Heart of North Midlands

AGENDA
FOR THE
AUDIT AND RISK COMMITTEE
OF COUNCIL MEETING
TO BE HELD ON
WEDNESDAY
26 MARCH @ 4.30PM

WILDFLOWER COUNTRY

SHIRE OF THREE SPRINGS
ORDINARY COUNCIL MEETING NOTICE PAPER
26 MARCH 2024

President and Councillors,

An Audit & Risk Committee meeting of Council is called for Wednesday, 26 March 2025, in the Council Chambers, Railway Road, Three Springs commencing at 4.30pm.

Keith Woodward
Chief Executive Officer

21 March 2025

WILDFLOWER COUNTRY

Shire of Three Springs
PO Box 117, Three Springs
WA 6519

Disclosure of Interest Form

(Elected Members/Committee Members/Employees/Contractors)

Local Government Act 1995 (Section 5.65, 5.70 & 5.71)

To: Chief Executive Officer

- ☐ **Ordinary Council Meeting held on** ______________________
- ☐ **Special Council Meeting held on** ______________________
- ☐ **Committee Meeting held on** ______________________
- ☐ **Other** ______________________

Report No ______________________

Report Title ______________________

Name ______________________

☐ **Elected Member** ☐ **Committee** ☐ **Employee** ☐ **Contractor**

Type of Interest *(*see overleaf for further information)*

☐ **Proximity** ☐ **Financial** ☐ **Impartiality**

Nature of Interest

____

____

____

Extent of Interest (if intending to seek Council approval to be involved with debate and/or vote)

____

____

Name:______________________ **Signed:**______________________ **Date:** ______________________

Note 1: For <u>Ordinary meetings of Council</u>, elected members and employees are requested to submit this completed form to the Chief Executive Officer prior to the meeting. Where this is not practicable, disclosure(s) must be given to the Chief Executive Officer prior to the matter being discussed.

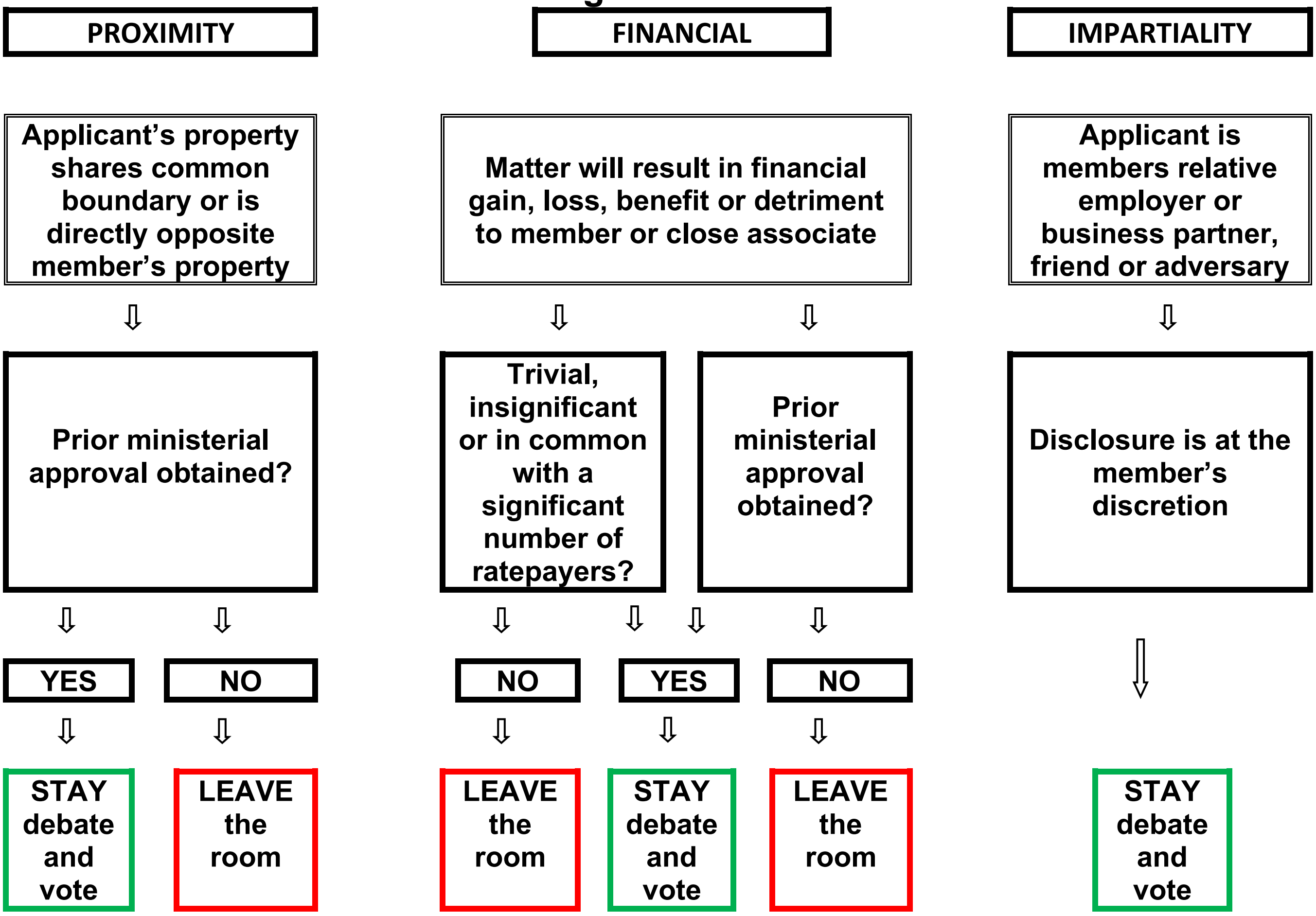
Note 2: Employees or Contractors disclosing an interest in <u>any matter apart from at meetings</u>, where there is a conflict of interest including disclosures required by s5.71 are required to submit this form to the CEO as soon as practicable.

____

OFFICE USE ONLY

CEO: ______________________ **Signed:** ______________________ **Date:** ______________________

* Declaring an Interest



Local Government Act 1995 - Extract

5.65 - Members' interests in matters to be discussed at meetings to be disclosed.

(1) A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest:

(a) in a written notice given to the CEO before the meeting; or (b) at the meeting immediately before the matter is discussed. (Penalties apply).

(2) It is a defence to a prosecution under this section if the member proves that he or she did not know:

(a) that he or she had an interest in the matter; or (b) that the matter in which he or she had an interest would be discussed at the meeting.

(3)This section does not apply to a person who is a member of a committee referred to in section 5.9(2)(f).

5.70 - Employees to disclose interests relating to advice or reports.

(1) In this section: 'employee' includes a person who, under a contract for services with the local government, provides advice or a report on a matter.

(2) An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report.

(3) An employee who discloses an interest under this section must, if required to do so by the council or committee, as the case may be, disclose the extent of the interest. (Penalties apply).

5.71 - Employees to disclose interests relating to delegated functions.

If, under Division 4, an employee has been delegated a power or duty relating to a matter and the employee has an interest in the matter, the employee must not exercise the power or discharge the duty and:

(a) in the case of the CEO, must disclose to the mayor or president the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter; and (b) in the case of any other employee, must disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter. (Penalties apply)

'Local Government (Administration) Regulations 1996 – Extract

In this clause and in accordance with Regulation 34C of the Local Government (Administration) Regulations 1996:

"Interest" means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.

SHIRE OF THREE SPRINGS
AGENDA OF THE AUDIT and RISK COMMITTEE MEETING
HELD IN THE COUNCIL CHAMBERS, THREE SPRINGS
ON WEDNESDAY 26 MARCH 2025

AGENDA

1. DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Shire President declared the meeting open at pm

Acknowledgement of Country:-

The Shire of Three Springs acknowledges the traditional owners of this land – the Southern Yamatji people, and their continuing connection to land, water and community. We pay our respects to them and their cultures, and to elders both past, present and emerging.

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

	Attendance	Apologies	Approved Leave of Absences
Councillor Lane			
Councillor Eva			
Councillor Heal			
Councillor Mutter			
Councillor Ennor			
Councillor Connaughton			
Councillor Mills			
Chief Executive Officer			
Deputy Chief Executive Officer			
Manager of Infrastructure			
Executive Secretary			

3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

4. PUBLIC QUESTION TIME

5. APPLICATIONS FOR LEAVE OF ABSENCE

		OCM Month	Moved	Seconded	Vote	Date
5.1	Cr.		Cr.	Cr.		
5.2	Cr.		Cr.	Cr.		

6. CONFIRMATION OF PREVIOUS MEETING MINUTES

That the Minutes of the Audit Committee Meeting are confirmed as true and accurate record of proceedings.					
		Date	Moved	Seconded	Vote
	Nil				

7. ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION

8. ANNOUNCEMENTS/REPORTS OF ELECTED MEMBERS

Councillor	Activity
Cr. Lane	
Cr. Eva	
Cr. Heal	
Cr. Mutter	
Cr. Ennor	
Cr. Connaughton	
Cr. Mills	

9. PETITIONS / DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

10. REPORTS OF OFFICERS

10.1 Compliance Audit Return 2024	
Agenda Reference:	CEO
Location/Address:	Shire of Three Springs
Name of Applicant:	Shire of Three Springs
File Reference:	ADM0057
Disclosure of Interest:	Nil
Date:	26 March 2025
Author:	Keith Woodward, Chief Executive Officer
Attachment (s):	Compliance Audit Return 2024

Council Role:

☐	Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
☐	Executive	The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
■	Legislative	Includes adopting local laws, local planning schemes and policies.
☐	Review	When Council reviews decisions made by Officers.
☐	Quasi-judicial	When Council determines an application/matter that directly affects a person's rights and interests. The judicial character arises from the obligation to abide by the principles of natural justice e.g. local planning applications, building permits, other permits/licences (e.g. under Health Act, Dog Act or local laws) and other decisions that may be appealable to the State Administrative Tribunal (SAT).

Report Purpose:
That the Audit and Risk Committee recommends that Council accepts the Compliance Audit Return for 2024.

Background:
Under Section 14 of the of the Local Government (Audit) Regulations 1996, a local government is to carry out a Compliance Audit Return. The Audit Committee is to review the report and report to Council the results of the review. Once approved by Council the Compliance Audit Return must be by signed by the President and Chief Executive Officer and forwarded to the Department of Local Government, Sport and Cultural Industries along with a copy of the minutes.

Officer's Comment:
The Compliance Audit Return covers the 1 January 2023 to 31 December period 2024 and has been completed by staff who have oversight of that section of legislation that the Compliance Audit Return covers.

Consultation:
Nil

Statutory Environment:

Local Government (Audit) Regulation 1996) s. 14, 15 & 16.

14. Compliance audits by local governments

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

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

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

(3) After the audit committee has reported to the council under sub regulation (3A), the compliance audit return is to be —

(a) presented to the council at a meeting of the council; and

(b) adopted by the council; and

(c) recorded in the minutes of the meeting at which it is adopted.

15. Certified copy of compliance audit return and other documents to be given to Departmental CEO

(1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —

(a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and

(b) any additional information explaining or qualifying the compliance audit,

is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.

(2) In this regulation —

Certified in relation to a compliance audit return means signed by —

(a) the mayor or president; and

(b) the CEO.

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 —

(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.

Policy Implications:
Council Policy 1100 Risk Management. The risk management objectives of this policy are:

1. *Optimise the achievement of our vision, mission, strategies, goals and objectives.*
2. *Provide transparent and formal oversight of the risk and control environment to enable effective decision making.*
3. *Enhance risk versus return within our risk appetite.*
4. *Embed appropriate and effective controls to mitigate risk.*
5. *Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.*
6. *Enhance organisational resilience.*
7. *Identify and provide for the continuity of critical operations*

The Good Governance in Practice Principles 'compliance and reporting' align with Council policy and legislation reducing organisation's risk.

Financial/Resources Implications:
Nil

Strategic Implications:
This item is relevant to the Councils approved Strategic Community Plan 2024-2034

Strategic Community Plan 2024 - 2034	
Council Objectives:	**Outcome:**

4. A long term strategically focused Shire that is efficient, respected and accountable.	4.3.2 Ensure compliance with all relevant legislation.

This item is relevant to the Councils approved Corporate Business Plan 2020 – 2024

Corporate Business Plan 2020 – 2024	
Scope Statement:	**Project Outputs:**
Nil	Nil

Voting Requirements:
Absolute Majority

Officer's Recommendation:

OFFICER'S RECOMMENDATION:	**10.1**
That the Audit and Risk Committee recommends that Council accepts the Compliance Audit Return for 2024.	

10. REPORTS OF OFFICERS

Corporate Services	
10.2. Mid-Year Budget Review 2024-2025	
Agenda Reference:	CEO
Location/Address:	Shire of Three Springs
Name of Applicant:	Shire of Three Springs
File Reference:	ADM0130
Disclosure of Interest:	Nil
Date:	26 March 2025
Author:	Krys East, Deputy Chief Executive Officer
Attachment (s):	2024-25 Annual Budget Review Report.

Council Role:

☐	Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
■	Executive	The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
☐	Legislative	Includes adopting local laws, local planning schemes and policies.
☐	Review	When Council reviews decisions made by Officers.
☐	Quasi-judicial	When Council determines an application/matter that directly affects a person’s rights and interests. The judicial character arises from the obligation to abide by the principles of natural justice e.g. local planning applications, building permits, other permits/licences (e.g. under Health Act, Dog Act or local laws) and other decisions that may be appealable to the State Administrative Tribunal (SAT).

Report Purpose:
That the Audit and Risk Committee adopts the 2024-2025 Mid-Year Budget review prepared based on figures as of 31 December 2024.

Background:
The mid-year budget report incorporates year-to-date variations and forecasts to 30 June 2025 based on figures as at 31 December 2025.

Local Government Financial Regulations 33A requires that the local government conduct a budget review between 1 January and 31 March each financial year. A copy of the review and determination is to be provided to the Department of Local Government within 14 days of the adoption of the review. The budget review has been prepared to include information required by the Local Government Act 1995, Local Government (Financial Management) Regulation 1996 and Australian Accounting Standards.

Local governments are required to conduct a budget review to establish whether they are meeting their budget commitments and/or determining any areas of savings, overspend/concern or required changes, and considering receipt of income and incurred expenditure in accordance with the adopted budget.

Once officers have completed the review, the Council is required to consider the submission and determine whether or not to adopt the review or any recommendations made.

When adopting the 2024-2025 annual budget, the Council adopted 10% or $10,000 as the trigger point for reporting material variances to be used in the statements of financial activity.

Officer's Comment:
For a comprehensive list of all budget amendments requested, refer to the attached 2024-25 Budget Review List of Budget Changes for Adoption and the 2024-25 Annual Budget Review reports.

Significant amendments are as follows:

Adjustment to 2024/25 surplus

1. The actual surplus, as per the audited Financials for 2023/24, was $180,573 more than the original budget figure.

<u>Operation Revenue</u>

2. The Financial Assistance Grant was increased for both the General and Roads components due to an advance received in 2023/24.
3. The interest earnt on Municipal funds is likely to be higher due to the higher interest rates during the year.
4. Planning application fees received have increased due to the proposed alternative energy farms.

<u>Operating Expenses</u>

5. The Bushfire Vehicle maintenance account has been reduced as the vehicles have been serviced this year. However, $20k is still available if an unexpected expenditure arises.
6. A bushfire near Eneabba in November increased Fire control expenses. Recouping from DFES may offset some of these costs.
7. Pest control costs are not as high as expected. Two staff members have been primarily charged with acting to mitigate the corella issue. This appears to be working, as more native birds are returning to the region.
8. Communication expenses at the medical centre are higher than last year. The system was lagging and dropping out regularly. Increased costs have resulted in a higher speed connection and improved performance.
9. Some Facilities budgets also require amending. The hall, pavilion, and gym cleaning budgets are reduced as staff are still performing their duties but

working more defined hours, with fewer hours required on weekends and public holidays resulting in less cost to the shire.

10. Pavilion and Hockey Oval costs increased due to Lovelock Soak's insufficient water supply during the hot summer and oval treatments. Significant work, including external expert advice, was needed to prepare the oval for the winter sports season.

    Dominican Park's water usage is less than in the previous year as the reticulation has been correctly set to avoid overwatering and associated water costs.

11. An overspend in the Depot Grounds Maintenance has occurred. This is largely due to the road crew being unable to work on road projects for approximately 10-15 days during the rainy periods we experienced this year. During these days, the crew's idle time was fully charged to this account. Additionally, when they were assigned to smaller tasks, such as pothole repairs, minor office and Shire house maintenance, and vehicle part replacements, their full hours were also billed to this account. While these smaller tasks typically wouldn't be charged here, their cumulative costs have significantly contributed to the overspending.

12. The airport runway has a maintenance check schedule. The costs associated with the airstrip are considerably less than anticipated.

13. Eco caravan park site works have exceeded the budget. A further $3k has been requested for plants.

14. The account for expendable tools/consumables had a large allocation for Mechanics tools. It is unlikely that the Shire will recruit a Mechanic in the foreseeable future so this allocation has been reduced.

15. Staff will use the current Councillors Surface Pros for WHS and Payroll online requirements. New laptops will be purchased for the Councillors. This will impact two accounts: reducing PWO—Information Technology and increasing Members Minor Asset Expense.

16. Administration expenditure is down $120k due reduced staffing costs.

    Reduced costs in Administration impact all budget schedules.

17. Plant expenses are lower than budget. This includes Plant repairs and parts utilising both in-house and external contractors. Fuels and Oils as well as Tyres and Tubes expenditure are reduced as well.

18. Staff shortages have resulted in savings in Salaries and Wages. This is offset by the Salaries and Wages Allocated. The vacancies are primarily Mechanic and Tourist and Event Officer. There was also no pool manager for four months prior to the commencement of the pool season.

19. The Bushfire Vehicle maintenance account has been reduced as the vehicles have been serviced this year. There is still $20k available if an unexpected expenditure arises.

<u>Capital expenses</u>

20. A number of housing budgets require amendment. These are due to:

a. previously unoccupied houses required to be made suitable for tenancy;
b. Extra expense to engage a contractor to undertake reticulation work that was budgeted to be completed in-house but requires expert installation.
c. New and replacement air conditioning units are required due to lack of cooling in various locations or failed units.
d. Some costs that were expected to be completed in the previous year were carried over but not included in the budget.
e. Increased maintenance due to the recruitment of a Maintenance Officer to undertake and/or organise these works.

21. Considerable savings were made with the purchase of two plant items.

22. Netball Court fencing (grant funded) was expected to be completed in the previous year and, therefore, not carried over to the current budget. This has now been included.

Request for new budget items or alternative use of budget:

23. $5k is requested for reinstating the landscape at 41 Slaughter Street. Front yard vegetation removal was due to snake concerns, as a number of snakes had been sighted on the property both inside and out. Reticulation was inadvertently removed at the same time. The cost of the reticulation had already been included in the adopted budget but an increase of $3k is required to engage a professional to repair and reinstate as needed.

24. $20k was to be used to create a partition at the depot for the Manager of Infrastructure’s office. This is being revisited in 2025/26 as the depot office area may require further reconfiguration to accommodate four staff operating from there. It is requested that this budget be reduced to $5k and used for concreting the area between the office space and the rear of the shed, which currently has a sand floor.

25. Purchase of a new vehicle-mounted fogging machine for mosquito control. To combat the issue, the Shire has been hiring a “Fogger” from another Shire. This costs approximately $1,000 each time and has occurred twice this financial year thus far.

Some projects will not happen or be completed this year. These are going to be carried over to next year but have no impact on budget surplus/deficit as offset fully by grant funding:

26. Midwest Secondary Grain Freight Route Project—This project is in the final stages of contracting a company to undertake works. Work is envisaged to commence in May 2025, with the majority of it occurring in 2025/26. This project is fully funded by a grant.

27. Roads to Recovery Arrino West Road project – Delays have occurred this year, which means the project will not commence until 2025/26. This project and the grant funding will be carried over to the next financial year.

Non-Cash Differences

28. A number of depreciation accounts have been suggested for amending due to assets being sold, the value increasing due to upgrades in previous years, or reaching the residual value.

The overall budget impact of all these changes, if adopted as presented to the Council, combined with previously adopted budget amendments, is that there will be a surplus of $241,900. The shire may also receive an advance on the 2025/26 Financial Assistance Grant in late June 2025, as this has occurred for a number of years, which will increase the surplus further. This has not been factored into this budget review.

For further information refer to the attached:

- 2024-25 Budget Review List of Budget Changes for Adoption
- 2024-25 Annual Budget Review reports.

Consultation:
Chief Executive Officer
Shire Staff

Statutory Environment:
Regulation 33A of the Local Government (Financial Management) Regulation 1996 requires:

33A. Review of budget

(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 —

(a) 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

(b) consider the local government's financial position as at the date of the review; and

(c) review the outcomes for the end of that financial year that are forecast in the budget; and

(d) include the following —

(i) the annual budget adopted by the local government;

(ii) an update of each of the estimates included in the annual budget;

(iii) the actual amounts of expenditure, revenue and income as at the date of the review;

(iv) adjacent to each item in the annual budget adopted by the local government that states an amount, the estimated end-of-year amount for the item.

(2) 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.

(3) A council is to consider a review submitted to it and is to determine* whether or not to adopt the review, any parts of the review or any recommendations made in the review.

*Absolute majority required.

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

[Regulation 33A inserted: Gazette 31 Mar 2005 p. 1048-9; amended: Gazette 20 Jun 2008 p. 2723-4; SL 2023/106 r. 18.]

Policy Implications:
Nil

Financial/Resources Implications:
Specific financial implications are outlined in the budget review statement.

The budget review is a legislative requirement and establishes a system for sound and prudent financial management of the shire, as the budget underpins the Shire's ability to meet current and future demands/requirements for works, services and programmes.

Strategic Implications:
The adopted budget and subsequent review have been developed using the existing strategic planning documents adopted by the Council.

The budget is based on principles contained in the Community Strategic Plan, Corporate Business Plan, and Forward Capital Works Plan, as well as other operational plans that comprise the integrated planning framework.

Strategic Community Plan 2024-2034	
Council Objectives	**Outcome**
Nil	Nil

This item is relevant to the Council's approved Corporate Business Plan 2020-2024

Corporate Business Plan 2020 – 2024	
Scope Statement	**Project Outputs**
Nil	Nil

Voting Requirements:
Absolute Majority.

Officer's Recommendation:

OFFICER'S RECOMMENDATION 10.2

That the Audit and Risk Committee adopt:

1. The budget review for the period 1 July 2024 to 31 December 2024 as per the projected figures indicated in the Budget Review Report below.

2. The 2024-2025 budget be amended as follows:-

Operating Revenue	*Operating Grants, Subsidies and Contributions*	*Increase provision by*	*$*	*77,300.00*
Operating Revenue	*Fees and Charges*	*Increase provision by*	*$*	*71,825.00*
Operating Revenue	*Interest Revenue*	*Increase provision by*	*$*	*59,024.00*
Operating Revenue	*Other Revenue*	*Increase provision by*	*$*	*10,433.00*
Operating Expense	*Employee Costs*	*Decrease provision by*	*$*	*94,806.00*
Operating Expense	*Materials and Contracts*	*Increase provision by*	*$*	*86,893.00*
Operating Expense	*Utility Charges*	*Increase provision by*	*$*	*23,037.00*
Operating Expense	*Depreciation*	*Increase provision by*	*$*	*135,701.00*
Operating Expense	*Insurance Expenses*	*Decrease provision by*	*$*	*94.00*
Operating Expense	*Other Expenditure*	*Decrease provision by*	*$*	*1,500.00*
Operating Expense	*Loss on Disposal of Assets*	*Decrease provision by*	*$*	*1,467.00*
Capital Revenue	*Capital Grants, Subsidies and Contributions*	*Decrease provision by*	*$*	*28,305.00*
Capital Expenditure	*Land and Buildings*	*Increase provision by*	*$*	*56,164.00*
Capital Expenditure	*Plant and Equipment*	*Decrease provision by*	*$*	*65,947.00*
Capital Expenditure	*Infrastructure Assets - Roads*	*Increase provision by*	*$*	*20,044.00*
Capital Expenditure	*Infrastructure Assets - Parks and Ovals*	*Increase provision by*	*$*	*70,691.00*
	Surplus Carried Fwd	*Increase provision by*	*$*	*180,573.00*

10. REPORTS OF OFFICERS

Executive Services	
10.3. Audit , Risk and Improvement Committee (ARIC)- Terms of Reference	
Agenda Reference:	CEO
Location/Address:	Shire of Three Springs
Name of Applicant:	Shire of Three Springs
File Reference:	ADM0200
Disclosure of Interest:	Nil
Date:	26 March 2025
Author:	Chief Executive Officer - Keith Woodward
Attachment (s):	

Council Role:

☐	Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government/body/agency.
☐	Executive	The substantial direction setting and oversight role of the Council e.g. adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
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☐	Quasi-judicial	When Council determines an application/matter that directly affects a person's rights and interests. The judicial character arises from the obligation to abide by the principles of natural justice e.g. local planning applications, building permits, other permits/licences (e.g. under Health Act, Dog Act or local laws) and other decisions that may be appealable to the State Administrative Tribunal (SAT).

Report Purpose:

The Shire of Three Springs Audit and Risk Committee reviews the:

1. New Policy: Audit, Risk, and Improvement Committee (ARIC) Terms of Reference.
2. Expressions of Interest – Independent Members to sit on Audit, Risk and Improvement Committee.
3. Advise the Shire of Three Springs Council that the Audit and Risk Committee supports the new policy and expression of interest.

Background:

The Local Government Amendment Bill 2024 (the Bill) proposes to change the Local Government Act 1995 (the Act) to provide for various reforms, including the establishment of a new Local Government Inspector (the Inspector) and monitors that can provide for early intervention and assist local governments in resolving dysfunction.

In addition to the Inspector and monitor reforms, a range of other second-tranche reforms are being introduced that focus on good governance and decision-making at council and committee meetings:

- Revising the roles and responsibilities for the Council, council members and local government chief executive officers (CEOs) to clarify the separation of powers and duties within local governments.

- Improving rules for closing part of a council or committee meeting to the public, to ensure greater transparency and that these meetings are held openly wherever possible.

- Changing audit committees to have an improved focus as “audit, risk and improvement committees” that are independently chaired, with greater clarity on how council committees should operate

Audit committees will be revised as audit, risk and improvement committees (ARICs). ARICs must have an independent presiding member to ensure a level of neutrality and impartial oversight in chairing these meetings. An independent presiding member must be a person who is not a council member of a local government or an employee of the local government. If a Deputy Presiding Member is appointed, they must also be independent, in accordance with the Local Government Amendment Bill 2024. An independent Deputy Presiding Member must not be a council member or an employee of the local government and must meet the same eligibility criteria as the Presiding Member.

The introduction of an independent presiding member provides an opportunity for increased community confidence in a local government’s financial and risk management. Local government operations may also benefit through appointing an independent chair with risk and financial management expertise that may otherwise be unavailable.

This reform reflects modern governance practices in State Government authorities and agencies as well as private corporations.

In relation to the current Act, an audit committee is required to be established comprising 3 or more persons appointed by absolute majority by a local government. Most of the members must be council members. The CEO or a local government employee cannot be a member.

Under the proposed amendments in the Bill, an ARIC now requires an independent presiding member. A local government can choose to appoint an independent deputy presiding member to chair the meeting if the independent presiding member is unable to do so.

If a local government chooses not to nominate a deputy presiding member, the Council will need to appoint an independent proxy to chair the meeting should the need arise.

Smaller local governments may also now choose to share an ARIC to reduce the burden on their resources.

The Local Government Amendment Bill 2024 introduces enhanced transparency requirements for council committees. ARIC meetings will generally be open to the public, except in circumstances where confidential matters must be discussed, in line with **Section 5.23 of the Local Government Act 1995**. Reasons for closing a meeting must be recorded and align with legislative exemptions, ensuring a balance between transparency and confidentiality.

Council can now establish committees that have either an advisory or decision-making function and are generally open to the public.

The appointment process for the presiding member and deputy presiding member has also been simplified. Councils will appoint these roles, instead of the Committee electing those roles by secret ballot.

Officer's Comment:
New Policy:

Audit, Risk and Improvement Committee (ARIC)- Terms of Reference

Adoption		
Date	Meeting	Council Decision
17 June 2020	OCM	034/2020
Review		
Date	Meeting	Council Decision
22 June 2022	OCM	048/2022
No.	Title	
Legislative Reference		

PURPOSE

The *Local Government Act 1995* (the Act) requires that all local governments establish an Audit, Risk, Improvement Committee ("ARIC"). ARIC plays a key role in assisting a local government in fulfilling its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability, improvement and internal and external audit functions.

POLICY

ARIC is an advisory committee appointed by and reports to the Shire of Three Springs's Council ("the Council"). ARIC provides appropriate advice and recommendations to the Council on matters relevant to its Terms of Reference (TOR). This is in order to facilitate informed decision-making by the Council in relation to the legislative functions and duties of the local government that have not been delegated to the Chief Executive Officer ("CEO").

POLICY OBJECTIVE
The objectives of ARIC are to oversee:

- The credibility and objectivity of financial reporting
- The effective management of financial and other risks and protect Council assets
- Compliance with laws and regulations, as well as the use of best practice guidelines relative to audit, risk management, internal control and legislative compliance
- The provision of an effective means of communication between the external auditor, the CEO and the Council
- The scope of work, objectivity, performance and independence of the external and internal auditors and
- The process and systems that protect against fraud and improper activities
- The ARIC will meet four times a year.

AUTHORITY
ARIC is a formally appointed committee of the Council and is responsible to that body. ARIC does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated authority. ARIC does not have any management functions and cannot involve itself in management processes or procedures.

ARIC has the authority to:

- Review the auditor’s annual audit plans and audit outcomes.
- Request the CEO to provide information or advice on matters considered by ARIC.
- Meet formally with internal and external auditors as required.
- Resolve disagreements between management and external auditors on financial reporting.
- Make recommendations to the Council on matters within its scope of responsibility."

TERMS OF REFERENCE

1.2.1 POWERS OF THE AUDIT COMMITTEE
ARIC is a formally appointed advisory committee of the Council and is responsible for providing recommendations on financial oversight, risk management, and governance matters. While ARIC does not have executive powers or delegated authority, it plays a critical role in ensuring compliance with financial management regulations, internal controls, and legislative requirements. The Council remains the ultimate decision-making authority; however, ARIC has the mandate to review, assess, and report on key governance and risk issues to strengthen accountability and financial sustainability.

1.2.2 MEMBERSHIP
The Committee shall consist of:

- Independent Presiding Member (Mandatory) – A person with expertise in risk, audit, governance and financial management who is not a council member or local government employee.

- At least three (3) members, with the majority being council members.

- Up to two (2) independent external members (optional) with qualifications in finance, risk, governance, or audit.
- The CEO or employees are not members of the Committee but may provide advice.

Independent external members will be selected based on the following criteria:

- A suitably qualified person with a demonstrated high level of expertise and knowledge in financial management, risk management, governance and audit (internal and external)
- Understanding of the duties and responsibilities of the position, ideally with respect to local government financial reporting and auditing requirements
- Strong communication skills
- Relevant skills and experience in providing independent expert advice

The Council shall appoint and re-appoint independent external members after considering the CEO's recommendation. The applications of independent external members will be sought through an open and transparent process. The CEO will review the evaluation of potential members, and the Council will make appointments. Appointments will be for a maximum term of two (2) years.

Independent external members will be required to complete a confidentiality agreement and confirm that they will operate in accordance with the Shire's code of conduct. They will also be required to follow the Shire's policies regarding ARIC operations.

The Council may by resolution terminate the appointment of any independent external member prior to the expiry of his/her term if:

- ARIC by majority determines that the member is not making a positive contribution to ARIC
- The member is found to be in breach of the Shire's Code of Conduct or a serious contravention of the Local Government Act 1995.
- A member's conduct, action or comments brings the Shire into disrepute.

1.2.3 REPORTING

Reports and recommendations from each ARIC meeting shall be presented at the next ordinary meeting of the Council, along with a summary of key audit findings, risk assessments, and governance compliance issues. Additionally, ARIC will submit an **Annual Risk and Governance Oversight Report** to the Council, outlining major audit outcomes, risk trends, and recommendations for improvement. This report will be publicly available unless it contains confidential information in accordance with **Section 5.94 of the Local Government Act 1995**.

1.2.4 DUTIES AND RESPONSIBILITIES

1. Role of the Audit, Risk, and Improvement Committee (ARIC)

The ARIC is established in accordance with:

- Local Government Act 1995 (WA) – Section 7.1A (Requirement for an Audit Committee).

- Local Government (Audit) Regulations 1996 – Regulation 16 (Functions of the Audit Committee).

2. Financial Oversight

The ARIC is responsible for:

- Reviewing and overseeing financial statements, annual reports, and audit reports, ensuring compliance with:
    - Local Government Act 1995 – Section 7.9 (Audit requirements).
    - Local Government (Financial Management) Regulations 1996 – Regulation 36 (Annual budget review).
    - Local Government (Audit) Regulations 1996 – Regulation 10 (Reports by the Auditor).

- Monitoring the effectiveness of internal financial controls in compliance with:
    - Local Government (Financial Management) Regulations 1996 – Regulation 5 (CEO's financial management responsibilities).
    - Local Government (Audit) Regulations 1996 – Regulation 17 (CEO's report on risk management, internal control, and legislative compliance).

- Ensuring that appropriate responses to external audit findings are developed and implemented in accordance with:
    - Local Government Act 1995 – Section 7.12A (Duties of a local government with respect to audits).
    - Local Government (Audit) Regulations 1996 – Regulation 16 (Audit Committee functions).

3. Risk Management & Internal Controls

The ARIC is responsible for:

- Ensuring the local government has a risk management framework in compliance with:
    - Local Government (Audit) Regulations 1996 – Regulation 17 (CEO's responsibility for risk management).
    - Local Government (Financial Management) Regulations 1996 – Regulation 5 (CEO's duty to establish internal controls).

- Overseeing risk management, internal control, and legislative compliance reporting, ensuring adherence to:
    - Local Government (Audit) Regulations 1996 – Regulation 16(a)(i-ii) (Audit Committee functions related to risk management).

4. Legislative Compliance

The ARIC is responsible for:

- Reviewing compliance with statutory obligations under the Local Government Act 1995, including:
  - Local Government Act 1995 – Sections 5.94 – 5.96A (Public access to information).
  - Local Government (Audit) Regulations 1996 – Regulation 17 (CEO's report on compliance).
- Ensuring compliance with procurement, purchasing, and financial regulations, including:
  - Local Government (Functions and General) Regulations 1996 – Regulation 11A (Purchasing policy requirements).
  - Local Government (Financial Management) Regulations 1996 – Regulation 19 (Security and handling of local government funds).
- Ensuring compliance with public access to meetings and disclosure of interests, as required under:
  - Local Government Act 1995 – Section 5.23 (Meetings generally open to the public).
  - Local Government Act 1995 – Sections 5.65 & 5.70 (Disclosure of interests).

5. Reporting to Council

- The ARIC must provide reports and recommendations to the Council on:
  - Financial and audit matters.
  - Risk and internal control frameworks.
  - Legislative compliance obligations.
- The ARIC must review audit reports and ensure that audit and compliance reports are presented to the Council within three (3) months of receipt, in accordance with:
  - Local Government Act 1995 – Section 7.12A (Duties in respect to audit findings).

6. Meeting Requirements

- The ARIC must meet at least four (4) times per year.
- A quorum is 50% of members, including the independent presiding member, in accordance with:
  - Local Government Act 1995 – Section 7.1A (Audit Committee requirements).
  - Local Government (Audit) Regulations 1996 – Regulation 16 (Audit Committee functions).

7. Conflicts of Interest

All ARIC members must disclose any conflicts of interest in accordance with:

- Local Government Act 1995 – Sections 5.65 & 5.70.
- Local Government (Model Code of Conduct) Regulations 2021.

Failure to disclose an interest may result in removal from the Committee.

8. Committee Remuneration

- Elected and Independent members will be compensated as prescribed in the Western Australian Salaries and Allowances Act 1975 and the Tribunal Determination.

9. POLICY REVIEW

This policy shall be reviewed every two (2) years. Amendments require approval by an absolute majority of the Council.

ARIC Reporting Table

Audit Committee Responsibility	Legislative Reference	Compliance Status	Risk Level	Last Audit Date	Responsible Officer	Corrective Action Required?	Target Completion Date	Action Taken / Comments	Audit Evidence Available?
Ensure compliance with statutory requirements for establishing an audit committee.	Local Government Act 1995 - Section 7.1A; Local Government (Audit) Regulations 1996 - Regulation 16								
Review and oversee financial statements, annual reports, and audit reports.	Local Government Act 1995 - Section 7.9; Local Government (Financial Management) Regulations 1996 - Regulation 36; Local Government (Audit) Regulations 1996 - Regulation 10								
Monitor the effectiveness of internal financial controls.	Local Government (Financial Management) Regulations 1996 - Regulation 5; Local Government (Audit) Regulations 1996 - Regulation 17								

Ensure appropriate responses to external audit findings and financial risks.	Local Government Act 1995 - Section 7.12A; Local Government (Audit) Regulations 1996 - Regulation 16								
Ensure the local government has a comprehensive risk management framework.	Local Government (Audit) Regulations 1996 - Regulation 17; Local Government (Financial Management) Regulations 1996 - Regulation 5								
Oversee compliance with risk management, internal control, and legislative compliance reporting.	Local Government (Audit) Regulations 1996 - Regulation 16(a)(i-ii)								
Review compliance with the Local Government Act 1995 and associated regulations.	Local Government Act 1995 - Sections 5.94-5.96A; Local Government (Audit) Regulations 1996 - Regulation 17								
Oversee compliance with procurement, purchasing, and financial regulations.	Local Government (Functions and General) Regulations 1996 - Regulation 11A; Local Government (Financial Management) Regulations 1996 - Regulation 19								
Ensure compliance with public access to meetings and closed meeting provisions.	Local Government Act 1995 - Section 5.23; Local Government Act 1995 - Sections								

	5.65 & 5.70								
Ensure recommendations from performance audits and governance reviews are implemented.	Local Government (Audit) Regulations 1996 - Regulation 16; Local Government Act 1995 - Section 7.12A								
Monitor the effectiveness of corporate governance processes.	Local Government Act 1995 - Section 5.41; Local Government (Audit) Regulations 1996 - Regulation 17								

1.2.5. Expressions of Interest – Independent Members to sit on Audit, Risk and Improvement Committee

Date: X X 2025

Expressions of Interest – Independent Members to sit on Audit, Risk and Improvement Committee

The Shire of Three springs invites expressions of interest for experienced professionals to join its Audit, Risk and Improvement Committee as Independent Members, in the positions of Presiding Member and Deputy Presiding Member. This Committee supports the Shire in fulfilling its responsibilities for oversight in areas such as financial audit, risk management, and continuous improvement, in compliance with the Local Government Act 1995 and associated regulations.

About the Successful Candidate

The Independent Members will preside over the committee meetings (4 per annum) and will be required to have experience and knowledge in the following areas:

- *Financial reporting;*
- *Audit and assurance;*
- *Principles of good organisational governance; and*
- *Risk management and internal control principles.*

Additional desirable skills and experience include:

- *Strong leadership qualities to guide effective committee discussions;*
- *Analytical skills to assess complex information;*
- *Knowledge of the local government sector; and*
- *Familiarity with meeting procedures and Local Law Standing Orders.*

To be classed as an Independent Member, applicants must meet these criteria:

1. *Must not be employed by the Shire of Three Springs;*
2. *Must not be an Elected Member of the Shire of Three Springs or any other local government authority; and*
3. *Must not be related to any person in categories a) or b).*

What We Offer

The role offers remuneration as per the **Salaries and Allowances Tribunal for Band 4 local governments**. The Council has set the meeting fee at **$125 per meeting,** with additional **reimbursement for training, travel, and meals** where applicable.

How to Apply

Applications should include a statement of interest and a brief outline (no more than three pages) demonstrating experience in the Key Areas listed above. Applications should be marked 'Private & Confidential - Independent Members for Audit, Risk and Improvement Committee' in the subject heading and be addressed to es@threesprings.wa.gov.au.

Nomination Form

Application Deadline:

*Submissions close at **time date***

*Should you require further information or clarification on the above, contact Patricia Mc Keon**,** Executive Secretary, via email es@threesprings.wa.gov.au or telephone 9954 1001*

Statutory Environment:
As referenced above.

Policy Implications:
New policy.

Financial/Resources Implications:
Independent persons fees.

Strategic Implications:
This item is relevant to the Council's approved Strategic Community Plan 2024-2028'

Strategic Community Plan 2024-2034	
Council Objectives:	**Outcome:**
Nil	Nil

This item is relevant to the Councils approved Corporate Business Plan 2020 – 2024.

Corporate Business Plan 2020 – 2024	
Scope Statement:	**Project Outputs:**
Nil	Nil

Voting Requirements:
Absolute Majority.

Officer's Recommendation:

OFFICERS RECOMMENDATION:	**10.4**
The Shire of Three Springs Audit and Risk Committee advises the Shire of Three Springs Council that they support the: 1. New Policy: Audit, Risk, and Improvement Committee (ARIC) Terms of Reference. 2. Expressions of Interest – Independent Members to sit on Audit, Risk and Improvement Committee.	

11. TIME AND DATE OF NEXT MEETING

The date and time of the next Audit Committee are to be confirmed.

12. MEETING CLOSURE

There being no further business the Presiding Officer closed the meeting at pm.

I confirm these Minutes to be a true and accurate record of the proceedings of this Council.

Signed: ______________________________

Presiding Officer

Date: 26 March 2024