

Audit & Risk Committee Meeting

Minutes | 12th November 2024

Disclaimer

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SHIRE OF QUAIRADING

Audit & Risk Committee Meeting

The Audit & Risk Committee Meeting Minutes of Meeting held on 12th November 2024 commencing at 5.00 pm.

ITEM 1 OPENING & ANNOUNCEMENTS

The Chairperson opened the Meeting at 5.00 pm.

“Before we start our meeting, I would like to acknowledge that we are meeting on Noongar/Ballardong land. We pay respect to the original custodians of the land...past, present and future. I welcome you all here today for this meeting.”

ITEM 2 ATTENDANCE AND APOLOGIES

Councillors

Cr TJ Stacey	Deputy Shire President
Cr JN Haythornthwaite	Shire President
Cr BR Cowcill	
Cr RC Faltyn	
Cr JC Hayes	
Cr JR Hippisley	

Council Officers

Ms NJ Ness	Chief Executive Officer
Ms T Brown	Executive Manager, Corporate Services
Ms SE Caporn	Executive Manager, Works & Services
Ms J Green	Executive Manager, Economic Development
Ms M Haeusler	Executive Officer

Observer/Visitor

Nil

Apologies

Cr EV Gom

Leave of Absence Previously Granted

Nil

ITEM 3 DEPUTATIONS/PRESENTATIONS/SUBMISSIONS/PETITIONS

Nil

ITEM 4 DECLARATIONS OF INTEREST

Nil

ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING**5.1 Confirmation of Minutes: Audit & Risk Committee Meeting – 13 August 2024****COMMITTEE RESOLUTION: ARC 011-24/25**

Moved: Cr JC Hayes

Seconded: Cr JN Haythornthwaite

That the Minutes of the Audit & Risk Committee Meeting held on the 13 August 2024 be confirmed as a true and accurate record.

FOR: Crs TJ Stacey, JN Haythornthwaite, BR Cowcill, RC Faltyn, JC Hayes and JR Hippisley

AGAINST: Nil

CARRIED 6/0

BUSINESS ARISING

Nil

ITEM 6 STANDING ITEMS – EXTERNAL AUDIT**6.1 2023/2024 Financial Audit - Office of the Auditor General (OAG)****Responsible Officer** Natalie Ness, Chief Executive Officer**Reporting Officer** Tricia Brown, Executive Manager, Corporate Services**Attachments** 1. Attachment (i) DRAFT Annual Financial Report 2023-2024 [↓](#) **Voting Requirements** Simple Majority**Disclosure of Interest** Reporting Officer: Nil
Responsible Officer: Nil**COMMITTEE RESOLUTION: ARC 012-24/25**

Moved: Cr BR Cowcill

Seconded: Cr RC Faltyn

That the Audit & Risk Committee recommend to Council, that Council:

1. Receive the draft 2023/2024 Annual Financial Statements submitted to the Auditors AMD, Attachment (i),
2. Notes that the annual meeting (exit meeting) with the auditor, pursuant to section 7.12A of the Local Government Act is tentatively booked for 22nd November 2024.

FOR: Crs TJ Stacey, JN Haythornthwaite, BR Cowcill, RC Faltyn, JC Hayes and JR Hippiisley**AGAINST:** Nil**CARRIED 6/0****IN BRIEF**

- AMD Chartered Accountants (AMD) have been contracted by the Office of the Auditor General (OAG) to perform the Shire's financial report audit on the OAG's behalf for a 3-year period, which commenced with the audit for the year ended 30 June 2021.
- The 2023/2024 pre-audit (entrance) Meeting was conducted with Tim Partridge, Director of AMD; the OAG Representative Director on behalf of Caitlin McGowan and the Shire's Executive Manager Corporate Services on the 12th April 2024. This meeting was conducted via teams online meeting.
- The Interim Audit was completed by AMD, through offsite work and an onsite audit visit on 15th & 16th May 2024. The draft interim management letter showing seven new findings and recommendations was received from the Auditors on the 28th June 2024.
- Management provided comments on the findings and recommendations which were incorporated into the interim management letter which was received from the OAG on 29th July 2024.
- Any matters raised in the interim management letter are to be addressed by management and reported to the Audit and Risk Committee through the audit register progress report.

- The Final Audit was conducted on the 7th, 8th & 9th October 2024 with an onsite visit and subsequent offsite work.

MATTER FOR CONSIDERATION

Receipt of the draft Annual Financial Statements for the Financial Year ended 30 June 2024.

BACKGROUND

The external audit, also known as financial audits or audit of the annual financial statements, focuses on providing an objective and independent examination of the financial statements prepared by the Shire, increasing the value and user confidence in the financial statements.

The Local Government Amendment (Auditing) Act 2017 made legislative changes to the Local Government Act 1995 to provide for the auditing of local governments by the Auditor General. This Act allows the Office of the Auditor General (OAG) to contract out some or all the financial audits, but all audits will be the responsibility of the Auditor General.

The changes also allow for the Auditor General to undertake performance audits that focus on the economy, efficiency, and effectiveness of any aspect of local government operations. These performance audits are similar to that of an internal audit; therefore, the Auditor General may undertake both external and internal audits.

The audit occurs in two steps; the first being an interim audit, with the second (final) stage being the audit work to attest the balances and notes that comprise the annual financial statements.

Bob Waddell and Associates have been engaged to complete the Shire's Annual Financial Statements for the year ended 30th June 2024.

Executive staff are to establish and execute protocols to ensure that all the recommendations are being met.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

Australian Accounting Standards

International Financial Reporting Standards

POLICY IMPLICATIONS

Purchasing Policy

Delegation 1.1.13: Payments from the municipal or trust funds

Records Management Policy

Significant Accounting Policies

Delegations Register

FINANCIAL IMPLICATIONS

Council has received an indicative costing for the 23/24 audit, increasing from \$31,590 for 22/23 to \$39,500 for 23/24. Council will need to include this in the 24/25 FY Budget. There has been concern raised within the Local Government sector with some Local Governments seeing a 60% increase in their indicative costs for the 23/24 Audit.

ALIGNMENT WITH STRATEGIC PRIORITIES

5.3 Governance & Leadership: Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

5.4 Governance & Leadership: Implement systems and processes that meet legislative and audit obligations

CONSULTATION

Nil.

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

Financial misconduct by (a) a Shire employee, and (b) an executive/office holder results in financial, legal and/or reputational damage.

Misconduct (non-financial) by a Shire employee results in financial, legal and/or reputational damage.

RISK ASSESSMENT

	Option 1
Financial	Low <i>Cost of the audit is included in the budget. The audit's purpose is not to uncover any financial fraud, however having strong financial processes, as raised in the management report can reduce the risk of this occurring.</i>
Health	Low
Reputation	Low <i>Compliant with legislative requirements. Failure to complete the annual financial audit would lead to increased reputational risk and possible actions by the OAG.</i>
Operations	Low <i>Council's Management and Administration staff assist AMD by providing all information and documents requested. Operational impact is minimal in reporting progress on audit findings, however the operational impact of not closing findings would be significantly higher if conditions escalated.</i>
Natural Environment	Low

	Consequence				
Likelihood	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

COMMENT

The new audit findings for 2023-2024 were added to the Audit Risk Register following the interim audit.

The CEO and EMCS will continue to report on progress of audit findings through the Audit Progress Register that is submitted to the Audit and Risk Committee and recommended to Council.

SHIRE OF QUAIRADING
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

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The Shire of Quairading conducts the operations of a local government with the following community vision:

“Our Shire is a place of welcome for all, where we work together, with thriving industry creating jobs, a bright future for our young people, and a bustling town in a beautiful and productive rural setting.”

Principal place of business:
10 Jennaberring Road
Quairading WA 6383

**SHIRE OF QUAIRADING
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

*Local Government Act 1995
Local Government (Financial Management) Regulations 1996*

STATEMENT BY CEO

The accompanying financial report of the Shire of Quairading has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2024 and the financial position as at 30 June 2024.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the

day of

October 2024

CEO

Natalie Ness

Name of CEO

**SHIRE OF QUAIRADING
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual \$	2024 Budget \$	2023 Actual \$
Revenue				
Rates	2(a),25	2,640,665	2,642,443	2,492,164
Grants, subsidies and contributions	2(a)	2,455,183	437,716	3,020,047
Fees and charges	2(a)	675,445	616,835	617,221
Interest revenue	2(a)	222,726	118,855	159,378
Other revenue	2(a)	459,002	413,189	380,066
		6,453,021	4,229,038	6,668,876
Expenses				
Employee costs	2(b)	(2,264,757)	(2,269,697)	(2,120,531)
Materials and contracts		(2,391,227)	(2,175,621)	(1,840,484)
Utility charges		(309,394)	(268,450)	(276,548)
Depreciation		(3,415,918)	(3,152,353)	(3,088,512)
Finance costs		(10,929)	(13,248)	(13,096)
Insurance		(282,142)	(199,849)	(238,146)
Other expenditure	2(b)	(617,300)	(134,755)	(162,203)
		(9,291,667)	(8,213,973)	(7,739,520)
		(2,838,646)	(3,984,935)	(1,070,644)
Capital grants, subsidies and contributions	2(a)	1,940,991	2,273,038	1,655,806
Profit on asset disposals		6,909	42,582	24,899
Loss on asset disposals		(27,273)	(75,359)	(42,010)
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	1,681	0	3,686
		1,922,308	2,240,261	1,642,381
Net result for the period		(916,338)	(1,744,674)	571,737
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	16	0	0	15,065,812
Total other comprehensive income for the period	16	0	0	15,065,812
Total comprehensive income for the period		(916,338)	(1,744,674)	15,637,549

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF QUAIRADING
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024**

	NOTE	2024 \$	2023 \$
CURRENT ASSETS			
Cash and cash equivalents	3	6,380,453	6,755,895
Trade and other receivables	5	493,168	582,590
Inventories	6	198,674	416,668
Other assets	7	785,995	867,160
TOTAL CURRENT ASSETS		8,518,187	8,622,313
NON-CURRENT ASSETS			
Trade and other receivables	5	35,573	35,506
Other financial assets	4(b)	83,171	81,490
Inventories	6	114,000	345,420
Property, plant and equipment	8	23,438,504	23,720,277
Infrastructure	9	99,655,219	100,177,609
Right-of-use assets	11(a)	33,094	23,588
TOTAL NON-CURRENT ASSETS		123,359,561	124,383,890
TOTAL ASSETS		131,877,748	133,006,203
CURRENT LIABILITIES			
Trade and other payables	12	1,400,057	1,283,060
Other liabilities	13	238,647	511,526
Lease liabilities	11(b)	11,047	20,898
Borrowings	14	67,898	66,106
Employee related provisions	15	176,085	184,697
TOTAL CURRENT LIABILITIES		1,893,734	2,066,287
NON-CURRENT LIABILITIES			
Lease liabilities	11(b)	20,646	0
Borrowings	14	209,720	277,617
Employee related provisions	15	35,582	27,895
TOTAL NON-CURRENT LIABILITIES		265,948	305,512
TOTAL LIABILITIES		2,159,682	2,371,799
NET ASSETS		129,718,066	130,634,404
EQUITY			
Retained surplus		41,964,120	42,898,658
Reserve accounts	28	4,111,639	4,093,439
Revaluation surplus	16	83,642,307	83,642,307
TOTAL EQUITY		129,718,066	130,634,404

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF QUAIRADING
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2022		42,825,686	3,594,674	68,576,495	114,996,855
Comprehensive income for the period					
Net result for the period		571,737	0	0	571,737
Other comprehensive income for the period	16	0	0	15,065,812	15,065,812
Total comprehensive income for the period		571,737	0	15,065,812	15,637,549
Transfers from reserve accounts	28	351,900	(351,900)	0	0
Transfers to reserve accounts	28	(850,665)	850,665	0	0
Balance as at 30 June 2023		42,898,658	4,093,439	83,642,307	130,634,404
Comprehensive income for the period					
Net result for the period		(916,338)	0	0	(916,338)
Total comprehensive income for the period		(916,338)	0	0	(916,338)
Transfers from reserve accounts	28	121,500	(121,500)	0	0
Transfers to reserve accounts	28	(139,700)	139,700	0	0
Balance as at 30 June 2024		41,964,120	4,111,639	83,642,307	129,718,066

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF QUAIRADING
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual \$	2023 Actual \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates		2,613,702	2,440,951
Grants, subsidies and contributions		2,590,991	2,924,338
Fees and charges		675,727	617,708
Interest revenue		222,726	159,378
Goods and services tax received		549,274	338,522
Other revenue		459,002	380,066
		7,111,422	6,860,963
Payments			
Employee costs		(2,294,732)	(2,156,785)
Materials and contracts		(2,165,357)	(1,685,500)
Utility charges		(309,394)	(276,548)
Finance costs		(12,469)	(13,096)
Insurance paid		(282,142)	(238,146)
Goods and services tax paid		(532,958)	(405,962)
Other expenditure		(169,758)	(87,235)
		(5,766,810)	(4,863,272)
Net cash provided by operating activities		1,344,612	1,997,691
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant & equipment	8(a)	(505,162)	(335,644)
Payments for construction of infrastructure	9(a)	(2,238,999)	(2,720,137)
Payments for investment property	11	0	
Payments for intangible assets	11	0	
Capital grants, subsidies and contributions		1,636,778	1,658,184
Distributions from investments in associates		0	
Proceeds for financial assets at amortised cost		(659,897)	
Proceeds from financial assets at amortised cost - self supporting loans		0	1,787
Proceeds from sale of property, plant & equipment		136,909	128,018
Net cash (used in) investing activities		(1,630,371)	(1,267,792)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	27(a)	(66,105)	(66,151)
Payments for principal portion of lease liabilities	27(b)	(23,578)	(29,389)
Net cash (used in) financing activities		(89,683)	(95,540)
Net increase (decrease) in cash held		(375,442)	634,359
Cash at beginning of year		6,755,895	6,121,536
Cash and cash equivalents at the end of the year		6,380,453	6,755,895

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF QUAIRADING
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2024**

	NOTE	2024 Actual \$	2024 Budget \$	2023 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	25	2,622,180	2,623,958	2,479,194
Rates excluding general rates	25	18,485	18,485	12,970
Grants, subsidies and contributions		2,455,183	437,716	3,020,047
Fees and charges		675,445	616,835	617,221
Interest revenue		222,726	118,855	159,378
Other revenue		459,002	413,189	380,066
Profit on asset disposals		6,909	42,582	24,899
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	1,681	0	3,686
		6,461,611	4,271,620	6,697,461
Expenditure from operating activities				
Employee costs		(2,264,757)	(2,269,697)	(2,120,531)
Materials and contracts		(2,391,227)	(2,175,621)	(1,840,484)
Utility charges		(309,394)	(268,450)	(276,548)
Depreciation		(3,415,918)	(3,152,353)	(3,088,512)
Finance costs		(10,929)	(13,248)	(13,096)
Insurance		(282,142)	(199,849)	(238,146)
Other expenditure		(617,300)	(134,755)	(162,203)
Loss on asset disposals		(27,273)	(75,359)	(42,010)
		(9,318,940)	(8,289,332)	(7,781,530)
Non cash amounts excluded from operating activities	26(a)	3,895,327	3,188,687	3,183,813
Amount attributable to operating activities		1,037,998	(829,025)	2,099,744
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		1,940,991	2,273,038	1,655,806
Proceeds from disposal of assets		136,909	335,000	128,018
Proceeds from financial assets at amortised cost - self supporting loans	27(a)	0	0	1,787
		2,077,900	2,608,038	1,785,611
Outflows from investing activities				
Right of use assets received - non cash	11(a)	(34,373)		0
Purchase of property, plant and equipment	8(a)	(505,162)	(1,710,450)	(335,644)
Purchase and construction of infrastructure	9(a)	(2,238,999)	(3,057,474)	(2,720,137)
		(2,778,534)	(4,767,924)	(3,055,781)
Non-cash amounts excluded from investing activities	26(b)	34,373	0	0
Amount attributable to investing activities		(666,261)	(2,159,886)	(1,270,170)
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from new leases - non cash	27(b)	34,373	0	0
Transfers from reserve accounts	28	121,500	1,088,825	351,900
		155,873	1,088,825	351,900
Outflows from financing activities				
Repayment of borrowings	27(a)	(66,105)	(64,364)	(66,151)
Payments for principal portion of lease liabilities	27(b)	(23,578)	(31,797)	(29,389)
Transfers to reserve accounts	28	(139,700)	(220,000)	(850,665)
		(229,383)	(316,161)	(946,205)
Non-cash amounts excluded from financing activities	26(c)	(34,373)	0	0
Amount attributable to financing activities		(107,883)	772,664	(594,305)
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	26(d)	2,315,053	2,246,437	2,079,784
Amount attributable to operating activities		1,037,998	(829,025)	2,099,744
Amount attributable to investing activities		(666,261)	(2,159,886)	(1,270,170)
Amount attributable to financing activities		(107,883)	772,664	(594,305)
Surplus or deficit after imposition of general rates	26(d)	2,578,907	30,190	2,315,053

This statement is to be read in conjunction with the accompanying notes.

**SHIRE OF QUAIRADING
FOR THE YEAR ENDED 30 JUNE 2024
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SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

1. BASIS OF PREPARATION

The financial report of the Shire of Quairading which is a Class 4 local government comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

Local Government Act 1995 requirements
Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board were applied where no inconsistencies exist.

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

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

Critical accounting estimates and judgements
The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

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

As with all estimates, the use of different assumptions could lead to material changes in the amounts reported in the financial report.

The following are estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and further information on their nature and impact can be found in the relevant note:

- Fair value measurement of assets carried at reportable value including:
 - Property, plant and equipment - note 8
 - Infrastructure - note 9
- Expected credit losses on financial assets - note 5
- Assets held for sale - note 7
- Impairment losses of non-financial assets - note
- Investment property - note 11
- Estimated useful life of intangible assets - note 11
- Measurement of employee benefits - note 15
- Measurement of provisions - note 15

Fair value heirarchy information can be found in note 24

The local government reporting entity
All funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 28 of the financial report.

Initial application of accounting standards
During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- *AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates*

This standard resulted in terminology changes relating to material accounting policies (formerly referred to as significant accounting policies).

New accounting standards for application in future years
The following new accounting standards will have application to local government in future years:

- *AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*
- *AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]*
- *AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback*
- *AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants*

These amendments are not expected to have any material impact on the financial report on initial application.

- *AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*

These amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

- *AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements*

These amendments may result in additional disclosures in the case of applicable finance arrangements.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Grants, subsidies and contributions	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management, having the same nature as a licence regardless of naming.	Single point in time	Full payment prior to issue	No refunds	On payment of the licence, registration or approval
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	On entry to facility
Fees and charges - sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	At point of sale
Other revenue - private works	Contracted private works	Single point in time	Monthly in arrears	None	At point of service

Consideration from contracts with customers is included in the transaction price.

Revenue Recognition

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

For the year ended 30 June 2024

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	2,622,180	18,485	2,640,665
Grants, subsidies and contributions	137,268	0	0	2,317,915	2,455,183
Fees and charges	663,219	0	12,226	0	675,445
Interest revenue	0	0	32,800	189,926	222,726
Other revenue	80,648	0	0	378,354	459,002
Capital grants, subsidies and contributions	0	1,940,991	0	0	1,940,991
Total	881,135	1,940,991	2,667,206	2,904,680	8,394,012

For the year ended 30 June 2023

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	2,479,194	12,970	2,492,164
Grants, subsidies and contributions	64,355	0	0	2,955,692	3,020,047
Fees and charges	602,374	0	14,847	0	617,221
Interest revenue	0	0	17,865	141,513	159,378
Other revenue	55,018	0	0	325,048	380,066
Capital grants, subsidies and contributions	0	1,655,806	0	0	1,655,806
Total	721,747	1,655,806	2,511,906	3,435,223	8,324,682

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

	Note	2024 Actual \$	2023 Actual \$
Interest revenue			
Financial assets at amortised cost - self supporting loans		5	44
Interest on reserve account		163,975	118,253
Trade and other receivables overdue interest		32,800	17,865
Other interest revenue		25,946	23,216
		<u>222,726</u>	<u>159,378</u>
The 2024 original budget estimate in relation to: Trade and other receivables overdue interest was \$18,850.			
Fees and charges relating to rates receivable			
Charges on instalment plan		1,290	1,415
The 2024 original budget estimate in relation to: Charges on instalment plan was \$1,500.			
(b) Expenses			
Auditors remuneration			
- Audit of the Annual Financial Report		31,590	32,220
- Other services – grant acquittals		3,450	500
		<u>35,040</u>	<u>32,720</u>
Employee Costs			
Employee benefit costs		1,969,045	1,826,405
Other employee costs		295,712	294,126
		<u>2,264,757</u>	<u>2,120,531</u>
Finance costs			
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss		10,929	13,096
		<u>10,929</u>	<u>13,096</u>
Other expenditure			
Impairment losses on trade receivables		282	487
Write down of inventories to net realisable value	6	447,260	74,481
Sundry expenses		169,758	87,235
		<u>617,300</u>	<u>162,203</u>

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

3. CASH AND CASH EQUIVALENTS

Note	2024	2023
	\$	\$
Cash at bank and on hand	2,655,601	4,703,084
Term deposits	3,724,852	2,052,811
Total cash and cash equivalents	6,380,453	6,755,895
Held as		
- Unrestricted cash and cash equivalents	1,978,775	2,054,434
- Restricted cash and cash equivalents	4,401,678	4,701,461
	6,380,453	6,755,895

MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

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

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted financial assets

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

4. OTHER FINANCIAL ASSETS

Note	2024	2023
	\$	\$
(a) Current assets		
Financial assets at amortised cost	659,897	0
	659,897	0
Other financial assets at amortised cost		
Term deposits	659,897	0
	659,897	0
Held as		
- Unrestricted other financial assets at amortised cost	659,897	0
	659,897	0
(b) Non-current assets		
Financial assets at fair value through profit or loss	83,171	81,490
	83,171	81,490
Financial assets at fair value through profit or loss		
Units in Local Government House Trust - opening balance	81,490	77,804
Movement attributable to fair value increment	1,681	3,686
Units in Local Government House Trust - closing balance	83,171	81,490

MATERIAL ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 24 (i)) due to the observable market rates).

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

Financial assets at fair value through profit or loss

The Shire has elected to classify the following financial assets at fair value through profit or loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has elected to recognise as fair value gains and losses through profit or loss.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

5. TRADE AND OTHER RECEIVABLES

Note	2024	2023
	\$	\$
Current		
Rates and statutory receivables	279,317	247,385
Trade receivables	138,416	243,172
GST receivable	76,498	92,814
Allowance for credit losses of trade receivables	(1,063)	(781)
	493,168	582,590
Non-current		
Rates and statutory receivables	35,573	35,506
	35,573	35,506

Disclosure of opening and closing balances related to contracts with customers

Information about receivables from contracts with customers along with financial assets and associated liabilities arising from transfers to enable the acquisition or construction of recognisable non financial assets is:

Note	30 June 2024 Actual	30 June 2023 Actual	1 July 2022 Actual
	\$	\$	\$
Contract assets	7 676,569	837,395	187,707
Allowance for credit losses of trade receivables	5 (1,063)	(781)	(294)
Total trade and other receivables from contracts with customers	675,506	836,614	187,413

MATERIAL ACCOUNTING POLICIES

Rates and statutory receivables

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

Trade receivables

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations or for the construction of recognisable non financial assets as part of the ordinary course of business.

Other receivables

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers and amounts received as grants for the construction of recognisable non financial assets.

Measurement

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be

Classification and subsequent measurement

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

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

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

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

6. INVENTORIES

	Note	2024	2023
		\$	\$
Current			
Fuel and materials		8,674	10,828
Land held for resale			
Cost of acquisition		190,000	405,840
		198,674	416,668
Non-current			
Land held for resale			
Cost of acquisition		114,000	345,420
		114,000	345,420
The following movements in inventories occurred during the year:			
Balance at beginning of year		762,088	880,254
Inventories expensed during the year		(125,173)	(127,944)
Write down of inventories to net realisable value	2(b)	(447,260)	(74,481)
Disposal of inventory		0	(50,000)
Additions to inventory		123,019	134,259
Balance at end of year		312,674	762,088

MATERIAL ACCOUNTING POLICIES

General
Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Land held for resale
Land held for development and resale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development.

Land held for resale (Continued)
Borrowing costs and holding charges incurred after development is completed are expensed.

Gains and losses are recognised in profit or loss at the time of signing an unconditional contract of sale if significant risks and rewards, and effective control over the land, are passed onto the buyer at this point.

Land held for resale is classified as current except where it is held as non-current based on the Shire's intentions to release for sale.

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

7. OTHER ASSETS

Other assets - current

Prepayments
Accrued income
Contract assets

2024	2023
\$	\$
63,741	7,435
45,685	22,330
676,569	837,395
785,995	867,160

MATERIAL ACCOUNTING POLICIES

Contract assets

Contract assets primarily relate to the Shire's right to . consideration for work completed but not billed at the end of the period.

Other current assets

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

8. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

Movement in the balances of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Assets not subject to operating lease			Total Property					Plant and equipment		Total property, plant and equipment
	Land	Buildings - non-specialised	Buildings - specialised	Land	Buildings - non-specialised	Buildings - specialised	Work in progress	Total Property	Furniture and equipment	Plant and equipment	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	1,295,370	2,110,632	12,871,750	1,295,370	2,110,632	12,871,750	255,519	16,533,271	124,375	4,364,834	21,022,480
Additions	0	0	44,445	0	0	44,445	0	44,445	81,699	209,500	335,644
Disposals	0	0	(11,965)	0	0	(11,965)	0	(11,965)	(20,293)	(62,871)	(95,129)
Revaluation increments / (decrements) transferred to revaluation surplus	(94,499)	479,024	2,712,029	(94,499)	479,024	2,712,029	0	3,096,554	0	0	3,096,554
Depreciation	0	(25,863)	(256,490)	0	(25,863)	(256,490)	0	(282,353)	(34,930)	(340,203)	(657,486)
Transfers	255,519	0	0	255,519	0	0	(255,519)	0	0	18,214	18,214
Balance at 30 June 2023	1,456,390	2,563,793	15,359,769	1,456,390	2,563,793	15,359,769	0	19,379,952	150,851	4,189,474	23,720,277
Comprises:											
Gross balance amount at 30 June 2023	1,456,390	2,563,793	15,359,769	1,456,390	2,563,793	15,359,769	0	19,379,952	285,136	6,123,767	25,788,855
Accumulated depreciation at 30 June 2023	0	0	0	0	0	0	0	0	(134,285)	(1,934,293)	(2,068,578)
Balance at 30 June 2023	1,456,390	2,563,793	15,359,769	1,456,390	2,563,793	15,359,769	0	19,379,952	150,851	4,189,474	23,720,277
Additions	0	0	91,803	0	0	91,803	11,203	103,006	35,442	366,714	505,162
Disposals	0	0	0	0	0	0	0	0	0	(157,273)	(157,273)
Depreciation	0	(36,097)	(308,514)	0	(36,097)	(308,514)	0	(344,611)	(41,134)	(364,472)	(750,217)
Transfers	0	0	86,000	0	0	86,000	0	86,000	17,503	17,052	120,555
Balance at 30 June 2024	1,456,390	2,527,696	15,229,058	1,456,390	2,527,696	15,229,058	11,203	19,224,347	162,662	4,051,495	23,438,504
Comprises:											
Gross balance amount at 30 June 2024	1,456,390	2,563,793	15,537,572	1,456,390	2,563,793	15,537,572	11,203	19,568,958	338,081	6,307,576	26,214,615
Accumulated depreciation at 30 June 2024	0	(36,097)	(308,514)	0	(36,097)	(308,514)	0	(344,611)	(175,419)	(2,256,081)	(2,776,111)
Balance at 30 June 2024	1,456,390	2,527,696	15,229,058	1,456,390	2,527,696	15,229,058	11,203	19,224,347	162,662	4,051,495	23,438,504

* The impairment loss relates to a grader damaged in an accident. The whole amount was recognised as other expense in profit or loss, as there was no amount included in the asset revaluation surplus relating to plant and equipment. Refer Note 2(b).

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Amount Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value - as determined at the last valuation date					
Land and buildings					
Land	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2023	Price per hectare
Buildings - non-specialised	2	Market approach using recent observable market data for similar properties	Independent registered valuers	June 2023	Price per square metre
Buildings - specialised	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2023	Improvements to land using construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.					
During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs. The valuation techniques applied to property subject to lease was the same as that applied to property not subject to lease.					
(ii) Cost					
Furniture and equipment	3	N/A	Cost	N/A	N/A
Plant and equipment	3	N/A	Cost	N/A	N/A

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

9. INFRASTRUCTURE

(a) Movements in Balances

Movement in the balances of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - roads	Infrastructure - footpaths	Infrastructure - bridges	Infrastructure - other community & recreation facilities	Infrastructure - work in progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2022	73,069,421	594,210	9,181,436	4,952,739	110,376	87,908,182
Additions	1,914,608	32,079	0	21,121	752,329	2,720,137
Revaluation increments / (decrements) transferred to revaluation surplus	9,246,265	10,582	1,709,700	1,002,711	0	11,969,258
Depreciation	(1,850,317)	(34,911)	(156,058)	(360,468)	0	(2,401,754)
Transfers	0	0	0	(18,214)	0	(18,214)
Balance at 30 June 2023	82,379,977	601,960	10,735,078	5,597,889	862,705	100,177,609
Comprises:						
Gross balance at 30 June 2023	102,914,014	1,219,564	18,934,298	9,112,380	862,705	133,042,961
Accumulated depreciation at 30 June 2023	(20,534,037)	(617,604)	(8,199,220)	(3,514,491)	0	(32,865,352)
Balance at 30 June 2023	82,379,977	601,960	10,735,078	5,597,889	862,705	100,177,609
Additions	1,436,460	0	0	802,539	0	2,238,999
Depreciation	(2,125,515)	(32,819)	(181,888)	(300,612)	0	(2,640,834)
Transfers	0	0	0	742,150	(862,705)	(120,555)
Balance at 30 June 2024	81,690,922	569,141	10,553,190	6,841,966	0	99,655,219
Comprises:						
Gross balance at 30 June 2024	104,350,475	1,219,564	18,934,299	10,657,069	0	135,161,407
Accumulated depreciation at 30 June 2024	(22,659,553)	(650,423)	(8,381,109)	(3,815,103)	0	(35,506,188)
Balance at 30 June 2024	81,690,922	569,141	10,553,190	6,841,966	0	99,655,219

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

9. INFRASTRUCTURE (Continued)

(b) Carrying Amount Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value - as determined at the last valuation date					
Infrastructure - roads	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2023	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - footpaths	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2023	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - bridges	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2023	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
Infrastructure - other community & recreation facilities	3	Cost approach using depreciated replacement cost	Independent registered valuers	June 2023	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

10. FIXED ASSETS

(a) Depreciation

Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Buildings	25 - 95 years
Furniture and equipment	5 - 40 years
Plant and equipment	4 - 40 years
Unsealed Roads	
- Aggregate Surfaces	15 - 20 years
- Asphalt Surfaces	15 - 20 Years
- Pavement Surfaces	12 - 16 Years
Drainage Systems	60 - 100 Years
Clearing & Formation	Not Depreciated
Culverts/Floodways	60 - 100 Years
Concrete Footpaths	40 - 65 Years
Footpaths Other	15 - 65 Years
Kerbing	60 - 100 Years
Bridges	80 - 175 Years
Other Infrastructure	10 - 175 years
Right-of-use Assets	Based on the remaining lease term

SHIRE OF QAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

10. FIXED ASSETS (Continued)

MATERIAL ACCOUNTING POLICIES

Initial recognition

An item of property, plant and equipment or infrastructure that qualifies for recognition as an asset is measured at its cost.

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, plus costs incidental to the acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition.

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Local Government (Financial Management) Regulation 17A(5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

Individual assets that are land, buildings and infrastructure acquired between scheduled revaluation dates of the asset class in accordance with the Shire's revaluation policy, are recognised at cost and disclosed as being at reportable value.

Measurement after recognition

Plant and equipment including furniture and equipment and right-of-use assets (other than vested improvements) are measured using the cost model as required under *Local Government (Financial Management) Regulation 17A(2)*. Assets held under the cost model are carried at cost less accumulated depreciation and any impairment losses.

Reportable Value

In accordance with *Local Government (Financial Management) Regulation 17A(2)*, the carrying amount of non-financial assets that are *land and buildings classified as property, plant and equipment*, investment properties, infrastructure or vested improvements that the local government controls.

Reportable value is for the purpose of *Local Government (Financial Management) Regulation 17A(4)* is the fair value of the asset at its last valuation date minus (to the extent applicable) the accumulated depreciation and any accumulated impairment losses in respect of the non-financial asset subsequent to its last valuation date.

Revaluation

Land and buildings classified as property, plant and equipment, *infrastructure or vested improvements that the local government* controls and measured at reportable value, are only required to be revalued every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on land vested in the Shire.

Whilst the regulatory framework only requires a revaluation to occur every five years, it also provides for the Shire to revalue earlier if it chooses to do so.

For land, buildings and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity.

Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

Depreciation

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on revaluation

When an item of property, plant and equipment and infrastructure is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Impairment

In accordance with *Local Government (Financial Management) Regulations 17A(4C)*, the Shire is not required to comply with *AASB 136 Impairment of Assets* to determine the recoverable amount of its non-financial assets that are land or buildings classified as property, plant and equipment, infrastructure or vested improvements that the local government controls in circumstances where there has been an impairment indication of a general decrease in asset values.

In other circumstances where it has been assessed that one or more of these non-financial assets are impaired, the asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

11. LEASES

(a) Right-of-Use Assets

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.

Note	Right-of-use assets - plant and equipment	Right-of-use assets Total
	\$	\$
Balance at 1 July 2022	52,860	52,860
Depreciation	(29,272)	(29,272)
Balance at 30 June 2023	23,588	23,588
Gross balance amount at 30 June 2023	91,091	91,091
Accumulated depreciation at 30 June 2023	(67,503)	(67,503)
Balance at 30 June 2023	23,588	23,588
Additions	34,373	34,373
Depreciation	(24,867)	(24,867)
Balance at 30 June 2024	33,094	33,094
Gross balance amount at 30 June 2024	125,464	125,464
Accumulated depreciation at 30 June 2024	(92,370)	(92,370)
Balance at 30 June 2024	33,094	33,094

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the Shire is the lessee:

	2024 Actual	2023 Actual
	\$	\$
Depreciation on right-of-use assets	(24,867)	(29,272)
Finance charge on lease liabilities	(532)	(442)
Total amount recognised in the statement of comprehensive income	(25,399)	(29,714)
Total cash outflow from leases	(24,110)	(29,831)
(b) Lease Liabilities		
Current	11,047	20,898
Non-current	20,646	0
	27(b) 31,693	20,898

The Shire has three leases relating to plant and equipment. Two leases have a term of 3 years and one has a term of 4 years.

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

MATERIAL ACCOUNTING POLICIES

Leases

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Shire uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Details of individual lease liabilities required by regulations are provided at Note 27(b).

Right-of-use assets - measurement

Right-of-use assets are measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not recognised in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the material accounting policies applying to vested improvements.

Right-of-use assets - depreciation

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

11. LEASES (Continued)

(c) Lessor - Property, Plant and Equipment Subject to Lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

Less than 1 year
1 to 2 years
2 to 3 years
3 to 4 years

2024 Actual	2023 Actual
\$	\$
51,126	41,472
39,611	39,508
392	34,745
0	0
74,253	115,725
56,895	46,455

Amounts recognised in profit or loss for Property, Plant and Equipment Subject to Lease
Rental income

The Shire leases houses to staff and aged persons with rentals payable monthly. These leases are classified as operating leases as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The staff houses are not considered investment property as they are leased for use in the supply of services to the community. The aged persons housing are considered a joint operation and are not considered investment property as the primary purpose is provision of community housing.

Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Although the Shire is exposed to changes in the residual value at the end of the current leases, the Shire typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

MATERIAL ACCOUNTING POLICIES

The Shire as Lessor

Upon entering into each contract as a lessor, the Shire assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (eg legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the Shire applies AASB 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

12. TRADE AND OTHER PAYABLES

	2024	2023
	\$	\$
Current		
Sundry creditors	1,121,125	977,943
Prepaid rates	61,978	56,942
Accrued payroll liabilities	76,255	101,480
ATO liabilities	39,359	43,184
Bonds and deposits held	51,392	96,496
Accrued interest	1,148	2,688
Accrued expenditure	48,410	3,547
Income received in advance	390	780
	1,400,057	1,283,060

MATERIAL ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are initially recognised at fair value when the Shire becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Prepaid rates

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

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

13. OTHER LIABILITIES

	2024	2023
	\$	\$
Current		
Contract liabilities	68,952	37,618
Capital grant/contributions liabilities	169,695	473,908
	238,647	511,526
Reconciliation of changes in contract liabilities		
Opening balance	37,618	1,750
Additions	68,952	37,618
Revenue from contracts with customers included as a contract liability at the start of the period	(37,618)	(1,750)
	68,952	37,618
The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was \$68,952 (2023: \$37,618)		
The Shire expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months.		
Reconciliation of changes in capital grant/contribution liabilities		
Opening balance	473,908	471,530
Additions	169,695	473,908
Revenue from capital grant/contributions held as a liability at the start of the period	(473,908)	(471,530)
	169,695	473,908
Expected satisfaction of capital grant/contribution liabilities		
Less than 1 year	169,695	473,908
	169,695	473,908

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

MATERIAL ACCOUNTING POLICIES

Contract liabilities

Contract liabilities represent the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

Capital grant/contribution liabilities

Capital grant/contribution liabilities represent the Shire's obligations to construct recognisable non-financial assets to identified specifications to be controlled by the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as income when the obligations in the contract are satisfied.

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

14. BORROWINGS

	Note	2024			2023		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Debentures		67,898	209,720	277,618	66,106	277,617	343,723
Total secured borrowings	27(a)	67,898	209,720	277,618	66,106	277,617	343,723

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Quairading. Other loans relate to transferred receivables. Refer to Note 5.

The Shire of Quairading has complied with the financial covenants of its borrowing facilities during the 2024 and 2023 years.

MATERIAL ACCOUNTING POLICIES

Borrowing costs

The Shire has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 24(i)) due to the unobservable inputs, including own credit risk.

Risk

Details of individual borrowings required by regulations are provided at Note 27(a).

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

15. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

Current provisions

Employee benefit provisions

Annual leave

Long service leave

Employee related other provisions

Employment on-costs

Total current employee related provisions

Non-current provisions

Employee benefit provisions

Long service leave

Employee related other provisions

Employment on-costs

Total non-current employee related provisions

Total employee related provisions

	2024	2023
	\$	\$
Annual leave	120,960	129,164
Long service leave	33,441	34,533
	154,401	163,697
Employment on-costs	21,684	21,000
	21,684	21,000
Total current employee related provisions	176,085	184,697
Long service leave	31,139	24,681
	31,139	24,681
Employment on-costs	4,443	3,214
	4,443	3,214
Total non-current employee related provisions	35,582	27,895
Total employee related provisions	211,667	212,592

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

MATERIAL ACCOUNTING POLICIES

Employee benefits

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

Short-term employee benefits

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

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

Other long-term employee benefits

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

16. REVALUATION SURPLUS

	2024 Opening Balance	Total Movement on Revaluation	2024 Closing Balance	2023 Opening Balance	Total Movement on Revaluation	2023 Closing Balance
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	918,020	0	918,020	1,012,519	(94,499)	918,020
Revaluation surplus - Buildings	10,706,094	0	10,706,094	7,515,041	3,191,053	10,706,094
Revaluation surplus - Furniture and equipment	20,568	0	20,568	20,568	0	20,568
Revaluation surplus - Plant and equipment	53,677	0	53,677	53,677	0	53,677
Revaluation surplus - Infrastructure - roads	56,645,915	0	56,645,915	47,399,650	9,246,265	56,645,915
Revaluation surplus - Infrastructure - footpaths	374,446	0	374,446	363,864	10,582	374,446
Revaluation surplus - Infrastructure - bridges	11,637,670	0	11,637,670	9,927,970	1,709,700	11,637,670
Revaluation surplus - Infrastructure - other community & recreation facilities	3,285,917	0	3,285,917	2,283,206	1,002,711	3,285,917
	83,642,307	0	83,642,307	68,576,495	15,065,812	83,642,307

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

17. RESTRICTIONS OVER FINANCIAL ASSETS

	Note	2024 Actual \$	2023 Actual \$
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	4,401,678	4,701,461
		<u>4,401,678</u>	<u>4,701,461</u>
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	28	4,111,639	4,093,439
Contract liabilities	13	68,952	37,618
Capital grant liabilities	13	169,695	473,908
Bonds and deposits held	12	51,392	96,496
Total restricted financial assets		<u>4,401,678</u>	<u>4,701,461</u>
18. UNDRAWN BORROWING FACILITIES AND CREDIT STANDBY ARRANGEMENTS			
Credit card limit		20,000	17,000
Credit card balance at balance date		(1,822)	(6,091)
Total amount of credit unused		<u>18,178</u>	<u>10,909</u>
Loan facilities			
Loan facilities - current		67,898	66,106
Loan facilities - non-current		209,720	277,617
Total facilities in use at balance date		<u>277,618</u>	<u>343,723</u>
Unused loan facilities at balance date		0	0

**SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024**

19. CONTINGENT LIABILITIES

In compliance with the Contaminated Sites Act 2003 Section 11, the Shire of Quairading has identified the following sites to be possible sources of contamination:

- Airstrip (Historic; small agricultural chemical spill)
- Fuel Tanks at Works Depot (Current; recent test showed no leak in fuel tank)
- Old Community Sheep Dip at Doodenanning (Historic; unassessed)

Until the Shire conducts an investigation to determine the presence and scope of contamination, assess the risk, and agree with the Department of Environment Regulation on the need and criteria for remediation of a risk based approach, the Shire is unable to estimate the potential costs associated with remediation of these sites. This approach is consistent with the Department of Environment Regulation Guidelines.

20. CAPITAL COMMITMENTS

	2024	2023
	\$	\$
Contracted for:		
- capital expenditure projects	105,244	122,375
	105,244	122,375
Payable:		
- not later than one year	105,244	122,375

The Capital expenditure projects outstanding at the end of the current reporting period is the bitumen seal of the Quairading - Corrigin Road.

The capital expenditure projects outstanding at the end of the previous year represent is the Kwirradig Koort Community Park.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

21. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

Fees, expenses and allowances to be paid or reimbursed to elected council members.

	Note	2024 Actual \$	2024 Budget \$	2023 Actual \$
President's annual allowance		1,100	1,100	526
President's meeting attendance fees		6,465	5,780	5,741
		7,565	6,880	6,267
Deputy President's meeting attendance fees		4,378	3,195	3,122
		4,378	3,195	3,122
All other council member's meeting attendance fees		18,558	14,135	14,042
		18,558	14,135	14,042
	21(b)	30,501	24,210	23,431

(b) Key Management Personnel (KMP) Compensation

The total of compensation paid to KMP of the Shire during the year are as follows:

Short-term employee benefits		628,981	631,324
Post-employment benefits		66,382	63,422
Employee - other long-term benefits		19,546	16,536
Employee - termination benefits		25,263	39,590
Council member costs	21(a)	30,501	23,431
		770,673	774,303

Short-term employee benefits

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

Post-employment benefits

These amounts are the current-year's cost of the Shire's superannuation contributions made during the year.

Other long-term benefits

These amounts represent annual leave and long service leave entitlements accruing during the year.

Termination benefits

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

Council member costs

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

21. RELATED PARTY TRANSACTIONS

Transactions with related parties

Transactions between related parties and the Shire are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guarantees exist in relation to related parties at year end.

In addition to KMP compensation above the following transactions occurred with related parties:

	2024 Actual	2023 Actual
	\$	\$
Sale of goods and services	9,611	642
Payment of council member costs	30,501	23,431
Amounts outstanding from related parties:		
Trade and other receivables	2,104	1,904
Amounts payable to related parties:		
Trade and other payables	5,884	5,667

Related Parties

The Shire's main related parties are as follows:

- i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Shire, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 21(a) and 21(b).
- ii. Other Related Parties

Short-term employee benefits related to an associate person of the CEO who was employed by the Shire under normal employment terms and conditions.

Outside of normal citizen type transactions with the Shire, there were no other related party transactions involving key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.
- iii. Entities subject to significant influence by the Shire

There were no such entities requiring disclosure during the current or previous year.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

22. JOINT ARRANGEMENTS

Share of joint operations

The Shire of Quairading has participated in a joint venture with Homeswest for the construction of two three bedroom duplex units in Suburban Road, Quairading. The provision of this housing aims to provide accommodation for low income families.

The Shire of Quairading has a 18.95% interest in the assets and liabilities of this joint venture.

Council manages the operation of the joint venture under the auspices of Homeswest.

All revenue and expenses of the joint venture are recognised in the relevant financial statements of Council.

Statement of Financial Position

	2024 Actual	2023 Actual
	\$	\$
Land and Buildings	97,543	97,543
Accumulated depreciation	(1,264)	0
Total assets	96,279	97,543

Statement of Comprehensive Income

Other revenue	14,988	6,156
Other expense	(16,408)	(20,527)
Profit/(loss) for the period	(1,420)	(14,371)
Other comprehensive income	0	17,571
Total comprehensive income for the period	(1,420)	3,200

MATERIAL ACCOUNTING POLICIES

Joint operations

A joint operation is a joint arrangement where the Shire has joint control with two or more parties to the joint arrangement. All parties to joint arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

Assets, liabilities, revenues and expenses relating to the Shire's interest in the joint operation are accounted for in accordance with the relevant Australian Accounting Standard.

**SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2024**

23. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

The Shire does not have any subsequent events after balance sheet date.

UNCONFIRMED

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

24. OTHER MATERIAL ACCOUNTING POLICIES

a) Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

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

c) Rounding off figures
All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

d) Comparative figures
Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial report is presented.

e) Budget comparative figures
Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

f) Superannuation
The Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

g) Fair value of assets and liabilities
Fair value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

h) Interest revenue
Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

i) Fair value hierarchy
AASB 13 Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques
The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

Market approach
Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach
Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach
Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

j) Impairment of assets
In accordance with Australian Accounting Standards the Shire's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount except for non-financial assets that are:

- land and buildings classified as property, plant and equipment;
- infrastructure; or
- vested improvements that the local government controls, in circumstances where there has been an impairment indication of a general decrease in asset values.

These non-financial assets are assessed in accordance with the regulatory framework detailed in Note 10.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. *AASB 116 Property, Plant and Equipment*) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2024

26. DETERMINATION OF SURPLUS OR DEFICIT

		2023/24 (30 June 2024 Carried Forward)	2023/24 Budget (30 June 2024 Carried Forward)	2022/23 (30 June 2023 Carried Forward)
	Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to operating activities				
Less: Profit on asset disposals		(6,909)	(42,582)	(24,899)
Less: Movement in liabilities associated with restricted cash		5,846	3,557	4,666
Less: Fair value adjustments to financial assets at fair value through profit or loss		(1,681)		(3,686)
Add: Loss on disposal of assets		27,273	75,359	42,010
Add: Impairment of Plant and Equipment	8(a)	0	0	0
Add: Depreciation	10(a)	3,415,918	3,152,353	3,088,512
Non-cash movements in non-current assets and liabilities:				
Pensioner deferred rates		(67)	0	(4,875)
Employee benefit provisions		7,687	0	7,604
Inventory		447,260	0	74,481
Non-cash amounts excluded from operating activities		3,895,327	3,188,687	3,183,813
(b) Non-cash amounts excluded from investing activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to investing activities				
Right of use assets received - non cash	11(a)	34,373	0	0
Non-cash amounts excluded from investing activities		34,373	0	0
(c) Non-cash amounts excluded from financing activities				
The following non-cash revenue or expenditure has been excluded from amounts attributable to financing activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
Adjustments to financing activities				
Non cash proceeds from new leases	27(b)	(34,373)	0	0
Non-cash amounts excluded from financing activities		(34,373)	0	0
(d) Surplus or deficit after imposition of general rates				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
Adjustments to net current assets				
Less: Reserve accounts	28	(4,111,639)	(3,224,614)	(4,093,439)
Less: Financial assets at amortised cost				
Less: Current assets not expected to be received at end of year				
- Land held for resale	6	(190,000)	(50,000)	(405,840)
Add: Current liabilities not expected to be cleared at end of year				
- Current portion of borrowings	14	67,898	0	66,106
- Current portion of lease liabilities	11(b)	11,047	31,797	20,898
- Employee benefit provisions		177,148	174,859	171,302
Total adjustments to net current assets		(4,045,546)	(3,067,958)	(4,240,973)
Net current assets used in the Statement of Financial Activity				
Total current assets		8,518,187	4,585,395	8,622,313
Less: Total current liabilities		(1,893,734)	(1,487,247)	(2,066,287)
Less: Total adjustments to net current assets		(4,045,546)	(3,067,958)	(4,240,973)
Surplus or deficit after imposition of general rates		2,578,907	30,190	2,315,053

SHIRE OF QUAIRADING
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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27. BORROWING AND LEASE LIABILITIES

(a) Borrowings

		Actual							Budget			
Purpose	Note	Principal at 1 July 2022	New Loans During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023	New Loans During 2023-24	Principal Repayments During 2023-24	Principal at 30 June 2024	Principal at 1 July 2023	New Loans During 2023-24	Principal Repayments During 2023-24	Principal at 30 June 2024
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Depot Building		293,539	0	(49,813)	243,726	0	(51,338)	192,388	193,914	0	(49,813)	144,101
Park Cottages		114,548	0	(14,551)	99,997	0	(14,767)	85,230	85,445	0	(14,551)	70,894
Total		408,087	0	(64,364)	343,723	0	(66,105)	277,618	279,359	0	(64,364)	214,995
Self Supporting Loans												
Golf Club		1,787	0	(1,787)	0	0	0	0	0	0	0	0
Total Self Supporting Loans		1,787	0	(1,787)	0	0	0	0	0	0	0	0
Total Borrowings	14	409,874	0	(66,151)	343,723	0	(66,105)	277,618	279,359	0	(64,364)	214,995

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost.
All other loan repayments were financed by general purpose revenue.

Borrowing Finance Cost Payments

Purpose	Loan Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2024	Budget for year ending 30 June 2024	Actual for year ending 30 June 2023
					\$	\$	\$
Depot Building	118	WATC*	3.04%	15/07/2027	(8,398)	(10,647)	(10,279)
Park Cottages	119	WATC*	1.49%	9/06/2029	(1,999)	(2,431)	(2,317)
Total					(10,397)	(13,078)	(12,596)
Self Supporting Loans Finance Cost Payments							
Golf Club	117	WATC*	4.08%	5/08/2023	0	(5)	(58)
Total Self Supporting Loans Finance Cost Payments					0	(5)	(58)
Total Finance Cost Payments					(10,397)	(13,083)	(12,654)

* WA Treasury Corporation

SHIRE OF QUAIRADING
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FOR THE YEAR ENDED 30 JUNE 2024

27. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

		Actual							Budget			
Purpose	Note	Principal at	New Leases	Principal	Principal at 30	New Leases	Principal	Principal at	Principal at 1	New Leases	Principal	Principal at
		1 July 2022	During 2022-23	Repayments During 2022-23	June 2023	During 2023-24	Repayments During 2023-24	30 June 2024	July 2023	During 2023-24	Repayments During 2023-24	30 June 2024
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
CESM Vehicle		43,647	0	(26,092)	17,555	0	(17,555)	0	17,555	0	(17,555)	0
Canon Copier		6,640	0	(3,297)	3,343	0	(3,343)	0	3,335	0	(3,335)	0
Gym Equipment		0	0	0	0	34,373	(2,680)	31,693	0	0	(10,907)	(10,907)
Total Lease Liabilities	11(b)	50,287	0	(29,389)	20,898	34,373	(23,578)	31,693	20,890	0	(31,797)	(10,907)
Lease Finance Cost Payments												
Purpose	Lease Number	Institution	Interest Rate	Date final payment is due		Actual for year ending 30 June 2024	Budget for year ending 30 June 2024	Actual for year ending 30 June 2023	Lease Term			
CESM Vehicle	2	Summit Fleet	1.10%	15/02/2024		\$ (73)	\$ (72)	\$ (349)	36 Months			
Canon Copier	3	Canon Finance	1.40%	20/05/2024		(47)	(93)	(93)	48 Months			
Gym Equipment	5	Maia Financial	4.95%	1/01/2027		(412)	0	0	48 Months			
Total Finance Cost Payments						(532)	(165)	(442)				

SHIRE OF QUAIRADING
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28. RESERVE ACCOUNTS	2024 Actual Opening Balance	2024 Actual Transfer to	2024 Actual Transfer (from)	2024 Actual Closing Balance	2024 Budget Opening Balance	2024 Budget Transfer to	2024 Budget Transfer (from)	2024 Budget Closing Balance	2023 Actual Opening Balance	2023 Actual Transfer to	2023 Actual Transfer (from)	2023 Actual Closing Balance
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted by council												
(a) Long Service Leave Reserve	171,302	5,846	0	177,148	171,302	3,557	0	174,859	166,636	4,666	0	171,302
(b) Building Reserve	925,026	31,569	(15,000)	941,595	925,026	19,208	(430,000)	514,234	972,784	27,242	(75,000)	925,026
(c) Furniture, Fittings & Equipment Reserve	72,254	2,466	(50,000)	24,720	72,254	1,500	(10,000)	63,754	114,060	3,194	(45,000)	72,254
(d) Plant Reserve	779,334	26,597	(56,500)	749,431	779,333	151,183	(478,000)	452,516	740,497	270,737	(231,900)	779,334
(e) Health Reserve	99,576	3,398	0	102,974	99,576	2,068	0	101,644	48,225	51,351	0	99,576
(f) Swimming Pool Reserve	20,278	692	0	20,970	20,278	421	0	20,699	264	20,014	0	20,278
(g) Sustainable Environment Reserve	171,413	5,850	0	177,263	171,412	3,559	0	174,971	166,743	4,670	0	171,413
(h) Town Planning & Development Reserve	72,049	2,459	0	74,508	72,050	1,496	0	73,546	2,000	70,049	0	72,049
(i) HomesWest Joint Venture Housing Reserve	5,425	185	0	5,610	5,425	113	0	5,538	5,277	148	0	5,425
(j) Road Infrastructure Reserve	550,929	18,802	0	569,731	550,929	11,440	(85,675)	476,694	428,918	122,011	0	550,929
(k) Rec Centre Multi Purpose Precinct Reserve	538,610	18,382	0	556,992	538,611	11,184	0	549,795	378,024	160,586	0	538,610
(l) Building Renewal Reserve	125,739	4,291	0	130,030	125,739	2,611	0	128,350	122,314	3,425	0	125,739
(m) Independent Living Reserve	561,504	19,163	0	580,667	561,504	11,660	(85,150)	488,014	448,932	112,572	0	561,504
	4,093,439	139,700	(121,500)	4,111,639	4,093,439	220,000	(1,088,825)	3,224,614	3,594,674	850,665	(351,900)	4,093,439

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

In accordance with council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of reserve account	Purpose of the reserve account
Restricted by council	
(a) Long Service Leave Reserve	To be used to fund future Employee Leave requirements.
(b) Building Reserve	To be used to Develop and Upgrade Council Infrastructure and Building Assets.
(c) Furniture, Fittings & Equipment Reserve	To be used in funding the various furniture, fittings and equipment installed in Council buildings and for the purchase of IT Hardware and Software.
(d) Plant Reserve	To be used to assist in funding the purchase of major plant items.
(e) Health Reserve	To be used to assist in funding the improvement of Medical Services and Facilities.
(f) Swimming Pool Reserve	To be used to assist in funding future major capital/upgrade works at the Quairading Memorial Swimming Pool.
(g) Sustainable Environment Reserve	To be used to assist in funding projects and initiatives which foster a sustainable environment. Such areas include waste management, recycling, water usage, gravel supplies, energy conservation and environmentally sustainable projects.
(h) Town Planning & Development Reserve	To be used to assist in funding of planning and implementation of the development of Council land and the purchase of land for future development.
(i) HomesWest Joint Venture Housing Reserve	To be used to assist with compliance with Council's Joint Venture Agreement held with the State Housing Commission and to provide funds for the maintenance, management and improvement of the Joint Venture Units.
(j) Road Infrastructure Reserve	To be used towards road infrastructure projects including replacement of culverts and bridges.
(k) Rec Centre Multi Purpose Precinct Reserve	To be used in providing assistance in the future redevelopment and capital upgrade works at the Multi Purpose Precinct.
(l) Building Renewal Reserve	To be used to fund the maintenance and renewal of Councils Building assets.
(m) Independent Living Reserve	To be used to fund the development of Independent Living Units.

6.2 Audit register - progress report**Responsible Officer** Natalie Ness, Chief Executive Officer**Reporting Officer** Tricia Brown, Executive Manager, Corporate Services**Attachments** 1. Attachment (i) Audit Register Report - November 2024 (confidential)**Voting Requirements** Simple Majority**Disclosure of Interest** Reporting Officer: Nil
Responsible Officer: Nil**COMMITTEE RESOLUTION: ARC 013-24/25**

Moved: Cr JR Hippisley

Seconded: Cr JC Hayes

That the Audit & Risk Committee recommends to Council that Council;

1. Notes the progress recorded against each item within the audit register in confidential attachment (i)

FOR: Crs TJ Stacey, JN Haythornthwaite, BR Cowcill, RC Faltyn, JC Hayes and JR Hippisley**AGAINST:** Nil**CARRIED 6/0****IN BRIEF**

- This report provides an update on the progress of actions included in the audit register.
- The audit register includes all open audit findings that have previously been accepted by the Audit and Risk Committee.

MATTER FOR CONSIDERATION

Receipt of the audit register progress report to 08/11/2024.

BACKGROUND

The external audit, also known as financial audits or audit of the annual financial statements, focuses on providing an objective and independent examination of the financial statements prepared by the Shire, increasing the value and user confidence in the financial statements.

The audit register lists findings from audit reports previously accepted by the Audit & Risk Committee. The register describes the progress of implementing improvements and percentage completion. Progress on the actions is monitored by management, this Committee and Council.

Any new finding from the 2023/2024 interim audit management letter will form part of this report.

STATUTORY ENVIRONMENT*Local Government (Audit) Regulations 1996*

Local Government (Financial Management) Regulations 1996

Local Government Act 1995

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Council will require a budget allocation of \$39,500 in the 2024/2025 Budget, which is currently an indicative cost from the OAG, in order to perform the full 2023/2024 Audit of the financial statements. It is anticipated that a budget of a similar amount is to be adopted each year but will be the subject of an annual estimate of audit fees provided by the OAG. Officers' efforts to undertake the improvements and report on progress has not been estimated or reported.

ALIGNMENT WITH STRATEGIC PRIORITIES

5.4 Governance & Leadership: Implement systems and processes that meet legislative and audit obligations

CONSULTATION

Nil.

RISK ASSESSMENT

	Option 1
Financial	Low <i>Cost of the annual audit is included in the budget. By regularly reviewing progress against audit findings, the risks associated to misconduct and error are significantly reduced.</i>
Health	Low
Reputation	Low <i>Compliant with legislative requirements. Failure to complete the findings from audit reports would lead to increased reputational risk.</i>
Operations	Low <i>Operational impact is minimal in reporting progress on audit findings. Operational impact of not closing findings would escalate.</i>
Natural Environment	Low

	Consequence				
Likelihood	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

COMMENT

The audit register **confidential attachment (i)** counts actions and totals by “Finding #”. Each finding may have more than one “recommendation” and associated “agreed management action”. Only when all recommendations and agreed management actions within a finding are deemed complete will the finding as a whole be totalled at 100% complete and recommended to be closed.

The process for adding and removing findings to the audit register is as follows:

1. An external audit is completed, and an audit report is finalised.
2. The audit report is presented to the Audit and Risk Committee (ARC).
3. The ARC recommends to Council that it notes and accepts the audit report.
4. All findings from the audit report are **added** to the audit register.
5. Progress is reported by management with updates recorded quarterly in “officer comment / action taken”.
6. Any findings deemed as complete by management are marked as “100% complete” with the status of “closed”.
7. The audit register – progress report is submitted by management to the ARC.
8. The ARC reviews the audit register and confirms completion of any 100% and closed findings.
9. The ARC recommends to Council that it notes progress and approves the findings marked as complete to be registered as closed.
10. Closed findings are **removed** from the audit register.

A summary of the audit register, included below, will illustrate the trend of actions that have been added, progressed, and completed.

The blue row represents actions added by the ARC. New audit findings presented to the current meeting are included at the subsequent meeting, following acceptance.

The green row represents actions closed by the ARC and will always total 0 for the current meeting date. The closed actions from the current meeting will then be shown in the “closed by the Audit & Risk Committee” total in the subsequent meeting’s table summary.

Status of Actions	ARC - Meeting Date						TOTAL
	2/2024	5/2024	8/2024	11/2024			
New actions added by ARC	1	0	7	0	0	0	8
Not commenced ≤10%	0	0	0	0	0	0	
Progressed >11% to 99%	0	0	0	0	0	0	
Completed =100%	0	0	0	0	0	0	
Total (0% to 100%)	0	0	0	0	0	0	
Closed by ARC	7	0	0	0	0	0	7
Total cumulative closed by ARC	0	0	0	0	0	0	
Open Actions	0	1	1	8	0	0	

The committee is requested to recommend to Council that Council note the progress and Officer comments.

Seven new actions have been added to the register following the interim 2023-2024 financial audit.

One audit finding from previous audits remains open with all other items marked as complete and have been closed off and not required to be reported.

All closed items will not form part of the audit register report for future meetings. The closed items are available for external auditors and committee/council to review.

It is requested to note the audit register progress report in **confidential attachment (i)**.

COMMENTS AFFECTING COMMITTEE DECISION

Cr Hippisley requested that the administration prepare and keep a formal document, detailing which position requires what permissions to access our IT systems, be that SynergySoft or the ShareDrive.

ITEM 7 STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES**7.1 Terms of Reference - Audit & Risk Committee - Annual Review****Responsible Officer** Natalie Ness, Chief Executive Officer**Reporting Officer** Marion Haeusler, Executive Officer**Attachments** 1. Terms Of Reference - Audit and Risk Committee [↓](#) **Voting Requirements** Simple Majority**Disclosure of Interest** Reporting Officer: Nil
Responsible Officer: Nil**COMMITTEE RESOLUTION: ARC 014-24/25**

Moved: Cr JN Haythornthwaite

Seconded: Cr BR Cowcill

That the Audit & Risk Committee recommend to Council that Council endorse the Audit & Risk Committee Terms of Reference.

FOR: Crs TJ Stacey, JN Haythornthwaite, BR Cowcill, RC Faltyn, JC Hayes and JR Hippisley**AGAINST:** Nil**CARRIED 6/0****IN BRIEF**

Under statutory requirements, Council must appoint an Audit & Risk Committee to oversee financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability, and the internal and external audit functions. The committee make recommendations and report to Council on these matters.

As per 9.5 of the Audit & Risk Committee terms of reference, the committee is required to review its performance and terms of reference once a year, and report to Council.

Officers have made minor amendments to the Terms of Reference – Audit and Risk Committee (Attachment 1).

Committee members are asked to discuss any other amendments they deem necessary or appropriate.

MATTER FOR CONSIDERATION

In 2023, Council appointed all Councillors as members of the Audit & Risk Committee. In line with the ongoing Local Government Reform, in 2023 the size of the Quairading Shire Council was reduced from eight Councillors to seven Councillors. Officers recommend in clause 3.1 of their draft of the Terms of Reference that the number of members present necessary for a quorum be reduced from five to four, being half of all members plus one.

In accordance with clause 9.5 of the Audit & Risk Committee terms of reference, the committee is asked to review and discuss its own performance for the 2023/24 Financial Year in line with this review of its terms of reference.

BACKGROUND

An audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability, and the internal and external audit functions.

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies, and overseeing the allocation of the local government's finances and resources.

The committee is to facilitate:

- The enhancement of the credibility and objectivity of internal and external financial reporting.
- Effective management of financial and other risks and the protection of Council assets.
- Compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance.
- The coordination of the internal audit function with the external audit; and
- The provision of an effective means of communication between the external auditor, internal auditor, the CEO and the Council.

The audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of Council. The committee 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 financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

In accordance with clause 9.5 of the Audit & Risk Committee terms of reference, the committee is required to, at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to Council for approval.

Officers held off the review of the Terms of Reference of the Audit and Risk Committee in anticipation of the Tranche 2 Bill of the Local Government Reform, which deals with the re-establishment of the Audit & Risk Committee as an Audit, Risk and Improvement Committee, chaired by an independent person. Information from the WALGA Governance Team suggests this legislation is now expected to come into effect no earlier than in time for the 2025 Local Government Ordinary Election.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Administration) Regulations 1996

Local Government (Financial Management) Regulations 1996

Local Government (Functions and General) Regulations 1996

Local Government (Audit) Regulations 1996

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.

[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

ALIGNMENT WITH STRATEGIC PRIORITIES

- 5.3 Governance & Leadership:** Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community
- 5.4 Governance & Leadership:** Implement systems and processes that meet legislative and audit obligations

CONSULTATION

The Audit & Risk Committee is being consulted in accordance with the Terms of Reference requirement to review the terms at least once a year.

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

Misconduct (non-financial) by a Shire employee results in financial, legal and/or reputational damage.

Financial misconduct by (a) a Shire employee, and (b) an executive/office holder results in financial, legal and/or reputational damage.

RISK ASSESSMENT

	Option 1
Financial	High <i>The Audit & Risk Committee is required to ensure local government finances and audit requirements are being followed in line with relevant Acts and Regulations.</i>
Health	N/A
Reputation	High <i>It is a statutory requirement to have an Audit & Risk Committee. As per the current Terms of Reference, at least once a year the Terms of Reference and performance of the committee are to be reviewed and recommended to Council.</i> <i>Reputational Risk is mitigated with the effective operation of Council's Audit & Risk Committee and also sound governance and financial management in place.</i>
Operations	Low <i>The annual review process provides a mechanism to ensure good governance of Council's Audit & Risk Committee. The review process is part of Council Officers normal duties.</i>
Natural Environment	N/A

	Consequence				
Likelihood	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

COMMENT

Nil.

COMMENTS AFFECTING COMMITTEE DECISION

Cr Hippisley asked when the reform to the Audit & Risk Committee through the Tranche 2 Local Government Act Amendment Bill was expected to come into effect? The CEO responded that at the WALGA AGM the update had been “possibly with the new financial year”, other reports say the changes may coincide with the next ordinary Local Government Elections.

The advice has been to consider entering into MOUs with surrounding LGs to share an independent Chairperson.

Cr Hippisley suggested using the same independent person as the School’s Financial Committee. The EMED confirmed that the Committee employed the P&C Treasurer in that role. Cr Haythornthwaite reminded that there may be stipulations to required qualifications for the independent Chair that might limit who can be appointed.

Crs discussed the possibility that a shared person might have to join meetings remotely.

Cr Hayes noted that the title of the Chief Executive Officer should be spelled out under section 7.3.2.

Cr Hayes also wondered what appropriate training was under section 9.1.

Cr Cowcill suggested that with the coming changes it was likely that a completely new document would have to be developed to replace the existing Terms of Reference. Cr Stacey agreed that a template would most likely be available at some point.

Cr Hayes agreed to leave all points mentioned as is until such time that the document would have to be replaced.



AUDIT & RISK COMMITTEE – TERMS OF REFERENCE

PURPOSE

To ensure that the audit of Council's financial and statutory functions have been undertaken in accordance with the provisions of the *Local Government Act 1995* and associated Regulations.

The Committee will also undertake a Risk Management function to ensure adequate statutory compliance and best practice mitigation is occurring.

OBJECTIVE

The objective of the committee is to assist Council in providing a transparent and independent process in its audit, risk and governance management to ensure accountability to the community in the governance and compliance framework and its financial and risk management responsibilities.

POLICY

The Audit & Risk Committee (the "committee") is a formally appointed committee of the Shire of Quairading, pursuant to a number of specific pieces of legislation. These include: -

The *Local Government Act 1995*, *The Local Government (Audit) Regulations 1996*, the *Local Government (Financial Management) Regulations 1996*. The *Local Government Act 1995*, Section 7 deals specifically with the audit and process.

The committee does not have executive powers or authority to implement actions in areas where management has the responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and is therefore independent from management.

The committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision making by the committee and Council in relation to the discharge of its responsibilities.

1 Membership

- 1.1 Members of the committee are appointed by Council. The committee is to consist of all Elected Members. The Elected Members are to vote and elect the chairperson.
- 1.2 Only members of the committee are entitled to vote in committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the committee for decision.
- 1.3 The Chief Executive Officer, senior management and other administration staff may attend any meeting as observers or be responsible for preparing papers for the committee.
- 1.4 The Council's external auditors may be invited to attend meetings of the committee.

AUDIT & RISK COMMITTEE – TERMS OF REFERENCE



- 1.5 Appointment of all members of the committee will be for a term of two (2) years at the commencement of each Council term after a Council election.
- 1.6 Committee members are paid meeting attendance fees in accordance with the requirements of the *Local Government Act 1995*.

2 Secretarial/Administrative Resources

- 2.1 The Chief Executive Officer is required to provide sufficient administrative resources to the Audit and Risk Committee to enable it to adequately carry out its functions.

3 Quorum

- 3.1 The quorum necessary for the transaction of business shall be four (4) members of the Audit and Risk Committee.

4 Frequency of Meetings

- 4.1 The committee may meet at least quarterly at a minimum or as determined by the committee.
- 4.2 A schedule of ordinary meetings is determined by Council for the year.
- 4.3 The Chief Executive Officer is delegated the authority to vary the meeting schedule after liaison with the committee chairperson.
- 4.4 The Chief Executive Officer is delegated not to call an ordinary meeting of the committee should the committee have no matters for consideration. Such delegation to only be exercised after liaison with the committee chairperson.

5 Notice of Meetings

- 5.1 Ordinary meetings of the committee are to be held at dates/times determined by Council.
- 5.2 A special meeting of the committee may be called with the approval of all the committee members.
- 5.3 The agenda of the committee meetings, subject to any items that are discussed in confidence under Sections 5.22 and 5.23 of the Act and subsequently retained as confidential under Section 5.23 of the Act, are also required to be made available to the public.
- 5.4 The notice of meeting and supporting papers is to be lodged in the Councillor's Resources section of the Staff Portal on the Quairading website no later than three clear days prior to the date of the meeting.

6 Minutes of Meetings

- 6.1 The Minutes of the committee meetings are to be in accordance with the provisions of the LG Act, LG Regulations, and departmental guidelines.
- 6.2 Minutes of the committee are to be lodged in the document centre on the Quairading website within five working days after a meeting.

7 Roles of the Audit & Risk Committee**7.1 Support Function**

The committee will also support the auditor as required and have functions to oversee:

- 7.1.1 The implementation of audit recommendations made by the auditor, which have been accepted by Council; and

AUDIT & RISK COMMITTEE – TERMS OF REFERENCE



- 7.1.2 Accepted recommendations arising from reviews of local government systems and procedures (“performance audits”).

7.2 Financial Reporting

The committee is required to monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgments which they contain.

The committee is required to review and challenge where necessary: -

- 7.2.1 The consistency of, and any changes to, accounting policies both on a year-on-year basis;
- 7.2.2 The methods used to account for significant or unusual transactions where different approaches are possible.
- 7.2.3 Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditors.
- 7.2.4 The clarity of disclosure in the Council’s financial reports and the context in which statements are made; and
- 7.2.5 All material information presented with the financial statement such as the operating and financial review and any corporate governance statement (in so far as it relates to audit and risk management).

7.3 Internal Control & Risk Management Systems

The committee is required to:

- 7.3.1 Keep under review the effectiveness of the council’s internal controls and risk management systems.
- 7.3.2 Monitor and advise the CEO in the reviews of certain systems as prescribed from time to time by the audit and financial management regulations.
- 7.3.3 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.
- 7.3.4 Receive and review reports from the Chief Executive Officer on the activities of the Risk Management Dashboard.

7.4 Other Investigations

The committee, when necessary, propose and review the exercise of Council’s powers under the Act, in relation to the conduct of audits that would not otherwise be addressed or included as part of an annual external audit.

7.5 Internal Audit

- 7.5.1 The committee is required to monitor and review the effectiveness of Council’s internal audit function in the context of the Council’s overall risk management system. The Audit and Risk Committee can consider and make recommendations on the program and the adequacy of resources in accordance with the relevant professional and legislative requirements and standards.
- 7.5.2 The committee may receive executive summary reports on all internal audits and review and monitor managements responsiveness to the findings and recommendations of any such internal audit.

AUDIT & RISK COMMITTEE – TERMS OF REFERENCE



- 7.5.3 The committee may meet with management and any internal auditors at least twice per year to discuss any issue arising from any internal audits carried out.
- 7.5.4 The committee is required to monitor and review the selection process for the internal auditor (if appointed). Appointment of any internal auditor is the responsibility of management. Appointment of the external auditor is the responsibility of the Office of the Auditor General (OAG).

7.6 External Audit

- 7.6.1 The committee is required to oversee the relationship with the Office of the Auditor General, including, but not limited to: -
 - 7.6.1.1 Consult with the external auditor on any matters that the committee seek to raise as an audit focus.
 - 7.6.1.2 Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Councils relationship with the auditor
 - 7.6.1.3 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);
 - 7.6.1.4 Monitoring the external auditor's compliance with legislative review.
 - 7.6.1.5 Oversee the transition of the audit function to the Office of the Auditor General.
- 7.6.2 The committee may review and make recommendation to the annual audit planning summary and ensure that it is consistent with the scope of the engagement and relevant legislation and standards.
- 7.6.3 The committee is to review the findings of the external audit. This may include, but not be limited to, the following: -
 - 7.6.3.1 Discussion of any major issues which arose during the audit.
 - 7.6.3.2 Any accounting and audit judgments; and
 - 7.6.3.3 Levels of errors identified during the audit.
- 7.6.4 The committee is to review any representation letter(s) requested by the Office of the Auditor General.
- 7.6.5 The committee is to review the report to the Chief Executive Officer and management's response to the Office of the Auditor General's findings and recommendations.

7.7 CEO Performance Appraisal

The committee is also responsible for facilitating/arranging Chief Executive Officer's performance review process.

8 Reporting Responsibilities

- 8.1 The minutes of the committee are to be presented to the Council after every meeting to identify and present advice and committee recommendations.

AUDIT & RISK COMMITTEE – TERMS OF REFERENCE

**9 Other Matters**

The committee is to:

- 9.1 Be provided with appropriate and timely training, both in the form of an induction program for new members and on an on-going basis for all members.
- 9.2 Give due consideration to laws and regulations of the *Local Government Act 1995*.
- 9.3 Oversee any investigation of activities which are within its Terms of Reference.
- 9.4 At least once per year, review its own performance, membership and Terms of Reference to ensure it is operating at a maximum effectiveness and recommend changes it considers necessary to the Council for approval.

GUIDELINES

Local Government Act 1995;

Local Government (Audit) Regulations 1996;

Local Government (Financial Management) Regulations 1996.

STATUTORY ENVIRONMENT

Local Government Act 1995, Local Government (Audit) Regulations 1996

Local Government (Financial Management) Regulations 1996

Record of ToR Review						
Version	Author	Council Adoption	Resolution	Reason for Review	Next Review Date	CEO Signature
01	Graeme Fardon	26/10/17	72-17/18	New Policy		
02	Graeme Fardon	30/11/17	98-17/18	Revised		
03	Graeme Fardon			Annual Review	Dec 18	
04	A&R Committee	20/12/18	117-18/19	Revised 12/12/2018		
05	A&R Committee	19/12/19	96-19/20	Annual Review	Dec 21	
06	A&R Committee	17/12/20	99-20/21	Minor amendments	Dec 22	
07	A&R Committee	30/3/23	181-22/23	Annual Review	March 24	
08	A&R Committee			Annual Review	October 25	

7.2 Report on Excess Annual Leave and Long Service Leave Entitlements

Responsible Officer	Natalie Ness, Chief Executive Officer
Reporting Officer	Tricia Brown, Executive Manager, Corporate Services
Attachments	Nil
Voting Requirements	Simple Majority
Disclosure of Interest	Reporting Officer: Nil Responsible Officer: Nil

COMMITTEE RESOLUTION: ARC 015-24/25

Moved: Cr JC Hayes

Seconded: Cr RC Faltyn

That the Audit & Risk Committee recommends to Council that Council receive the report on the Shire's leave liabilities.

FOR: Crs TJ Stacey, JN Haythornthwaite, BR Cowcill, RC Faltyn, JC Hayes and JR Hippisley

AGAINST: Nil

CARRIED 6/0

IN BRIEF

- Not taking a reasonable amount of annual leave or long service leave may pose a threat to the health and safety of employees and represent a significant financial liability for the Shire, therefore there are steps in place to ensure that leave balances are monitored and are at appropriate levels.
- Employee entitlement movements during the year are due to many reasons, such as, leave taken during the period, increased accrued leave balances, increases in remuneration rates and changes in the underlying staff with leave balances transferred to and from the Shire.

MATTER FOR CONSIDERATION

Receipt of the report on excess annual leave and long service leave entitlements and leave liabilities up to the last payroll date 28/07/2024.

BACKGROUND

The current Leave Management Policy defines "excess leave" as when the employee has accrued more than eight weeks paid annual leave and provides management with direction to effectively manage the annual and long service leave entitlements of employees.

The Shire encourages employees to take leave by reinforcing the positive benefits of taking leave when it becomes due. Sometimes there are circumstances that prevent leave being able to be taken, such as staff shortages, outside influences and work demands.

There will be movements in employee entitlements throughout the year. Balances will increase naturally as employees accrue leave entitlements and decrease when employees take leave accrued. This natural fluctuation is monitored by management and through this report to ensure any excess is managed appropriately.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Work Health & Safety Act 2020

Minimum Conditions of Employment Act 1993

POLICY IMPLICATIONS

Leave Management Policy

FINANCIAL IMPLICATIONS

The Employee Entitlements (Annual and Long Service Leave) reserve fund cash balance as of 30 September 2024 is \$176,085. The excess in reserve funds will be reviewed with the Annual Financial Statements.

The annual budget treats current leave as accruals.

The current liability for both types of leave (if all claimed on 31/10/2024 is calculated at \$123,587.00.

ALIGNMENT WITH STRATEGIC PRIORITIES

5.3 Governance & Leadership: Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

5.4 Governance & Leadership: Implement systems and processes that meet legislative and audit obligations

CONSULTATION

Nil

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

Non-compliance with work health and safety legislation increases the risk and potential liability to the public, staff and Councillors.

Low employee retention increases recruitment costs, decreases employee morale and decreases Shire reputation.

RISK ASSESSMENT

	Option 1
Financial	Low <i>Financial exposure and therefore risk escalation occurs if leave accruals are not monitored and managed. Adequate reserve balances reduce the risk of financial exposure.</i>
Health	Low
Reputation	Low
Operations	Low <i>Impact to operations where employees with excess leave are requested to take leave. This can be mitigated by agreement of mutually acceptable timeframes for taking leave that are not during heavy workload times.</i>
Natural Environment	Low

	Consequence				
Likelihood	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

COMMENT

This report has been prepared to inform the Audit and Risk Committee of the current leave liabilities and of any employees who have excess leave and the steps taken to reduce these liabilities.

As of 31 October 24, there has been minimal change overall to the annual leave liabilities.

As of 31 October 2024, there has been a reasonable change overall to the long service liabilities. One employee has booked in their long service leave to be taken over several weeks and the accumulation will continue to reduce over the next few months.

Annual Leave:

There is currently one employee over and above the accepted level of excess annual leave. There are currently 2 other employees with 6 weeks or more excess leave. The Executive Manager has been advised and will encourage the staff members to reduce their balance to an acceptable level.

There has been an increase of 27% (dollar value) in the annual leave liability since October 2023.

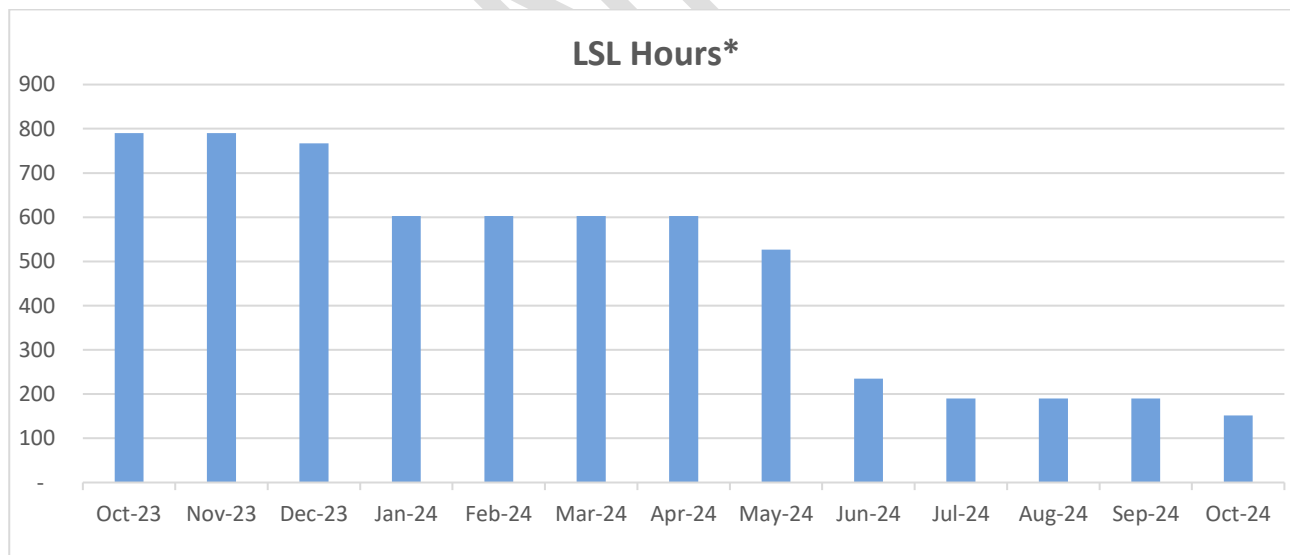
Long Service Leave:

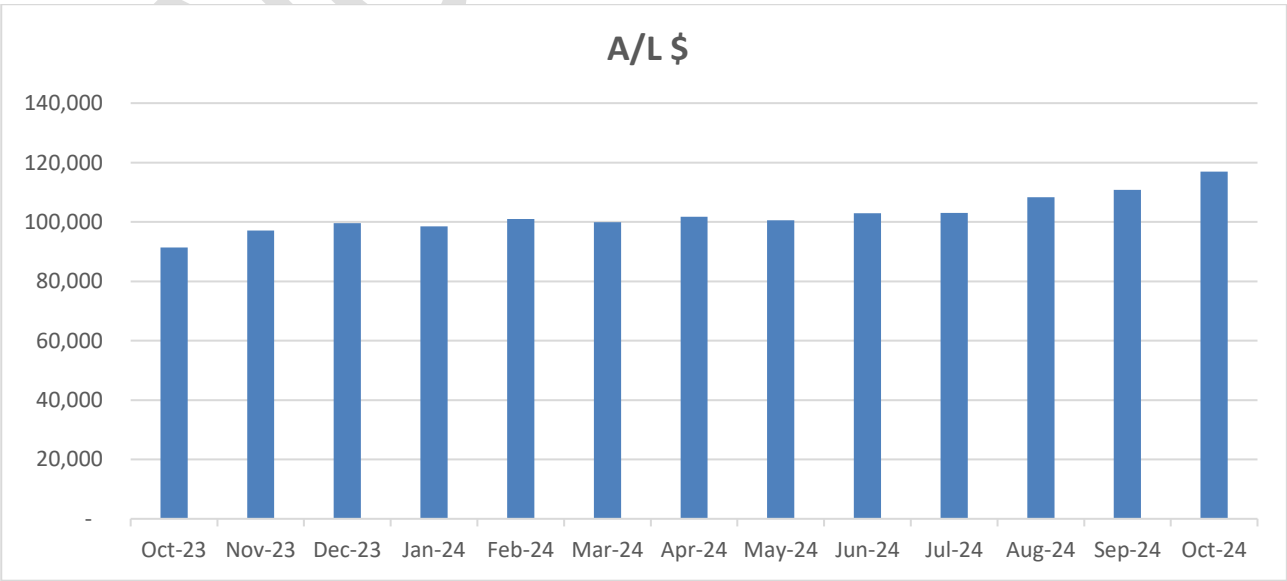
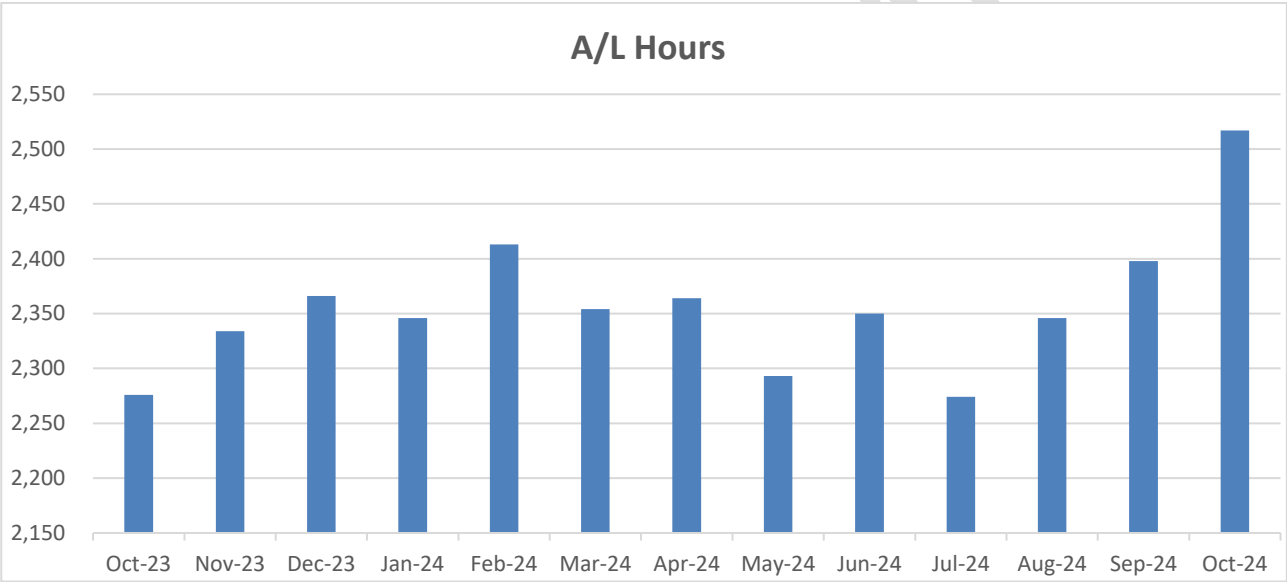
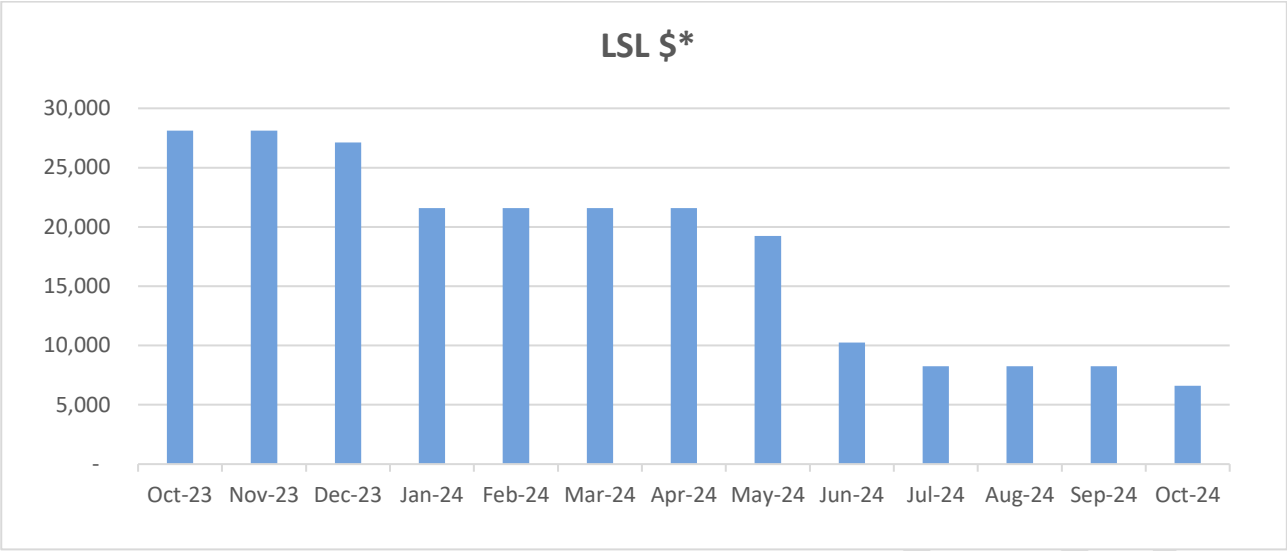
Long Service Leave is now finalised for one employee and is currently being reduced for a second employee.

There has been a decrease of 76% (dollar value) in the long service leave liability since October 2023.

The following table and graphs show the fluctuations in the accrued hours and dollar values of both annual leave and long service leave over the period of Oct 2023 to 31 Oct 2024.

	LSL Hours	LSL \$	A/L Hours	A/L \$
October 23	790	28,117	2,276	91,401
November 23	790	28,117	2,334	97,079
December 23	767	27,126	2,366	99,578
January 24	603	21,589	2,346	98,475
February 24	603	21,589	2,413	100,928
March 24	603	21,589	2,354	99,908
April 24	603	21,589	2,364	101,708
May 24	527	19,245	2,293	100,537
June 24	235	10,243	2,350	102,946
July 24	190	8,260	2,274	103,015
August 24	190	8,260	2,346	108,268
September 24	190	8,260	2,398	110,843
October 24	152	6,608	2,517	116,979







COMMENTS AFFECTING COMMITTEE DECISION

Cr Hayes noted that she had enquired with the EMCS over the terminology of excess leave under the Annual Leave header in the Comment section and received the explanation that in this case it should read “6 weeks accrued leave” not excess leave, as accruals were only in excess from 8 weeks. At this point in time, no staff members had accrued excess annual leave.

UNCONFIRMED

ITEM 8 STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES**8.1 Shire of Quairading Risk Management Review September - November 2024****Responsible Officer** Natalie Ness, Chief Executive Officer**Reporting Officer** Natalie Ness, Chief Executive Officer**Attachments** 1. Shire of Quairading Risk Management Review 2024 [↓](#) 
2. Shire of Quairading Risk Register Matrix [↓](#) **Voting Requirements** Simple Majority**Disclosure of Interest** Reporting Officer: Nil
Responsible Officer: Nil**COMMITTEE RESOLUTION: ARC 016-24/25**

Moved: Cr JN Haythornthwaite

Seconded: Cr BR Cowcill

That the Audit & Risk Committee note the report from the Risk Management Workshop and recommend to Council to endorse the updated November 2024 Shire of Quairading Risk Register.

FOR: Crs TJ Stacey, JN Haythornthwaite, BR Cowcill, RC Faltyn, JC Hayes and JR Hippisley**AGAINST:** Nil**CARRIED 6/0****IN BRIEF**

The Shire of Quairading's Risk Management Governance Framework, endorsed on 25th August 2022, conveys a structured and comprehensive approach aimed at managing and mitigating risks in line with internationally recognised best practice, namely AS/NZS ISO 31000:2009. The framework lays out a clear governance model, roles and responsibilities, and a robust reporting and monitoring system to manage risks effectively.

The Shire of Quairading conducted a comprehensive biennial Risk Review Workshop on 26 September 2024 including Council and the Executive Management Team. The workshop was facilitated by Mr James Butterworth, Director, Paramount Projects and his report on the review of the Shire's Risk Management is included with attachment 1. The overall undertaking, including the workshop had several objectives:

- Review and update existing risk profiles
- Develop and update risk mitigation strategies
- Identify new or emerging risks
- Review the Shire's Risk Management Governance Framework.

During the workshop, participants closely scrutinised the current version of the Shire's Risk Register, with agreement reached regarding the need to streamline the Risk Register by removing outdated risks, consolidating related ones, and generally reducing the number of risks by 50% from the current twenty-two risks to a more practical and manageable set.

MATTER FOR CONSIDERATION

That the Audit & Risk Committee note the report from the Risk Management Workshop and recommend to Council to endorse the updated November 2024 Shire of Quairading Risk Register.

BACKGROUND

The Shire of Quairading Risk Management Governance Framework appears to be largely effective in capturing and reporting Shire risks. It adopts a comprehensive approach based on AS/NZS ISO 31000:2009 Risk Management Standards, which includes establishing a clear structure for risk identification, assessment, management, reporting and monitoring. The framework also incorporates clear Risk Assessment & Acceptance Criteria, which defines the Shire's risk appetite.

The Shire of Quairading's Risk Management Governance Framework is well-founded, aligning with global standards and incorporating a systematic approach to risk governance. While its structured model and review mechanisms are commendable, further emphasis on increased simplicity, proactive culture, enhanced training, and the use of technology could improve its effectiveness. Addressing these areas will ensure the framework continues to evolve and remains responsive to the Shire's risk landscape.

Following the Risk Management Workshop held with Council and the Executive Management Team on 26 September 2024, the revised Risk Register [Attachment 2], consolidates and refines risk themes into four overarching categories:

- Infrastructure and Operational Risks
- Community Health and Safety Risks
- Governance, Financial and Compliance Risks
- Strategic, Social and Economic Risks.

The revised Risk Register groups the numerous risk themes from the existing framework into broader categories, which provides a simplified and more manageable structure.

The revised structure's simplicity and strategic focus make it more efficient for risk oversight and management. The move to broader, high-order risk themes, represents a positive evolution in the Shire's risk management approach, aligning with best practices in strategic governance. The simplification should improve the Shire's ability to identify, assess, and manage risks effectively.

The Shire has established a solid foundation for risk management by integrating structured governance, clear procedures, and periodic reviews into its framework. This foundation ensures the Shire is well-positioned to address both foreseeable and emerging risks, which is critical for maintaining community resilience and operational continuity.

STATUTORY ENVIRONMENT

Local Government Act 1995

Work Health & Safety Act 2020

POLICY IMPLICATIONS

Work Health & Safety Policy

Risk Management Policy

FINANCIAL IMPLICATIONS

If Council do not identify potential risks to the Shire and have adequate risk mitigation strategies in place Executive Management and Council could be financially liable.

Having adequate risk management also protects the Shire from fraud, loss of/damage to assets and many other incidents that could be costly.

ALIGNMENT WITH STRATEGIC PRIORITIES

- 3.1 Built Environment:** Safe, efficient and well maintained road and footpath infrastructure
- 3.2 Built Environment:** Parks, gardens and social spaces are safe and encourage active, engaged and healthy lifestyles
- 4.3 Natural Environment:** Demonstrate sustainable practices of water, energy and waste management
- 5.3 Governance & Leadership:** Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community
- 5.4 Governance & Leadership:** Implement systems and processes that meet legislative and audit obligations

CONSULTATION

A Risk Management expert was engaged to assist in reviewing the Risk Register with Councillors and the Executive Management Team through the facilitation of a comprehensive Risk Review Workshop in September 2026.

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

Loss of emergency communications due to mains power supply.

Longevity and frequency of power outages significantly impacts business.

The sustainability and viability of the Shire of Quairading Medical Practice.

Skills/qualifications shortage across the Shire.

Unqualified, unskilled and/or inexperienced Shire personnel increase work health and safety risks.

Non-compliance with work health and safety legislation increases the risk and potential liability to the public, staff and Councillors.

Work health and safety legislation increases liability of Councillors and Executive (personal wealth and assets) in the management of Bushfire and Volunteer Fire and Rescue Services Brigades.

Asset Management Plan is non-compliant due to aging assets and increasing costs.

Uncertainty of Quairading's long-term future results in the further attenuation and closure of local businesses.

New local government compliance requirements and low rate-base affects rate payers' service delivery expectations (e.g. not being met/expectations verses reality).

Natural disaster/s impact business continuity.

Data breaches/hack of Shire information and communications technology systems impacts business continuity, results in financial or other data theft and increases liability (Elected Members, Executive and the Shire as a whole).

Poor or no construction of roads results in public safety dangers and high-level liability consequences for Elected Members, Executive and the Shire as a whole.

The increasing cost of running Quairading Medical Practice results in no service or a reduced level of service.

Misconduct (non-financial) by a Shire employee results in financial, legal and/or reputational damage.

Financial misconduct by (a) a Shire employee, and (b) an executive/office holder results in financial, legal and/or reputational damage.

Aged people leaving the Shire due to a lack of appropriate accommodation (well before requiring residential aged care).

The resale value/return on investment for local properties remains low.

Lack of routine maintenance of Shire roads creates public safety risk and associated liability issues.

RISK ASSESSMENT

	Option 1
Financial	<p>High</p> <p><i>Without adequate risk management and mitigation, the Shire, Executive Management Team and Councillors could be liable for negligence which could result in financial compensation.</i></p> <p><i>There would also be a higher likelihood of damage to assets and property.</i></p>
Health	<p>High</p> <p><i>Having adequate risk management strategies in place lessens the risk of injury or fatalities in the workplace.</i></p>
Reputation	<p>High</p> <p><i>If the Shire is not a safe place to work there will be high staff turnover, or alternatively reports to WorkSafe, Fair Work and other regulators could cause reputational damage to the Shire.</i></p>

Operations	High <i>If staff are in an unsafe workplace (considering mental and physical health) they will not want to come to work, and in turn there could be high staff turnover and/or high staff absence from work.</i>
Natural Environment	Nil

	Consequence				
Likelihood	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

COMMENT

Nil.

COMMENTS AFFECTING COMMITTEE DECISION

The CEO added that following this review, the Executive Management Team would initiate a review of the Risk Management Framework, taking the recommendations of the report into account, and present this to the A&R Committee at its next meeting.

Cr Stacey commented that it was good to see the Risk Register Matrix reduced to a manageable number of consolidated risks.

Cr Haythornthwaite added that she was pleased with the outcome of the workshop and the review report and that the exercise had been a good follow-on from the previous workshop.



RISK MANAGEMENT REVIEW

September – November 2024.

UNCONFIRMED

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SHIRE OF QAIRADING RISK REVIEW

7 November 2024

SUMMARY

The Shire of Quairading conducted a comprehensive risk review workshop on 26 September 2024. This biennial event brought together Shire Councillors, the CEO and executive team to assess and update the Shire's risk management strategies as documented in its existing risk register. James Butterworth from Paramount projects was engaged to facilitate the session as an independent consultant.

The overall undertaking, including the workshop, had several objectives:

1. Review and update existing risk profiles
2. Develop and update risk mitigation strategies
3. Identify new or emerging risks
4. Review the Shire's Risk Management Governance Framework.

The work utilised several key documents, including:

- Current Shire Endorsed Risk Register (Nov 2022)
- Shire Risk Management Governance Framework (Aug 2022)
- Shire Risk Management Policy (Aug 2023)
- Shire Risk Dashboard Report (Aug 2024)
- Risk Register document 2023 (summarising local risk assessments from 2013-2017).

As part of the process and prior to the workshop, participants were tasked with reviewing the Shire's Risk Management Governance Framework, and Policy and Procedures, including the Risk Assessment and Acceptance Criteria.

The September workshop discussion was guided by key questions provided to participants in advance, focusing on the following areas:

1. How do you believe the Shire Council is performing in terms of monitoring and reporting on risks?
2. Are you comfortable with the Shire's current risk register and management plan? (consider strengths, any weaknesses and threats).
3. What do you believe are the top 3-5 risks that the Shire currently faces? (could be external, internal or both)
4. Are there any existing risk mitigation strategies that you feel need changing or are outdated?
5. Are there any emerging risks or changes in the Shire/community that have occurred or become more visible in the last 2 years?

Following the workshop, the consultant reviewed the Shire's Risk Management Governance Framework and other key documents, refining the outcomes into a report for Council's consideration (this report).

RISK REGISTER REVIEW

During the workshop, participants closely scrutinised the current version of the risk register. There was widespread agreement regarding the need to streamline the register by removing outdated risks, consolidating related ones, and generally reducing the number of risks from the current 22 to a more practical and manageable set.

The Updated Risk Register (November 2024) is included in this document in draft as Appendix 1. This draft reflects a more organised, detailed and resource-oriented approach, consolidating related risks and enhancing clarity in risk management and mitigation strategies.

In addition to reducing the number of documented risks by 50%, the main changes observed compared with the previous version are as follows:

Combined Risks and Reorganisation

In the new November 2024 draft, workforce-related risks (such as employee retention, skill shortages, and WHS concerns with untrained staff) have been consolidated into a single risk titled "Workforce Challenges and Skills Shortage" (Risk 1).

Similarly, issues related to mains power supply reliability and emergency communications have been grouped under "Power Supply Reliability and Emergency Response" (Risk 2).

Expanded and Refined Descriptions

Risk descriptions are more detailed in the new draft. For instance, "Workforce Challenges" now includes a focus on burnout, legal consequences and contractor management.

The impact section for each risk has been expanded to provide a clearer understanding of potential consequences, such as added details on legal and reputational risks for the "Workplace Health and Safety Compliance" risk.

Newly Added Risks and Changes in Prioritisation

The November version introduces specific references to cybersecurity risks under "Cybersecurity and Data Protection" (Risk 8) and includes "Organisational Misconduct" (Risk 9) as a separate risk, addressing both financial and non-financial misconduct.

Risks related to local housing, public expectations, and community social challenges (e.g., crime, housing crisis) have been given more detailed treatment in the November version, recognising these as significant governance and social risks.

Modified Mitigation Actions

The November version lists more structured and specific mitigation strategies. For instance, "Power Supply Reliability and Emergency Response" (Risk 2) includes actions to develop a local microgrid and strategically place generators, while "Workplace Health and Safety Compliance" (Risk 4) includes improved app-based communication tools and regular monthly reporting.

Additionally, the November version places a greater emphasis on strategies like staff retention and succession planning under workforce-related risks.

Refinement of Resource Implications

Resource requirements are outlined with more clarity. For instance, "Cybersecurity and Data Protection" (Risk 8) now includes mention of ongoing staff awareness training and regular security audits.

RISK PRIORTIY

Based on the risk ratings provided in the document, the ordered list of risks from highest to lowest score is as follows:

1. Risk # 2, Power Supply Reliability and Emergency Response - Score: 25 (Extreme)
2. Risk # 4, Workplace Health and Safety Compliance - Score: 25 (Extreme)
3. Risk # 10, Housing Availability and Affordability - Score: 20 (Extreme)
4. Risk # 3, Road and Infrastructure Maintenance - Score: 20 (Extreme)
5. Risk # 1, Workforce Challenges and Skills Shortage - Score: 16 (High)
6. Risk # 8, Cybersecurity and Data Protection - Score: 16 (High)
7. Risk #5, Healthcare Service Stability - Score: 15 (High)
8. Risk # 7, Financial Viability and Asset Management - Score: 15 (High)
9. Risk # 6, Natural and Man-Made Disasters - Score: 12 (High)
10. Risk # 11, Social Challenges and Community Expectations - Score: 12 (High)
11. Risk # 9, Organisational Misconduct - Score: 5 (Moderate)

RISK MANAGEMENT GOVERNANCE FRAMEWORK REVIEW

The Shire of Quairading's Risk Management Governance Framework, endorsed on 25th August 2022, conveys a structured and comprehensive approach aimed at managing and mitigating risks in line with internationally recognised best practice, namely AS/NZS ISO 31000:2009. The framework lays out a clear governance model, roles and responsibilities, and a robust reporting and monitoring system to manage risks effectively. The following assessment outlines the framework's effectiveness, strengths, weaknesses and opportunities for improvement

Effectiveness in Capturing and Reporting Shire Risks

The Framework appears to be largely effective in capturing and reporting on Shire risks.

It adopts a comprehensive approach based on AS/NZS ISO 31000:2009 Risk Management standards, which includes establishing a clear structure for risk identification, assessment, management, reporting, and monitoring. The framework also incorporates clear Risk Assessment & Acceptance Criteria, which define the Shire's risk appetite and provide a consistent approach to evaluating and responding to risks.

To support delivery, the framework also implements a clear operating structure and "Three Lines of Defence" model as a means of ensuring clear roles and responsibilities across the organisation. This model consists of:

1. First Line: All operational areas responsible for identifying, assessing, managing, and reporting risks within their scope.
2. Second Line: Led by the Executive Manager, Corporate Services, who owns and manages the risk management framework, providing oversight and support.
3. Third Line: Internal and External Audit functions, providing independent assurance on the effectiveness of business operations and oversight frameworks.

Assessed Strengths

- ✓ A Strong Foundation: The framework is built on internationally recognised standards, providing a solid base for risk management.
- ✓ Clear Governance Structure: Roles and responsibilities are well-defined for Council, Audit Committee, CEO, Executive Management Team, and operational staff.
- ✓ Integrated Approach: Risk management is incorporated into strategic, operational, project, and line management responsibilities.
- ✓ Integrated Communication and Consultation: The emphasis on stakeholder engagement and communication throughout the risk management process enhances transparency and ensures relevant parties are informed or consulted appropriately.
- ✓ Regular Review: The framework mandates an (ideally, as a minimum) 18-month cycle review, ensuring it remains current and effective.

Potential Weaknesses

- Resource Intensity: While the governance framework acknowledges existing time, resource, and workload pressures, its comprehensive nature might act to strain the Shire's limited capacity, potentially impacting consistent and effective implementation of risk management practices, particularly during periods of high operational demand.

- Complexity: While considered largely fit-for-purpose, the framework may be considered as overly complex for a comparatively small shire, potentially leading to implementation challenges.
- Limited Scope for Risk Culture: While the framework outlines responsibilities and the need for a risk-aware culture, it could benefit from more explicit strategies to foster a proactive risk management mindset among staff and stakeholders.
- Dependence on Periodic Reviews: The reliance on an 18-month review cycle for risk profiles could potentially overlook emerging risks if more frequent assessments are not embedded as a standard practice, especially in rapidly changing contexts.

Opportunities for Improvement and Growth

Implementing the following suggested improvements would enhance risk management and also contribute to greater organisational resilience and adaptive capacity.

- Enhanced Training and Capacity Building: Enhance risk management culture through regular training and awareness programs for all staff and elected members.
- Stakeholder Engagement: When and where able, increase involvement of external stakeholders in the risk identification and assessment process.
- Greater Emphasis on Emerging Risks: Introducing a formalised process for regularly scanning and addressing emerging risks, beyond the standard review cycle, would enhance the Shire's agility and preparedness (where able).
- Benchmarking: If able, compare risk management practices with similar-sized Wheatbelt and other shires to identify areas for improvement and best practices.

Themes Comparison: Governance Framework vs. Revised Risk Register

The Shire's current Risk Management Governance Framework identifies several specific risk themes, including:

- | | |
|-----------------------------------|--|
| • Asset Sustainability Practices | • External Theft & Fraud (including Cyber Crime) |
| • Business & Community Disruption | • Facilities/Venues/Events Management |
| • Compliance Failures | • IT & Communications Infrastructure |
| • Document Management Processes | • Misconduct |
| • Employment Practices | • Project/Change Management |
| • Engagement Practices | • Safety & Security Practices |
| • Environmental Management | • Supplier/Contract Management |
| • Errors, Omissions, Delays | |

The revised Risk Register, included at Appendix 1, consolidates and refines risk themes into four overarching categories:

1. Infrastructure and Operational Risks
2. Community Health and Safety Risks
3. Governance, Financial, and Compliance Risks
4. Strategic Social and Economic Risks

Points of Difference

Theme Consolidation: The revised Risk Register groups the numerous risk themes from the existing framework into broader categories, which provides a simplified and more manageable structure. For example, themes like "Asset Sustainability" and "IT Infrastructure" now fall under Infrastructure and Operational Risks, making the risks easier to review collectively.

Integration of Strategic Elements: The revised approach introduces Strategic Social and Economic Risks, acknowledging the Shire's long-term sustainability and economic considerations. This category is absent in the original framework.

Enhanced Focus on Community and Safety: The new category, Community Health and Safety Risks, specifically highlights risks related to community well-being and compliance with health and safety regulations. This clearer emphasis strengthens the Shire's focus on public safety and emergency preparedness.

Governance and Financial Oversight: The revised Governance, Financial, and Compliance Risks theme combines governance and financial viability, which were previously dispersed across multiple themes. This integration underscores the importance of financial stability and regulatory compliance as interrelated concerns.

In sum, the revised structure's simplicity and strategic focus make it more efficient for risk oversight and management. The move to broader, higher-order risk themes represents a positive evolution in the Shire's risk management approach, aligning with best practices in strategic governance. The simplification should improve the Shire's ability to identify, assess, and manage risks effectively.

This noted, careful implementation and ongoing refinement will be critical to ensure that no critical risk areas are diluted or overlooked. While broader categories simplify management, it will be important to ensure that the detailed risks within each category are not overlooked. Regular workshops could be beneficial to ensure that nuances from the original framework are adequately addressed.

Conclusion

The Shire of Quairading's Risk Management Governance Framework is well-founded, aligning with global standards and incorporating a systematic approach to risk governance. While its structured model and review mechanisms are commendable, further emphasis on increased simplicity, proactive culture, enhanced training, and the use of technology could improve its effectiveness. Addressing these areas will ensure the framework continues to evolve and remains responsive to the Shire's risk landscape.

POLICY AND GOVERNANCE FRAMEWORK ALIGNMENT

The Shire of Quairading's Risk Management Procedures and Policy are foundational components of its Governance Framework, designed to ensure comprehensive risk identification, assessment, management and monitoring. The following review assesses how well these criteria align with the Shire's overarching Risk Management Policy.

Based on a desktop review of both the Shire's Risk Management Policy and the Risk Management Governance Framework, the components appear to be well-aligned in several key aspects. The alignment between the policy and framework provides a cohesive and comprehensive approach to risk management for the Shire. In simple terms, the policy sets the high-level direction and commitments, while the framework provides the detailed operational guidance to implement these commitments effectively.

Key aspects include:

- **Consistency in Standards:** Both documents reference and align with AS/NZS ISO 31000:2009 Risk Management standards, ensuring a consistent approach to risk management across the Shire.
- **Objectives Alignment:** The policy's objectives are reflected and expanded in the framework, providing a clear link between high-level policy goals and operational implementation.
- **Roles and Responsibilities:** While the policy briefly mentions assigning roles for risk ownership, the framework provides a detailed breakdown of responsibilities across different levels of the organisation, including the "Three Lines of Defence" model.
- **Risk Appetite and Acceptance:** Both documents mention risk appetite, with the framework providing more detail on how it's defined and applied through the Risk Assessment & Acceptance Criteria.
- **Governance Structure:** The policy mentions the Audit & Risk Committee, which is further elaborated in the framework's governance structure.
- **Compliance:** Both documents reference relevant legislation and regulations, ensuring a compliant approach to risk management.

Specific Criteria in Risk Management Procedures

To implement the Policy's objectives effectively, the Risk Management Procedures provide detailed, step-by-step criteria. These procedures are crucial for translating high-level commitments into practical actions and ensuring consistent risk management practices across the Shire. The criteria include:

1. **Risk Assessment:** The Procedures detail a multi-step risk assessment process:

- Establishing the Context: Understanding both organisational and specific risk contexts is crucial. The Procedures require alignment with the Shire's strategic and operational goals, reflecting the Policy's emphasis on embedding risk management into all facets of Shire activities.
 - Risk Identification: This stage involves pinpointing uncertainties, their causes, existing controls, and potential consequences.
 - Risk Analysis: The analysis uses the Risk Assessment and Acceptance Criteria to rate risks based on likelihood and consequence.
 - Risk Evaluation: Involves verifying control effectiveness and deciding whether the risk is within the Shire's appetite.
2. Monitoring and Review: The Procedures mandate regular risk monitoring, with an 18-month review cycle or more frequent updates as necessary, to maintain alignment with the Policy's focus on continuous improvement.
 3. Key Performance Indicators (KPIs): The use of KPIs for monitoring risk and control effectiveness is a practical element that supports the Policy's objectives.
 4. Risk Reporting and Communication: Reporting mechanisms are embedded within the Procedures, which align with the Policy's commitment to transparency and oversight.

Gaps and Potential Enhancements

1. Proactive Risk Management: While the Procedures are comprehensive, they could be further enhanced with more explicit strategies to foster a proactive risk culture, as emphasised in the Policy. Currently, the focus is more reactive, with heavy reliance on periodic reviews.
2. Frequency of Reviews: The stated 18-month review cycle may not be sufficient for dynamic or rapidly evolving risk environments. More frequent or rolling reviews could better support dynamic risk environments, enhancing procedural effectiveness.
3. Simplifying Complexity: The detailed nature of the Procedures, while thorough, might be perceived as overly complex for a smaller Shire. Streamlining or simplifying some processes without compromising rigour could improve usability and compliance.

OVERALL ASSESSMENT

The Shire of Quairading's risk management approach is comprehensive, contextually appropriate, and aligned with national and international standards, notably AS/NZS ISO 31000:2009. The Shire has established a solid foundation for risk management by integrating structured governance, clear procedures, and periodic reviews into its framework. This foundation ensures the Shire is well-positioned to address both foreseeable and emerging risks, which is critical for maintaining community resilience and operational continuity.

Key strengths include the Shire's commitment to maintaining a proactive governance structure with defined roles and responsibilities, underscored by the adoption of the "Three Lines of Defence" model. This not only reinforces accountability across all levels of the organisation but also provides layers of oversight that support transparency and robust risk management practices. The framework's commitment to stakeholder engagement and consultation further enhances its effectiveness, promoting a culture of shared responsibility and open communication around risk management.

APPENDIX 1

Shire of Quairading Risk Register FINAL DRAFT

November 2024

Risk Id	Description of Risk (Risk Statement)	Impact (consequences)	Likelihood	Consequence	Rating/Score	Last Review; Change in Rating	Risk Management / Mitigation Actions	Resourcing Implications	Person(s) responsible	Mitigation Action(s) Reporting Timeline
Theme 1. Infrastructure and Operational Risks – critical for day-to-day operations and business continuity, and can produce immediate effects										
1.	Workforce Challenges and Skills Shortage Workforce challenges, including an inability to source sufficiently skilled new employees and high staff turnover, pose significant risks to the Shire. These issues have the potential to negatively impact current Shire operations, hinder program delivery, and increase stress on existing employees, leading to reduced service quality and operational efficiency. As one example, the employment of un- or under-qualified Shire personnel (e.g., in technical services) has the potential to create major WHS consequences.	1. Core Operations Impacted: Disruption to Shire business and less effective service delivery. 2. Community resilience and sustainability threatened, potentially leading to population decline. 3. Reputation Damage: Negative outcomes affect community trust. 4. Legal penalties (e.g., for WHS breach). 5. Employee Well-being: Increased burnout, low staff morale, and poor 'corporate memory' and knowledge retention. 6. Limited pool of suppliers and inability to control contractor pricing.	Likely	Major	16 M	Existing Risk	1. Implement a comprehensive Workforce Plan inclusive of: <ul style="list-style-type: none"> Employee Retention: Implement a retention scheme with associated benefits and incentives. Strategic Recruitment: Develop 'persuasive' staff recruitment and induction processes. Professional Development: Undertake training and development planning to enhance staff skills and job satisfaction. Succession and Leadership Planning: Create a clear pathway for career progression and promote from within where able. 2. Promote work flexibility and positive organisational culture. <ul style="list-style-type: none"> Work Flexibility: Promote to accommodate diverse needs and improve work-life balance. Positive Representation: Foster a culture of respect for staff during community engagements to enhance the Shire's reputation and boost employee morale. 	Operational budget. Up to \$20,000 per annum for the training component.	1 CEO 2 EMCS	March 2025

Risk Id	Description of Risk (Risk Statement)	Impact (consequences)	Likelihood	Consequence	Rating/Score	Last Review; Change in Rating	Risk Management / Mitigation Actions	Resourcing Implications	Person(s) responsible	Mitigation Action(s) Reporting Timeline
							3. Retain core focus on 'safety first'.			
2.	Power Supply Reliability and Emergency Response Mains power supply failures and ongoing unreliability pose significant risks to the Shire, potentially resulting in the loss of critical emergency communications and substantial disruptions to local businesses. Issues could compromise public safety during emergencies and, more generally, lead to economic losses across the community.	1. Emergency Management: Severely compromises the ability to control emergency situations and maintain communications. Impacts include delayed response times and impaired coordination among emergency services. 2. Public Safety: Significantly threatens community safety, particularly during emergencies. 3. Evacuation Capabilities: Hampers required evacuation efforts, potentially leaving vulnerable populations at risk. 4. Business Continuity: Causes immediate and longer-term impacts. 5. Critical Services disrupted: Includes fuel supply, electronic payments, refrigeration and medical equipment. 6. Economic Development: Acts as a disincentive for new businesses to establish in Shire. 7. Infrastructure Reliability: Undermines confidence, potentially affecting local investment and property values.	Almost Certain	Catastrophic	25 E	Existing Risk	1. Microgrid Development: Secure capital and operational funding to establish and operate a local microgrid. This system would provide reliable local energy generation and storage, incorporating renewable energy sources and battery technology. 2. Emergency Communications Resilience: Work to future-proof communications systems where possible, particularly through the implementation of Uninterruptible Power Supply (UPS) solutions. This strategy ensures that critical communication channels remain operational during power outages, maintaining public safety and response/coordination capabilities. 3. Government Advocacy: To address the root cause of the power supply issues at a systemic level, actively lobby both government and opposition parties for a more reliable power service. 4. Strategically place generators around the town.	Nil, other than officer time. Electricity is a State Government responsibility. Seek grant funding where able.	1 CEO 2 EMC	March 2025 Monthly updates to be provided whenever risk changes or new information becomes available

Risk Id	Description of Risk (Risk Statement)	Impact (consequences)	Likelihood	Consequence	Rating/Score	Last Review; Change in Rating	Risk Management / Mitigation Actions	Resourcing Implications	Person(s) responsible	Mitigation Action(s) Reporting Timeline
3.	Road and Infrastructure Maintenance If routine maintenance and timely construction of Shire roads, bridges and other key infrastructure are not completed to standard requirements, public safety dangers and other negative outcomes are probable. The Shire has noted, for example, that materials for road building are becoming more marginal which affects the strengths ratio.	1. Personal and/or public liability impacts (up to \$1M fine and/or 20 years in prison). 2. Increased injury and fatality. 3. Diminished access to properties – impacts on farm operations and productivity. 4. Dissatisfied community/ ratepayers. 5. Negative reputational outcomes/lawsuits.	Likely	Catastrophic	20 E	Existing Risk	1. Safety and Compliance: <ul style="list-style-type: none"> • Retain core focus on 'safety first' • Conduct internal WHS Audit • Ensure machine and plant operators are sufficiently qualified. 2. Financial Management: <ul style="list-style-type: none"> • Institute strong cost management (e.g., materials, contractors) • Source additional external grant funding for new roads. 3. Operational Efficiency: <ul style="list-style-type: none"> • Respond to external feedback • Implement immediate risk mitigation measures (e.g., barriers, signage) when risks can't be immediately eliminated. 	Operational budget	EM, W&S	Quarterly updates

Risk Id	Description of Risk (Risk Statement)	Impact (consequences)	Likelihood	Consequence	Rating/Score	Last Review; Change in Rating	Risk Management / Mitigation Actions	Resourcing Implications	Person(s) responsible	Mitigation Action(s) Reporting Timeline
Theme 2. Community Health and Safety Risks – underline the importance of safety and compliance										
4.	Workplace Health and Safety Compliance Non-compliance with workplace health and safety legislation, including the Work Health & Safety Act 2020 and Fair Work Act 2009, has the potential to detrimentally affect Shire functioning. The new WA Work Health & Safety legislation introduces additional challenges, including in managing Bushfire and VFRS Brigades, potentially increasing the risk of WHS breaches for the Shire. Mismanagement of employee wellbeing, harassment, bullying, and safety breaches in employment practices directly affect workplace health and safety, potentially leading to increased WHS claims.	1. Legal and Financial Consequences: <ul style="list-style-type: none"> Personal and/or public liability (up to \$1M fine and/or 20 years in prison) Severe legal penalties and financial losses/fines. 2. Reputational Damage: <ul style="list-style-type: none"> Negative outcomes leading to lawsuits and dissatisfied community/ratepayers. 3. Safety and Operational Impacts: <ul style="list-style-type: none"> Death or permanent injury Community safety diminished Bushfire and VFRS Brigades become increasingly marginal operationally (i.e., via increased compliance, safety training and reporting requirements). 	Almost Certain	Catastrophic	25 E	Existing Risk	1. Governance and Reporting: <ul style="list-style-type: none"> Council to maintain strong oversight of Risk Management documents CEO and CESM to report monthly to Council on risk mitigation and elimination strategies. 2. Safety and Compliance: <ul style="list-style-type: none"> Retain core focus on 'safety first' Conduct internal WHS Audit Monitor and maintain registration and training requirements Enact a "no training, no fire ground" policy position. 3. Operational Efficiency: <ul style="list-style-type: none"> Institute strong cost management (e.g., materials, contractors) Ensure machine and plant operators are sufficiently qualified. 4. Communication and Response: <ul style="list-style-type: none"> Improve communications via new app software Respond to external feedback Implement immediate risk mitigation measures (e.g., barriers, signage) where risks can't be immediately eliminated. 	Standard operational budget for WHS initiatives	CEO	Ongoing Monthly reporting

Risk Id	Description of Risk (Risk Statement)	Impact (consequences)	Likelihood	Consequence	Rating / Score	Last Review; Change in Rating	Risk Management / Mitigation Actions	Resourcing Implications	Person(s) responsible	Mitigation Action(s) Reporting Timeline
5.	Healthcare Service Stability The Quairading Medical Practice faces significant challenges in maintaining consistent and affordable medical services due to potential loss of medical personnel and increasing operational costs, which could result in reduced healthcare access for the community.	1. Loss of local medical services, leading to: <ul style="list-style-type: none"> Increased travel burden for medical care Closure of allied health services (e.g., chemist). 2. Threats to community sustainability: <ul style="list-style-type: none"> Community dissatisfaction Potential population decline Economic impacts on local businesses. 3. Negative reputational outcomes for the Shire.	Possible	Catastrophic	15 H	Existing Risk	1. Keep costs for running the medical practice as cost-effective as possible (while maintaining service quality). 2. Establish a second option practitioner for when the current practitioner (a) takes annual leave, or (b) eventually leaves (including list of locums). 3. Current Supply of Practitioner Agreement for a term of three years expiry 25 January 2027 + three-year option. 4. Develop a long-term recruitment and retention strategy for medical professionals, including incentives and support for rural practice. 5. Investigate telemedicine options to supplement in-person care and potentially reduce costs.	Significant resources required; develop options for resource allocation	1 CEO 2 EMCS	Present options March 2025
6.	Natural and Man-Made Disasters Natural and manmade disasters have the potential to affect Shire business continuity. <i>Includes fire, flood, storm, earthquake, extreme heat, pandemic, chemical spill, terrorism.</i> Climate change has been	1. Loss of critical infrastructure. 2. Injury and fatalities. 3. High recovery costs. 4. Loss of business continuity. 5. Shire core business impacts. 6. Businesses choose not to re-establish. 7. Environmental degradation (e.g., drought, soil erosion) 8. Economic instability: generational farms are no	Possible	Major	12 H	Existing Risk	1. Implement a Business Continuity Framework. 2. Local Emergency Management Arrangements – ensure current and tested through LEMC Exercises. 3. Review and update key hazard plans including Bushfire Risk Management Plan. 4. Convene quarterly meetings with key agencies.	Cost-prohibitive; high dependency on State and Federal funding for disaster resilience.	1 CEO 2 EMC	Current and Ongoing

Risk Id	Description of Risk (Risk Statement)	Impact (consequences)	Likelihood	Consequence	Rating/Score	Last Review; Change in Rating	Risk Management / Mitigation Actions	Resourcing Implications	Person(s) responsible	Mitigation Action(s) Reporting Timeline
	recognised by the Shire, including the prevalence of extreme fire and other weather events.	longer workable.								
Theme 3. Governance, Financial, and Compliance Risks – includes a need to discuss resource allocation and budgeting element										
7.	Financial Viability and Asset Management If the Shire is struggling to remain financially viable, the ability to comply with its Asset Management Plan may be compromised	1. Cost of managing aging infrastructure becomes prohibitive. 2. Creates degradation and loss of useful/useable assets. 3. Increased safety risk. 4. Reduced ability to regenerate or create economic benefit across the Shire.	Possible	Catastrophic	15 H	Existing Risk	1. Promote Quairading as a destination with a 'point of difference' (e.g., as Beverley has done). 2. Consider marketing campaigns for attracting new investors and residents into the Shire, including people seeking a 'tree change'. 3. Explore and promote quality affordable housing options, and lead by example. 4. Encourage light industrial activity and support small business ventures through flexible policies. 5. Increase the rate-base through the above-mentioned strategies.	Resource range: \$500,000 to \$1 million for various asset management projects	1 CEO 2 EMED	Jun 2025
8.	Cybersecurity and Data Protection Any data breach/hack of Shire information and communications technology systems has the potential to affect Shire operations, Includes data theft, ransomware and phishing.	1. Financial misappropriation/loss. 2. Community member and/or employee financial records compromised or stolen. 3. Loss of data and data integrity. 4. Shire business continuity significantly compromised. 5. Shire reputation impacted.	Likely	Major	16 H	Existing Risk	1. Develop and maintain Business Continuity and IT Disaster Recovery Plans. 2. Implement robust IT security measures (e.g., firewalls, access controls, UPS/backup systems). 3. Conduct regular security audits and recovery exercises.	Allocated within operational IT budget	1 CEO 2 EMCS	June 2025

Risk Id	Description of Risk (Risk Statement)	Impact (consequences)	Likelihood	Consequence	Rating / Score	Last Review; Change in Rating	Risk Management / Mitigation Actions	Resourcing Implications	Person(s) responsible	Mitigation Action(s) Reporting Timeline
							4. Provide staff cybersecurity awareness training.			
9.	Organisational Misconduct Unethical or illegal behavior by Shire employees, executives or office holders, including both financial and non-financial misconduct, has the potential to produce significant negative consequences for the Shire.	1. Council suspension or leadership changes (e.g., CEO removal, employee terminations). 2. Independent investigations and regulatory actions (e.g., Fair Work Commission). 3. Intense public and media scrutiny. 4. Reputational damage. 5. Financial penalties and economic impacts. 6. Business continuity and viability challenges.	Rare	Catastrophic	5 M	Existing Risk	1. Financial Controls and Processes <ul style="list-style-type: none"> • Update cash handling procedures • Conduct financial management reviews and implement controls. 2. Governance Frameworks <ul style="list-style-type: none"> • Update the delegated authority framework • Enhance the IT Security Framework. 3. Human Resource Management <ul style="list-style-type: none"> • Revise the staff on-boarding/induction program • Implement a performance management program • Update HR Policies and Code of Conduct (for Council and staff). 4. Operational Safety <ul style="list-style-type: none"> • Establish supervision and induction processes to use plant and equipment. 5. External Oversight <ul style="list-style-type: none"> • Conduct regular external audits. 	Standard operational budget to cover governance improvements and external audits	1 CEO 2 EMCS	Current and Ongoing

Risk Id	Description of Risk (Risk Statement)	Impact (consequences)	Likelihood	Consequence	Rating/Score	Last Review; Change in Rating	Risk Management / Mitigation Actions	Resourcing Implications	Person(s) responsible	Mitigation Action(s) Reporting Timeline
Theme 4. Strategic Social and Economic Risks – emphasise the long-term impact on the community and the Shire's sustainability										
10.	Housing Availability and Affordability Seniors and Aged Care: Absence of local independent living facilities may force older residents to leave prematurely, disrupting community cohesion. Essential Worker Housing: Insufficient housing for government workers and Country Health Service staff can hinder recruitment and retention. Public and Community Housing: Limited public housing options may increase housing stress for low-income individuals, leading to potential homelessness.	1. Low property resale values and return on investment undermine community sustainability. 2. Population decline due to: <ul style="list-style-type: none"> • Higher outward migration and lower inward migration • Workforce reduction • Residents forced to relocate due to housing shortages. 3. Economic impacts: <ul style="list-style-type: none"> • Impeded economic growth • Reduced local spending. 4. Threats to community viability: <ul style="list-style-type: none"> • Loss of professional and community-based services • Weakening of community fabric • Potential loss of local infrastructure. 	Almost Certain	Major	20 E	Existing Risk	1. Lead by example, explore and promote quality affordable housing options including joint venture options for the construction of Residential Independent Living Units. 2. Noting that the Shire does not have 50% of the total cost of the project to contribute to a grant/tender application under the Housing Support Program, explore options with bespoke groups i.e., Central East Accommodation & Care Alliance Inc (CEACA). 3. Promote Quairading as a destination with a 'point of difference' (e.g., as Beverley and Katanning have done). 4. Consider marketing campaigns and other strategies for attracting new investors and residents, including people seeking a 'tree change'.	Officer time until solutions have been identified. May need to form budgets, e.g., for marketing initiatives.	CEO	June 2025

Risk Id	Description of Risk (Risk Statement)	Impact (consequences)	Likelihood	Consequence	Rating/Score	Last Review; Change in Rating	Risk Management / Mitigation Actions	Resourcing Implications	Person(s) responsible	Mitigation Action(s) Reporting Timeline
11.	Social Challenges and Community Expectations Social challenges (e.g., crime, antisocial behavior, vandalism, housing crisis, homelessness) may significantly impact ratepayers' expectations of the Shire's responsibilities and perceived effectiveness. Misalignment between community expectations and Shire jurisdiction could lead to reputational damage, resource pressure and potential conflict.	1. Disgruntled ratepayers and reputational damage 2. Blame towards staff and Council Members 3. Diminished service outcomes and increased pressure on resources 4. Higher rates payment defaults and debt collections 5. Difficulty attracting new residents/businesses 6. Strained community relationships and social cohesion 7. Increased demand for social services beyond Shire capacity/jurisdiction	Likely	Moderate	12 H	New Risk	1. Develop and implement a community engagement strategy to better understand ratepayers' expectations. 2. Hold at least two community forums each year. 3. Establish clear guidelines on the Shire's responsibilities and limitations regarding social issues, and communicate these effectively. 4. Maintain healthy relationships with government agencies, funding bodies and WALGA. 5. Prioritise grant writing and winning. 6. Continue focus on social media messaging while retaining hard copy dissemination for older generations. 7. Formalise regular contributions to the Banksia Bulletin and Passion Sheet.	Operational budget, with emphasis on engagement activities	1 CEO 2 EMED	Current and Ongoing

ITEM 9 EMERGING ISSUES/LATE ITEMS

Nil

ITEM 10 NEXT MEETING DATE

The next Audit & Risk Committee Meeting is scheduled to take place on Tuesday 11 February 2025 commencing at 5:00pm in the Council Chambers, 10 Jennaberring Road, Quairading, WA.

ITEM 11 CLOSURE

There being no further business, the Chairperson closed the Meeting at 5.21 pm.