may need to be disclosed.

Control in entities

What is an entity that I, or my close family member, control or jointly control?

Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

You control an entity if you have

- a) power over the entity;
- b) exposure, or rights, to variable returns from involvement with the entity; and
- c) the ability to use your power over the entity to affect the amount of your returns.

To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In some cases it will be obvious that you or a family member control or have joint control over an entity. In other cases it will be less.

If you are unsure whether you, or a close family member, has control or joint control of an entity then you should contact the Chief Executive Officer / Deputy Chief Executive Officer for a confidential discussion.

Example: Clubs or other incorporated bodies

(A Shire Councillor is the President of a local football club)

A Shire Councillor is the President of Shire Football Club Inc, the local football club. This club is overseen by a committee which comprises the President and four other committee members. Each member has a single vote when making decisions at meetings. The committee members are not related and do not have agreements to vote with one another. The club has over 100 members that each have a vote in electing the committee members at the club's annual general meeting.

From these facts it would appear that the Councillor does not control or jointly control the football club so it will not be a related party of Council just because the Councillor is the president of the club.

Other Examples

Example 1 (Audit committee member)

Shire/Town/City of Anywhere's audit committee comprises two Councillors and a local retired accountant, Fred. Fred has no other connection with the council.

The audit committee attends to the functions as required under the *Audit Regulations*. It does not make any decisions on behalf of the council but simply provides reports, with recommendations, for the Mayor and councillors to consider.

Based on the facts outlined Fred would not be a KMP of council.

Example 2 (Son of CFO employed by council)

Shire/Town/City of Anywhere has recently employed Paul's son (George) in the Council's parks and garden's area. Paul is Council's Deputy Chief Executive Officer but was not involved in hiring George. This process was managed by the Director of Parks and Gardens and included an independent assessment process. Paul did not have any influence in George securing the job.

Paul has been identified as a KMP of council, which makes him a related party.

George will also be a related party of Council because he is a close family member of Paul. The recruitment process that was undertaken for George's position is irrelevant when assessing whether George is a related party.

Example 3 (Cousin of Mayor – related party commonly known but omitted from declaration)

Shelley, the Mayor of Shire/Town/City of Nowhere forgets to include her cousin Mavis, and Mavis' company, when she completes her KMP declaration.

It is commonly known in the community that Shelley and Mavis are close and that Shelley would be expected to influence, or be influenced by, Mavis in her dealings with Council and vice versa.

Mavis and her company are related parties of Council, even though Shelley omitted them from her declaration.

Example 4 (Example of control)

Fred is the Mayor of Shire/Town/City of Nowhere and owns 100% of the ordinary shares in Shire/Town/City of Nowhere Development Company Pty Ltd (the company). The ordinary shares are the only shares in the company that have voting rights.

Fred controls the company because he has the power to affect the company's decisions and the return that he will get from the company.

Fred will need to include the company on his related party declaration.

Example 5 (Example of joint control)

Fred is the Mayor of Shire/Town/City of Nowhere and owns 50% of the ordinary shares in Shire/Town/City of Nowhere Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50% of ordinary shares. Fred and Stan are the only Directors of the company and have equal voting rights on the board.

Fred and Stan have joint control of the company because any decisions require the unanimous consent of them both.

Fred will need to include the company on his related party declaration.



AASB 124 – “Related Party Disclosures”

Related Party Disclosures – Declaration

As per requirements of AASB 124 Related Party Disclosures, and Business Operating Procedure – Related Party Disclosures. For additional information to assist you in making a declaration, please refer to the Appendices to this form.

The following declaration must be completed by all Council members, the CEO and Managers of the Shire of Menzies who were elected or employed at any time during the financial year.

Disclosure Period (Quarter Ended):	
Person making Disclosure:	
Position held by person: e.g. Councillor, Director	

1. Close Members of the Family (See Appendix 1)	
Name of Family Member	Relationship to you
<i>If there has been no change since your last declaration, please complete “No Change”</i>	

**2. ENTITIES THAT I, OR A CLOSE FAMILY MEMBER CONTROLS OR JOINTLY CONTROLS
(See Appendix 2)**

Name of Entity	Name of person who has control/nature of control
<i>If there has been no change since your last declaration, please complete "No Change"</i>	

3. ORDINARY CITIZEN TRANSACTIONS – NOT PROVIDED AT ARMS LENGTH

Did you or any member of your close family attend any event at a Council owned facility, or use any other council provided facility AND you received a discount or special terms that would not otherwise be offered to any other member of the public?

Name of person using the facility	Service/Facility used	Nature of transaction	Nature of discount or special conditions received

Note: Recreation Centre membership provided as part of employment has been provided under the same terms as those memberships provided to the public.

4. LEASING AGREEMENTS – DOMESTIC RESIDENTIAL

Did you, a close family member or related entity, enter into a lease agreement with the Shire of Menzies (either as lessee or lessor) for the provision of a domestic rental property (includes properties owned by the Shire of Menzies and privately owned properties sub-leased through the Shire of Menzies from a real estate agent)? Did you receive or provide a discount or special terms that would not otherwise be offered to any member of the public?

Name of Person party to the lease	Property Address	Term of Lease & Weekly rent	Detail of any non-arms length conditions

5. LEASING AGREEMENTS - COMMERCIAL

Did you, a close family member or related entity, enter into a commercial leasing agreement with the Shire of Menzies for the provision of a commercial property? Did you receive a discount or special terms that would not otherwise be offered to any other member of the public?

Name of person party to the lease	Property Address	Term of Lease & Weekly rent	Detail of any non-arms length conditions

6. TRADING AGREEMENTS

Were you or a close family member (as defined above) the owner of any business (or in a position to substantially control the business) that provided goods or services to the Shire of Menzies? Were those goods and services provided on the same terms and conditions as those available to any other customer? If not, please provide details of the specific terms provided to the Shire of Menzies.

Business Name	Goods or services provided	Approximate value for the reporting period	Terms & Conditions

7. OTHER AGREEMENTS (Construction, Consultancy, Service Contracts)

Did you, a close family member or related entity, enter into any other agreements/arrangements with the Shire of Menzies (whether or not a price was charged)?

This may include (but is not limited to): construction contracts, consultancy services, service contracts (such as cleaning, maintenance, security).

For e.g. a company that a close family member controls, was awarded a contract with Shire of Menzies for building a new office facility.

Name of person or business/company	Nature of agreement	Value of agreement	Terms & Conditions

8. PURCHASE OF PROPERTY

Did you, a close family member or related entity, purchase any property or other assets from the Shire of Menzies? (This may include vehicles or other plant items, land or buildings).

Was the purchase made at arms length (for e.g. at public auction), and on terms and conditions available to any other member of the public? If not, please provide details of the specific terms provided to you.

Name of person or entity name	Property purchased	Value of the purchase	Terms & Conditions

9. SALE OF PROPERTY

Did you, a close family member or related entity, sell any property or other assets to Shire of Menzies? (This may include vehicles or other plant items, land or buildings).

Was the sale made at arms length (for e.g. at public auction), and on terms and conditions available to any other member of the public? If not, please provide details of the specific terms provided to you.

Name of person or entity name	Property Sold	Value of the Sale	Terms & Conditions

10. FEES & CHARGES FOR APPLICATIONS

Did you, a close family member or related entity, make an application to Council for a trading, building, planning or development application, licence or approval, or any other type of permit or licence

Name of person or entity name	Application type	Application and/or receipt number

11. SELF SUPPORTING LOANS

Did you, a close family member or related entity, enter into a loan agreement with the Shire of Menzies?

For e.g. a club for which you have control (See Appendix 2 for example)

Name of person or entity name	Loan details	Value of the loan	Terms & Conditions

12. OTHER AGREEMENTS

Please list any other agreement or arrangement you believe is a related party transaction and should be declared.

Name of person or business/company	Nature of agreement	Value of agreement	Terms & Conditions

I declare that all information and details provided in this form are true and correct to the best of my knowledge and belief and that no known relevant information has been omitted.

I have made this declaration after reading the information supplied by Council which details the meaning of the definitions to which this declaration relates.

SELECT OPTION 1: <input type="checkbox"/> Handwritten Signature Signed: _____ Date: ____/____/_____ Once signed please provide to the Chief Executive Officer / Deputy Chief Executive Officer

SELECT OPTION 2: <input type="checkbox"/> Electronic Signature This form can be sent by email to the Chief Executive Officer / Deputy Chief Executive Officer provided the email is sent by the person making the disclosure from their work or personal (E.g. Councillors) email account.
--



Related Party Disclosure Declaration Checklist

Person making Disclosure: _____ For Period: _____ To _____

NO.	TASK	DATE COMPLETED	RESPONSIBLE OFFICER	COPY ATTACHED (v)		
				YES	NO	N/A
1	Review Section 1 of 'Related Party Disclosure Declaration' and note whether any family members listed are employees of the Shire of Menzies.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	If Section 1 includes employees of the Shire of Menzies, add name to aggregate disclosure spreadsheet under 'Employees' tab.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Review Section 2 and seek management endorsement of whether a related party or not. Complete into Aggregate Spreadsheet under 'Entities of KMP and related parties'			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Utilise Management assessment of related parties and examine Reckon accounts for transactions of entities assessed as related parties. Export data to aggregate spreadsheet under 'Entities Controlled – transactions' tab			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Review section 3 and check bookings forms / Reckon data to correlate any transactions listed			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Refer to management details of transactions found but not recorded on declaration			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Review section 4 and include data into aggregate spreadsheet under 'Leasing Agreements Domestic Residential' tab			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	Review section 4 and include data into aggregate spreadsheet under 'Leasing Agreement Commercial' tab			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Review section 6 and examine Reckon accounts for transactions of entities assessed as related parties. Export data to aggregate spreadsheet under 'Other agreement – transactions' tab			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Review section 7 examine Reckon accounts for transactions of entities assessed as related parties. Export data to aggregate spreadsheet under 'Other agreement – transactions' tab			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

NO.	TASK	DATE COMPLETED	RESPONSIBLE OFFICER	COPY ATTACHED (v)		
				YES	NO	N/A
11	Review section 8 examine Reckon accounts for transactions of entities assessed as related parties. Export data to aggregate spreadsheet under 'Purchase of Property – transactions' tab			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	Review section 9 examine Reckon accounts for transactions of entities assessed as related parties. Export data to aggregate spreadsheet under 'Sale of Property – transactions' tab			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Review section 10 and examine Reckon accounts for transactions of entities assessed as related parties. Export data to aggregate spreadsheet under 'Fees and Charges for Applications – transactions' tab			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Review section 11 and seek management endorsement of any Self Supporting Loans in place and complete aggregate spreadsheet under 'Self Supporting Loans' tab			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Review section 12 and complete 'Other agreements' tab and forward to management for endorsement/review			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	Scan signed declaration into the 'Related Party Disclosures' folder for the applicable period, naming the file of the person making the declaration.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	File signed declarations in 'Related Party Disclosures' folder under appropriate KMP tab.			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature of responsible officer _____ Date _____

Internal control and audit by senior officer to ensure compliance with all statutory Local Government Act, Regulation requirements and internal management policy and procedures.

Senior Checking Officer _____ Date _____

7.3 2017 – 2018 Capital Budget

LOCATION:	N/A
APPLICANT:	N/A
DOCUMENT REF:	EDM 052
DISCLOSURE OF INTEREST:	The Author has no interest to disclose
DATE:	25 June 2017
AUTHOR:	Rhonda Evans, Chief Executive Officer
ATTACHMENT:	Nil

COMMITTEE RESOLUTION

Moved: Cr Mazza

Seconded: Cr Mader

That the Audit Committee receive the report of Capital items.

Carried 7/0

RECOMMENDATION:

That the Audit Committee receive the report of Capital items.

VOTING REQUIREMENTS:

Simple Majority

IN BRIEF:

Capital budget and expenditure for the year ending 30 June 2017 is attached for information and discussion.

RELEVANT TO STRATEGIC PLAN:

14.1 Sustainable local economy encouraged

- The acquisition of appropriate resources to assist with economic and tourism planning and development.
- The installation of State Government infrastructure such as power, water and broadband to facilitate residential and commercial growth

14.2 Strong sense of community maintained

- The Shire to acquire appropriate resources to assist with developing the services and facilities required by the community.

14.3 Active civic leadership achieved

- Regularly review plans with community consultation on significant decisions affecting the shire.

- Where possible, support opportunities to build the capacity of the community within the Shire of Menzies.
- Regularly monitor and report on the Shire's activities, budgets, plans and performance.
- Maintain sustainability through our leadership, our regional and government partnerships and ensure we make informed resource decisions for our community good.

14.4 Heritage & Natural assets conserved

- Heritage and cultural places and items will be protected.
- A strengthening of our cultural and heritage awareness and values.

STATUTORY AUTHORITY: Nil

POLICY IMPLICATIONS: Nil

FINANCIAL IMPLICATIONS: Nil

RISK ASSESSMENTS:

OP10 Budgets do not reflect strategic objectives

BACKGROUND:

In preparation for the budget for the year ending 30 June 2018, a review of the capital budget for the year ending 30 June 2017 has been undertaken.

COMMENT:

It is proposed to carry forward \$1,306,300 worth of items (in the last table in the budget for the year ending 30 June 2018). Below is a brief summary of current budget items.

- C04001 Communications equipment – project underway
- C05001 Dog Pound Infrastructure – no longer required – contract Animal Control
- C08001 Youth Centre Building – contract to be let by September 2017 – construction anticipated December 2017.
- C09002 Specific Maintenance 37 Reid Street – Rain water tanks and Hot Water Systems complete – soft furnishings outstanding
- C09009 Specific Maintenance Lot 1089 Walsh Street – painting to be undertaken when vacant.
- C09009 Specific Maintenance Lot 91 Mercer Street – Hot Water System replaced.

- C09019 Specific Maintenance 39 Mercer Street – complete
- C09020 Specific Maintenance 25 Onslow Street – complete
- C09021 Specific Maintenance 36 Mercer Street – complete
- C09022 Specific Maintenance 41 Mercer Street – complete
- C09001 Specific Maintenance 1/29 Shenton Street – complete
- C09013 Specific Maintenance 2/29 Shenton Street – complete
- Waste Refuse Site Renewal – awaiting future plans for region
- C11100 Town Hall – air-conditioning for public areas – quotes received – awaiting electrical upgrade
- C11301 Menzies Park – playground – order placed for soft fall – deposit paid.
- C11302 Splash Park – surrounds upgrade – in consultation with consultant.
- Roads Roads Program is currently underway – contractors now at work on Menzies NW Road seal, and east and west gravel re-sheet. Town streets reseal to be undertaken using two years allocation together. Footpaths to be actioned following town reseal.
- Plant Manager Finance and Administration vehicle and rubbish truck with compactor change over complete. Awaiting delivery of Works Supervisor vehicle.
- C13001 Tourism Information Bay – this is a work-in-progress. A new shelter and table has been erected, and new signage for the information board is underway. Banners for the entrance are in the process of being printed.
- C13002 Truck Bay – Wilson and Shenton. Surveying of this area is now complete. Designs for approval have been forwarded to Main Roads.
- Signage and Events Boards – a fifty percent deposit has been made for interactive speed signs – due to be installed in late July 2017.
- Tree Planting Care and planting program – the first set of trees planted have survived the summer. The program will continue within the limitations of the crew to ensure their survival.

Job	Description	Budget	Expended	Rollover
C04001	Communications Equipment	45,000	22,000	23,000
C08001	Youth Centre (Grant funding of \$200,000)	205,000	0	205,000
C09002	Specific Maintenance 37 Reid Street	86,000	12,000	76,000
C09009	Lot 1089 Walsh Street	20,000	0	20,000
C11100	Town Hall Capital Upgrade	63,000	0	63,000
C	Waste Refuse Site Renewal (t/f to Reserve)	65,000	0	65,000
C11100	Town Hall – upgrade	63,000	0	63,000
C11301	Playground Softfall Menzies Park	100,000	6,000	94,000
C11302	Splash Park Surrounds	20,000	5,000	15,000
CR0002	Menzies-Evanston Road R2R (grant funded)	850,685	578,758	0
CR0012	Connie Sue R2R Remote Access (grant)	50,000	0	0
CR0014	Menzies NW Road Black Spot (grant)	46,614	28,389	17,000
CR0009	Tjuntjuntjara Access Road (grant)	360,302	400	300,000
CR0032	Reseal Town Streets	100,000	0	100,000
CR0008	Footpaths	25,000	1,000	24,000
CP002	Vehicle – Works Supervisor	77,000	0	70,000
C13001	Tourism Information Bay	50,000	14,000	35,000
C13002	Truck Bay – Wilson and Shenton	95,000	32,000	60,000
	Signage and Events boards	15,000	9,000	10,000
	Street Tree Planting and Care Program	65,000	15,000	50,000
	Upgrades to Administration building	52,000	15,000	37,000

7.4 Risk Management Report

LOCATION:	N/A
APPLICANT:	N/A
DOCUMENT REF:	EDM 052
DISCLOSURE OF INTEREST:	The Author has no interest to disclose
DATE:	25 June 2017
AUTHOR:	Rhonda Evans, Chief Executive Officer
ATTACHMENT:	7.4.1 Strategic Risk Report Update 7.4.2 Risks Reviewed

COMMITTEE RESOLUTION

Moved: Cr Mazza

Seconded: Cr Mader

That the Audit Committee receive the updates to the Risk Enterprise Risk Assessment document as attached.

Carried 7/0

OFFICER RECOMMENDATION:

That the Audit Committee receive the updates to the Risk Enterprise Risk Assessment document as attached.

VOTING REQUIREMENTS:

Simple Majority

IN BRIEF:

The Enterprise Risk Report is presented to Council for information and comment. This document is the reporting mechanism for the policy 1.7 Enterprise Risk Management.

RELEVANT TO STRATEGIC PLAN:

14.2 Active civic leadership achieved

- Regularly review plans with community consultation on significant decisions affecting the shire.
- Regularly monitor and report on the Shire's activities, budgets, plans and performance.

STATUTORY AUTHORITY:

Local Government (Audit) Regulations 1996 – Chief Executive Officer to review certain systems and procedures.

POLICY IMPLICATIONS:

Policy 1.7 enterprise Risk Management – The Risk Management Policy outlines the Shire’s commitment and approach to managing risks that may impact in its day-to-day operations and threaten the achievement of its objectives.

FINANCIAL IMPLICATIONS: Nil

RISK ASSESSMENTS:

A commitment has been made for this internal audit risk function.

BACKGROUND:

The Shire continues to review its risk profile as part of the monthly reviews and quarterly analysis.

For the Audit Committee to note

- Progress made in the Risk Management Framework
- The Strategic and Operational Risks
- The introduction of a Risk Services Program to guide the internal functions and activities and reviewing and monitoring actions that need to be improved. This program is subject to change during the year on the authorisation of the Chief Executive Officer.

COMMENT:

The Shire continues to review its risk profile and to update the set of Strategic and Operational Risks for the Audit Committee.

New Risk Assessment

This period, we have one new assessment (resolution reference 113) – OP97 Council unable to fill the position of Authorised Officer under the Public Health Act 2016.

Risk Assessment Review

OP24 Inventory Received is either recorded inaccurately or not recorded at all.

High value stock (Fuel) is both recorded accurately, and reconciled with issues.

Low value stock held at the Lady Shenton has presented some concerns. This is now being addressed by fortnightly stock takes and use of stock system. Rationalisation of stock is being undertaken.

OP57 Private Works Jobs not fully invoiced

This is low-value, low use area. Procedures are now in place to ensure quotes for private works are provided, and no work to be undertaken during overtime periods.

OP58 Workers compensation claims not invoiced and balanced to General Ledger.

Low-volume in this area has highlighted that little or no process exists. Process has now been introduced.

OP29 The fee charged does not reasonably reflect the value of the services provided.

Costs associated with the operation of the Caravan Park to be presented to Council to ensure that the cost of this service is recognised. Service review to be updated to ensure that the operational costs such as utilities and service to ATU treatment plant are included. The service was rated as an essential service.

The charges for the Park reflect are within the range charges within the region.

OP37 Fixed Asset maintenance and/or renewals are inadequately planned

The schedule for maintenance of built assets requires review. This has commenced, and all properties have undergone preventative maintenance for pest control (including termites), air conditioning, and hot water appliances. A full schedule will be completed during the 2017/2018 Financial Year.

OP10 Budgets to not reflect strategic objectives.

This risk has been triggered due to tardy updates of the Community Strategic Plan. This review will be undertaken in the first quarter of 2017/2018 Financial year.

OP45 Lack of comprehensive emergency management plan to minimise loss in the event of a major incident

A Risk Scenario workshop is to be held for the Region on 5 July 2017. The Shire has submitted it's plans for incorporation into the State database.

OP94 Eight Year Review of Ward and Representation not undertaken.

This review has now been complete, but was too late for review by the Electoral Commission for the 2017 Elections. A further review of this will be undertaken following the release of the 2016 Census data.

OP95 Bush Fire Brigades not adequately manned (lack of volunteers)

A review of potential volunteers should be undertaken to access resources from local mining companies and employment groups such as MAX.

OP61 Water Park does not pass health department tests

This is not a problem with the physical structure of the park, but is a training and operational issue. Training must be offered to a wider range of staff, and (more importantly) the current system for chlorination which requires a high on-site skill level may need to be replaced with a remote monitoring unit.



Shire of Menzies

Risk Report as at 30 June 2017 Changes since 28 February 2017

7.4 Risk Assessment

Directorate	Regulatory
Risk Code	OP97
Risk Category	Capacity to Deliver Services
Risk	Council unable to fill the position of Authorised Officer under the Public Health Act 2016

Initial Risk Assessment

Likelihood : Unlikely **Rating :** High

Consequence : Major **Last Changed :** July 2017

Causes : Shared resource agreement terminated.

Consequences -

Treatment :

Revised Risk Assessment

Likelihood : **Rating :**

Consequence : **Last Changed :**

Effectiveness of Controls :

Existing Controls :

Future Risk Assessment

Likelihood : **Rating :**

Consequence : **Last Changed :**

Effectiveness of Controls :

Future Controls :

Risk Solution :



Shire of Menzies

Enterprise Risk Report as at 27/06/2017

Enterprise Risk Report

Directorate	Finance
Risk Code	OP24
Risk Category	Financial and Legal
Risk	Inventory received is either recorded inaccurately or not recorded at all.

Initial Risk Assessment

Likelihood : Possible	Rating : Moderate
Consequence : Minor	Last Changed : October 2016
Causes : Reconciliation between goods purchased and goods sold process not followed.	
Consequences - Inaccurate estimates of value of goods held for sale.	
Treatment : MCS to verify accuracy of stock takes and check quarterly reconciliation	

Revised Risk Assessment

Likelihood :	Rating :
Consequence :	Last Changed :
Effectiveness of Controls :	
Existing Controls :	

Future Risk Assessment

Likelihood : Possible	Rating : Moderate
Consequence : Minor	Last Changed : October 2016
Effectiveness of Controls :	
Future Controls : Supplier statements are reconciled to goods receipt records and invoices regularly.	

Risk Solution : Quarterly stock-takes of inventory are completed and reconciled to the general ledger

Enterprise Risk Report

Directorate	Finance
Risk Code	OP57
Risk Category	Financial and Legal
Risk	Private works jobs not fully invoiced

Initial Risk Assessment

Likelihood : Possible	Rating : Low
Consequence : Insignificant	Last Changed : October 2016
Causes : Poor process and/or controls to ensure monthly activities are complete	
Consequences - Debts not correctly recorded and recovered	
Treatment : Include in monthly process checking and cross checking.	

Revised Risk Assessment

Likelihood :	Rating :
Consequence :	Last Changed :
Effectiveness of Controls :	
Existing Controls :	

Future Risk Assessment

Likelihood : Possible	Rating : Low
Consequence : Minor	Last Changed : October 2016
Effectiveness of Controls :	
Future Controls : Monthly review of balances in Private Works Jobs	

Risk Solution : Review software in use and update to modern software

Enterprise Risk Report

Directorate	Finance
Risk Code	OP58
Risk Category	Financial and Legal
Risk	Workers compensation claims not invoiced and balanced to General Ledger

Initial Risk Assessment

Likelihood : Possible	Rating : Low
Consequence : Insignificant	Last Changed : October 2016
Causes : Poor process and/or controls to ensure monthly activities are complete	
Consequences - Debts not correctly recorded and recovered	
Treatment : Include in monthly process checking and cross checking.	

Revised Risk Assessment

Likelihood :	Rating :
Consequence :	Last Changed :
Effectiveness of Controls :	
Existing Controls :	

Future Risk Assessment

Likelihood : Possible	Rating : Low
Consequence : Minor	Last Changed : October 2016
Effectiveness of Controls :	
Future Controls : Two Officers review end of month balance	

Risk Solution : Implement software to automate process

Enterprise Risk Report

Directorate	Governance
Risk Code	OP29
Risk Category	Capacity to Deliver Services
Risk	The fee charged does not reasonably reflect the value of the services provided

Initial Risk Assessment

Likelihood : Possible	Rating : Moderate
Consequence : Minor	Last Changed : October 2016
Causes : Annual review of fees and charges not undertaken	
Consequences - Service levels too high for fees charged	
Treatment : CEO to meet Officers monthly to review Reports	

Revised Risk Assessment

Likelihood :	Rating :
Consequence :	Last Changed :
Effectiveness of Controls :	
Existing Controls :	

Future Risk Assessment

Likelihood : Possible	Rating : Moderate
Consequence : Minor	Last Changed : October 2016
Effectiveness of Controls :	
Future Controls : User pay income compared to budget regularly; management reviews and investigates significant variances	

Risk Solution : Management to review fees charged for services on a regular basis in order to provide a value for money service in the light of operational costs.

Enterprise Risk Report

Directorate	Governance
Risk Code	OP37
Risk Category	Capacity to Deliver Services
Risk	Fixed Asset maintenance and/or renewals are inadequately planned

Initial Risk Assessment

Likelihood : Unlikely	Rating : Moderate
Consequence : Major	Last Changed : October 2016
Causes : Poor Long Term Plans, replacement and maintenance programs	
Consequences - Reduction of service levels, degradation of public assets	
Treatment : Annual review of Asset Maintenance and replacement program to be scheduled	

Revised Risk Assessment

Likelihood :	Rating :
Consequence :	Last Changed :
Effectiveness of Controls :	
Existing Controls :	

Future Risk Assessment

Likelihood : Unlikely	Rating : Moderate
Consequence : Major	Last Changed : October 2016
Effectiveness of Controls :	
Future Controls : Asset Management Plans direct Council's programmed maintenance and asset renewal schedules	

Risk Solution : Asset Management Plans exist for all major asset classes and all changes to the asset management plan must be approved by Council

Enterprise Risk Report

Directorate	Governance
Risk Code	OP10
Risk Category	Financial and Legal
Risk	Budgets do not reflect strategic objectives

Initial Risk Assessment

Likelihood : Possible	Rating : Moderate
Consequence : Minor	Last Changed : October 2016
Causes : Adopted budget reflects the wishes of the sitting members	
Consequences - long term and strategic aims of Council are not accomplished	
Treatment : Annual report to analyse the budget v strategic plan and comment on variances	

Revised Risk Assessment

Likelihood :	Rating :
Consequence :	Last Changed :
Effectiveness of Controls :	
Existing Controls :	

Future Risk Assessment

Likelihood : Possible	Rating : Moderate
Consequence : Minor	Last Changed : October 2016
Effectiveness of Controls :	
Future Controls : Review by CEO of actual performance against budget in relation to initiatives/objectives of Community Strategic Plan, Corporate Business Plan and Strategic Management Plans.	

Risk Solution : Ensure process in place to establish clear links and relationship between budgets and Integrated Plans.

Enterprise Risk Report

Directorate	Governance
Risk Code	OP45
Risk Category	Financial and Legal
Risk	Lack of comprehensive emergency management plan to minimise loss in the event of a major incident

Initial Risk Assessment

Likelihood : Rare

Rating : Low

Consequence : Critical

Last Changed : October 2016

Causes : Local, Regional or Statewide event causing loss of utilities, communications or physical access

Consequences - Lack of understanding of process and procedures causes misunderstanding and confusion during periods of crisis. Loss of confidence by stakeholders

Treatment : Activation of comprehensive emergency management plan to ensure business interruption is minimised in the event of a major incident, loss of facility, loss of power.

Revised Risk Assessment

Likelihood :

Rating :

Consequence :

Last Changed :

Effectiveness of Controls :

Existing Controls :

Future Risk Assessment

Likelihood : Rare

Rating : Low

Consequence : Critical

Last Changed : October 2016

Effectiveness of Controls :

Future Controls : Ensure regular LEMAC meetings are held and plan is updated.

Risk Solution : *Ensure current emergency management and continuity plans and processes are current*

Enterprise Risk Report

Directorate	Governance
Risk Code	OP94
Risk Category	Shire Reputation and Governance
Risk	8 Year Review of Ward and Representation not undertaken

Initial Risk Assessment

Likelihood : Unlikely	Rating : Moderate
Consequence : Significant	Last Changed : November 2016
Causes : Review not scheduled	
Consequences - Significant	
Treatment : Improve long term schedule of statutory reviews by use of electronic diary	

Revised Risk Assessment

Likelihood :	Rating :
Consequence :	Last Changed :
Effectiveness of Controls :	
Existing Controls :	

Future Risk Assessment

Likelihood : Unlikely	Rating : Moderate
Consequence : Significant	Last Changed : November 2016
Effectiveness of Controls : Significant	
Future Controls :	

Risk Solution : Ensure future events calendar is updated during changes to technology

Enterprise Risk Report

Directorate	Regulatory
Risk Code	OP95
Risk Category	Capacity to Deliver Services
Risk	Bush Fire Brigades not adequately manned (lack of volunteers)

Initial Risk Assessment

Likelihood : likely **Rating** : Moderate

Consequence : Major **Last Changed** : February 2017

Causes : Community too small to attract volunteers

Consequences - Need to rely on Department of Fire and Emergency Services for assistance, may result in lengthy delay of action.

Treatment : Annual Review of Brigade numbers.

Revised Risk Assessment

Likelihood : **Rating** :

Consequence : **Last Changed** :

Effectiveness of Controls :

Existing Controls :

Future Risk Assessment

Likelihood : Likely **Rating** : Moderate

Consequence : Major **Last Changed** : February 2017

Effectiveness of Controls :

Future Controls :

Risk Solution : Create an environment in the community which encourages volunteers.

Enterprise Risk Report

Directorate	Regulatory
Risk Code	OP61
Risk Category	Health - Human Safety and well being
Risk	Water Park water does not pass health department tests

Initial Risk Assessment

Likelihood : Unlikely **Rating :** Moderate

Consequence : Critical **Last Changed :** October 2016

Causes : Water not tested adequately facility not being cleaned and chlorinated properly

Consequences - Critical

Treatment : Water testing once a month to ensure facility is safe for the public

Revised Risk Assessment

Likelihood : **Rating :**

Consequence : **Last Changed :**

Effectiveness of Controls :

Existing Controls :

Future Risk Assessment

Likelihood : Unlikely **Rating :** Moderate

Consequence : Moderate **Last Changed :** October 2016

Effectiveness of Controls : Excellent

Future Controls : Excellent

Risk Solution : Policies and procedures are in place and are being followed at all times. Monthly checks.

8 ELECTED MEMBERS MOTION OF WHICH PREVIOUS NOTICE HAVE BEEN GIVEN

There was no elected members motion of which previous notice has been given.

9 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING

There was no new business of an urgent nature introduced by decision of the meeting.

10 ITEMS FOR CONSIDERATION BEHIND CLOSED DOORS

There were no items for consideration behind closed doors.

11 NEXT MEETING

The next meeting of the Audit Committee to be advised.

12 CLOSURE OF MEETING

There being no further business the Chairperson closed the meeting at 3.39pm.

I, _____ hereby certify that the Minutes of the Audit Committee Meeting of Council held 29 June 2017 are confirmed as a true and correct record, as per the Council Resolution of the Ordinary Meeting of Council held 31 August 2017.

Signed: _____

Dated: 31 August 2017