



Shire of Northam
Heritage, Commerce and Lifestyle

Shire of Northam

Minutes

Audit & Risk Management

Committee Meeting

17 December 2020

UNCONFIRMED

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Contents

1.	DECLARATION OF OPENING.....	4
2.	ATTENDANCE.....	4
2.1	APOLOGIES.....	4
2.2	APPROVED LEAVE OF ABSENCE.....	4
2.3	ABSENT.....	4
3.	DISCLOSURE OF INTERESTS.....	4
4.	CONFIRMATION OF MINUTES	5
4.1	COMMITTEE MEETING HELD 12 NOVEMBER 2020.....	5
5.	COMMITTEE REPORTS.....	6
5.1	SHIRE OF NORTHAM ANNUAL REPORT 2019/20	6
5.2	SHIRE OF NORTHAM ANNUAL ELECTORS GENERAL MEETING 2019/2020.....	13
5.3	NORTHAM AQUATIC FACILITY REPORT	17
6.	URGENT BUSINESS APPROVED BY PERSON PRESIDING OR BY DECISION.	21
7.	DATE OF NEXT MEETING.....	21
8.	DECLARATION OF CLOSURE.....	21

1. DECLARATION OF OPENING

The Shire President, Cr C R Antonio declared the meeting open at 5:07pm.

2. ATTENDANCE

Committee:

Shire President
Councillors

Cr C R Antonio
Cr A J Mencshelyi
Cr M P Ryan

Staff:

Chief Executive Officer

J B Whiteaker at
5:11pm

Acting Executive Manager Corporate Services

R Jahmeerbacus

Accountant

Z Macdonald

Executive Assistant – CEO

A McCall

Guest:

Moore Australia

G Godwin left at
5:53pm

Office of the Auditor General

Kellie Tonich (via
teleconference) left
at 5:53pm

2.1 APOLOGIES

Councillor

Cr S B Pollard

2.2 APPROVED LEAVE OF ABSENCE

Nil.

2.3 ABSENT

Nil.

3. DISCLOSURE OF INTERESTS

Nil.

Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.

*As defined in section 5.60A of the Local Government Act 1995, a **financial interest** occurs where a Councillor / Committee Member, or a person with whom the Councillor / Committee Member is closely associated, has a direct or indirect financial interest in the matter. That is, the person stands to make a financial gain or loss from the decision, either now or at some time in the future.*

As defined in section 5.61 of the Local Government Act 1995, an **indirect financial** interest includes a reference to a financial relationship between that person and another person who requires a Local Government decision in relation to the matter.

As defined in section 5.60B of the Local Government Act 1995, a person has a **proximity interest** in a matter if the matter concerns a proposed change to a planning scheme affecting land that adjoins the person's land; or a proposed change to the zoning or use of land that adjoins the person's land; or a proposed development (as defined in section 5.63(5)) of land that adjoins the person's land.

As defined in 34C of the Local Government (Administration) Regulations 1996, an **impartiality interest** means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.

4. CONFIRMATION OF MINUTES

4.1 COMMITTEE MEETING HELD 12 NOVEMBER 2020

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.169

Moved: Cr Ryan

Seconded: Cr Mencshelyi

That the minutes of the Audit Committee meeting held on 12 November 2020 be confirmed as a true and correct record of that meeting.

CARRIED 3/0

5. COMMITTEE REPORTS

5.1 SHIRE OF NORTHAM ANNUAL REPORT 2019/20

File Reference:	8.2.7.5
Reporting Officer:	Chief Executive Officer, Jason Whiteaker
Responsible Officer:	Accountant, Zoe Macdonald
Officer Declaration of Interest:	N/A
Voting Requirement:	Absolute Majority
Press release to be issued:	Yes – public notice

BRIEF

For Council to endorse the Annual Report for 2019/20. There will also be an opportunity to provide a forum for the audit exit interview for Moore Stephens, as auditors of the Office of the Auditor General (OAG), and the OAG to present their opinion and management letter points.

ATTACHMENTS

- Attachment 1: Audit Concluding Memorandum to for the year ended June 2020 (provided as a separate confidential attachment to this agenda/minutes).
- Attachment 2: Annual Report for the year ended June 2020 (provided as a separate attachment to this agenda/minutes).

A. BACKGROUND / DETAILS

The Financial Statements for the year ended 30 June 2020 have been audited and will be signed by the Chief Executive Officer and the Auditor General after acceptance by the Audit and Risk Committee.

Section 5.54 'Acceptance of Annual Reports' of the Local Government Act 1995 requires an Annual Report to be accepted by Council by 31 December in each year unless the Auditors Report is not available in time. The Local Government Act 1995 Section 5.54(2) requires that if the Annual Report is not accepted by the Local Government by 31 December then it must be presented within two (2) months of the Auditors Report becoming available.

B. CONSIDERATIONS

B.1 Strategic Community / Corporate Business Plan

Theme Area 6: Governance & Leadership

- Outcome 6.3: The Shire of Northam Council is a sustainable, responsive, innovative and transparent organisation.
- Maintain a high standard of corporate governance; and
 - Undertake our regulatory roles in a safe, open, accountable and respectful manner.
- Outcome 6.4: The Elected Members of the Shire of Northam provide accountable, strong and effective community leadership.
- Open, accountable and effective decision making.

B.2 Financial / Resource Implications

It is estimated that advertising costs for the availability of the Annual Report and Annual Electors General meeting will be approximately \$600 including GST which will be charged to account 040521920 (Advertising).

B.3 Legislative Compliance

Local Government (Audit) Regulations 1996 Section 9A

CEO to provide documents to Auditor General carrying out financial audit

- (1) In this regulation — audit document means — (a) the strategic community plan as defined in the Local Government (Administration) Regulations 1996 regulation 19BA; or (b) the corporate business plan as defined in the Local Government (Administration) Regulations 1996 regulation 19BA; or (c) another plan or informing strategy specified by the Auditor General; or (d) another document specified by the Auditor General.
- (2) The CEO must provide a copy of an audit document to the Auditor General within 14 days after the Auditor General requests it for the purposes of a financial audit under Part 7 Division 3A of the Act.

Local Government Act 1995 Section 5.53 Annual Reports;

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain -
- (a) a report from the mayor or president; and
 - (b) a report from the CEO; and
 - [(c), (d) deleted]
 - (e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
 - (f) the financial report for the financial year; and
 - (g) such information as may be prescribed in relation to the payments made to employees; and
 - (h) the auditor's report for the financial year under section 7.9(1) or 7.12AD(1) for the financial year; and
 - (ha) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and

- (hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
- (i) the number of complaints recorded in the register of complaints, and
 - (ii) how the recorded complaints were dealt with; and
 - (iii) any other details that the regulations may require; and
 - (i) such other information as may be prescribed.

Local Government Act 1995 Section 5.54 Acceptance of Annual Reports;

(1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

(2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

Local Government Act 1995 Section 5.55 Notice of Annual Reports;

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

B.4 Policy Implications

Nil.

B.5 Stakeholder Engagement / Consultation

Providing the 2019/20 Annual Report is endorsed at the Special Council Meeting proposed on 22 December 2020. It is intended that public notice shall be placed into the West Australian on Thursday, 24 December 2020.

Notices will also be placed on our Notice Boards, Facebook and the Shire of Northam website.

B.6 Risk Implications

Risk Category	Description	Rating (likelihood x consequence)	Mitigation Action
Financial	N/A	N/A	N/A
Health & Safety	N/A	N/A	N/A
Reputation	N/A	N/A	N/A

Service Interruption	N/A	N/A	N/A
Compliance	The Annual Report is not endorsed prior to 31 st December annually.	Insignificant (1) x Possible (3) = Low (3)	Council has a documented process for developing the Annual Report. In accordance with this process, the Annual Report is prepared and presented to the Audit and Risk Management Committee and Council for by 31 st December annually.
Property	N/A	N/A	N/A
Environment	N/A	N/A	N/A

C. OFFICER'S COMMENT

This year was the second year the Shire of Northam was audited by the Office of Auditor General. The process was rigorous and extensive.

This was compounded with the change in the *Local Government (Financial Management) Regulations 1996* proclaimed on 6 November 2020 and applied from 1 July 2019.

Regulation 16 was deleted.

- It legitimised the treatment relating to land under roads and other Crown / vested land under control.
- It removed the need to treat certain vested land assets, golf courses, differently. The three vested land assets for the Shire of Northam were the Bakers Hill Golf Course land, the Wundowie Golf Course land and the Northam Harness Club land and reserve.

Regulation 17A was amended to

- It removed the confusion around assets and non-financial assets.
- It defines Right-of-use assets and vested improvements.
- It allows Right-of-use assets to be treated as concessionary leases at zero cost on accordance with AASB16. It corrects inconsistency with AASB1051.
- Plant and equipment type assets and other right of use type assets are to revert to measurement at cost.
- It simplifies revaluation period to a maximum of five years.

During the current year the following new standards were applied, AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities.

The loss on the sale of Victoria Oval of \$1,077,800 reduced the net result for the year, which subsequently impacted the debt service ratio, operating surplus ratio and own source revenue ratios.

The table below outlines the reconciliation between the budgeted surplus and the actual surplus as presented in the Financial Report. The adjustments will be carried out as part of the budget review process.

Surplus Reconciliation	2019/20	Adjustment
Budgeted Surplus	6,248,942	
Financial Report Actual Surplus	(6,309,758)	
Unallocated	(60,816)	

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.170

Moved: Cr Ryan

Seconded: Cr Mencshelyi

That Council, by Absolute Majority;

1. In accordance with Sections 5.53 and 5.54 of the *Local Government Act 1995*, accepts the Annual Report for the 2019/20 financial year; and
2. In accordance with Section 5.55 of the *Local Government Act 1995*, authorise the Chief Executive Officer to give public notice of the availability of the Annual Report from Thursday, 24 December 2020.

CARRIED 3/0

Executive Assistant – CEO left the meeting at 5:11pm and returned a 5:11pm.

The Chief Executive Officer entered the meeting at 5:11pm.

Discussion was held around the process of the audit. Comment was provided by Mr Godwin and Ms Tonich in relation to the process. It was outlined that the process was delayed due to changes to regulations in November, which were applicable at June 30.

Ms Tonich advised that the Shire of Northam is in 'fantastic shape' compared to other Shires and have done exceptionally well to finalise the process prior to 31 December given the regulations were not gazetted until November.

Discussion was held around whether the process will follow a better timeline next year. Ms Tonich and Mr Godwin advised that they believe it will be better next year.

Mr Godwin discussed the concluding memorandum with the Committee to ensure that they concur with the items raised. It was advised that once this meeting has been held Moore Australia will recommend to Office of the Auditor General to sign off an unmodified opinion.

Detailed discussion was held around the following matters:

- Revenue – It was outlined that this should only be recognised when the performance obligation is met and should sit as a liability until this has occurred. The rubbish and service charges were raised as a discussion point. Mr Godwin advised that the Shire should review this against the standards and apply the five step process. It was advised that some Council's develop a policy and seek advice from Moore Australia and the Office of the Auditor General (OAG) in relation to this in order to be proactive. The Chief Executive Officer advised that Officers will look at developing a policy position on this matter and seek advice prior to the interim audit.
- Surplus Ratio – This was identified as being negative which it has not been for a number of years. Discussion was held around this triggering a comment on the next audit report if it is negative next financial year as it is an indication of an adverse trend. The Chief Executive Officer sought clarification in relation to what defines an adverse trend. Mr Godwin advised that the OAG defines this over a period of 3 years. However, Moore Australia will highlight this if it is negative or worse than the ratio for this financial year which would indicate a movement in the wrong direction. It was advised that the Shire needs to determine if this is something that needs to be addressed or if it is a once off due to a particular item. It was raised that this was impacted due to the sale of the former Victoria Oval site due to the fair valuation of the asset held being a much higher valuation than the current market value. The CEO made comment that there was a parcel of land that could potentially be sold this financial year that would result in a similar outcome.
- IT Security – Discussion was held around whether this will be an area of focus in future audits. Ms Tonich advised that this is a focus of the OAG.
- Future auditor – Discussion was held around whether Moore Australia will be the Shires auditor for future audits. Mr Godwin advised that Moore Australia are still contracted to the OAG for some Councils however are not contracted for the Shire of Northam. Ms Tonich

advised that there will be a tender process undertaken and it is anticipated that a decision will be made by the beginning of March.

The Shire President thanked all involved for their efforts towards a successful audit.

Mr Greg Godwin and Ms Kellie Tonich left the meeting at 5:53pm.

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5.2 SHIRE OF NORTHAM ANNUAL ELECTORS GENERAL MEETING 2019/2020

File Reference:	8.2.7.1
Reporting Officer:	Alysha McCall, Executive Assistant - CEO
Responsible Officer:	Jason Whiteaker, Chief Executive Officer
Officer Declaration of Interest:	Nil
Voting Requirement:	Simple Majority
Press release to be issued:	Yes – public notice

BRIEF

For Council to consider and endorse the date for the Annual Electors General Meeting.

ATTACHMENTS

Nil.

A. BACKGROUND / DETAILS

The Annual Electors General Meeting is to be held within 56 days of the local government accepting the Annual Report.

A requirement of setting the date is that 14 days local public notice is required for advertising the meeting. Providing the Annual Report is endorsed at the Special Council Meeting proposed on 22 December 2020, it is recommended that this be held prior to the January Council Forum Meeting which is scheduled on 20 January 2021.

B. CONSIDERATIONS

B.1 Strategic Community / Corporate Business Plan

Theme Area 6: Governance & Leadership

Outcome 6.2: Residents and other stakeholders are actively listened to and their input into decision-making processes is valued.

- Decisions made by the Shire of Northam are communicated and the reasoning clearly articulated to residents and stakeholders; and
- Effective and efficient two-way communication between the Shire of Northam and stakeholders.

Outcome 6.3: The Shire of Northam council is a sustainable, responsive, innovative and transparent organisation.

- Improve community access to information to ensure they are able to be informed of our activities;
- Encourage active community participation in our local government;
- Maintain a high standard of corporate governance; and
- Undertake our regulatory roles in a safe, open, accountable and respectful manner.

Outcome 6.4: The Elected Members of the Shire of Northam provide accountable, strong and effective community leadership.

- Open, accountable and effective decision making.

B.2 Financial / Resource Implications

It is estimated that advertising costs for the availability of the Annual Report and Annual Electors General meeting will be approximately \$600 including GST which will be charged to account 040521920 (Advertising).

B.3 Legislative Compliance

Local Government Act 1995 Section 5.27 Electors' general meetings;

- (1) A general meeting of the electors of a district is to be held once every financial year.
- (2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.
- (3) The matters to be discussed at general electors' meetings are to be those prescribed.

Local Government (Administration) Regulation No 15 Matters for discussion at general electors' meetings - s. 5.27(3)

For the purposes of section 5.27(3), the matters to be discussed at a general electors' meeting are, firstly, the contents of the annual report for the previous financial year and then any other general business.

Local Government Act 1995 Section 5.29 Convening Electors' Meetings;

- (1) The CEO is to convene an electors' meeting by giving –
 - (a) at least 14 days' local public notice; and
 - (b) each council member at least 14 days' notice, of the date, time, place and purpose of the meeting.
- (2) The local public notice referred to in subsection (1)(a) is to be treated as having commenced at the time of publication of the notice under section 1.7(1)(a) and is to continue by way of exhibition under section 1.7(1)(b) and (c) until the meeting has been held.

B.4 Policy Implications

Nil.

B.5 Stakeholder Engagement / Consultation

Providing the 2019/20 Annual Report is endorsed at the Special Council Meeting proposed on 22 December 2020. It is intended that public notice shall be placed into the West Australian on Thursday, 24 December 2020.

Notices will also be placed on our Notice Boards, Facebook and the Shire of Northam website.

B.6 Risk Implications

Risk Category	Description	Rating (likelihood x consequence)	Mitigation Action
Financial	N/A	N/A	N/A
Health & Safety	N/A	N/A	N/A
Reputation	N/A	N/A	N/A
Service Interruption	N/A	N/A	N/A
Compliance	An Annual Electors Meeting is not held once each financial year and not more than 56 days after the local government accepts the annual report. Public Notice is not given in accordance with legislative requirements.	Insignificant (1) x Possible (3) = Low (3)	Council has a documented process for developing the Annual Report. This process includes the requirements associated with the Annual Electors Meetings.
Property	N/A	N/A	N/A
Environment	N/A	N/A	N/A

C. OFFICER'S COMMENT

Council is requested to endorse the date proposed, in accordance with the Local Government Act, for the Annual Electors Meeting.

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.171

**Moved: Cr Ryan
Seconded: Cr Mencshelyi**

That Council holds the Annual Electors General Meeting on Wednesday, 27 January 2021 at 5.00pm at the Northam Recreation Centre and authorise the Chief Executive Officer to give public notice of the meeting from Thursday, 24 December 2020.

CARRIED 3/0

5.3 NORTHAM AQUATIC FACILITY REPORT

File Reference:	1.3.8.8
Reporting Officer:	Jason Whiteaker – Chief Executive Officer
Responsible Officer:	Jason Whiteaker – Chief Executive Officer
Officer Declaration of Interest:	N/A
Voting Requirement:	Simple Majority
Press release to be issued:	No

BRIEF

Provide a report on Northam Aquatic Facility, major project.

ATTACHMENTS

Attachment 1: Project Assessment Report (provided as a separate confidential attachment to this agenda and minutes)

A. BACKGROUND / DETAILS

As part of the risk assessment undertaken for the Northam Aquatic Facility project, there were a range of potential risks identified as being associated with this project, one of these was 'ineffective project management'. As an identified risk exceeding the acceptable inherent risk threshold, specific mitigation actions / treatments were identified to manage the risk. These actions included;

- Project management framework in place, providing parameters for staff to operate within
- Prepare Elected Members Monthly Report - Publish Monthly Report. Major Project status reporting to Council (through monthly elected member report)
- Independent Project Superintendent appointed with requisite skills to acknowledge scale and complexity of this project
- Construction project progress reports to be provided
- Project Superintendent (Donovan Payne) reports to be provided monthly
- Financial variations to be signed off by Project Manager
- All request for information and clarification to be signed off / cited by Council Project Manager
- Project time delays to be signed off in accordance with contract; and
- Project assessment / evaluation to be undertaken at completion and reported to audit committee

It is the final action which is the subject of this report.

B. CONSIDERATIONS

B.1 Strategic Community / Corporate Business Plan

Theme Area: 6 Governance & Leadership

Outcome: 6.3 - The Shire of Northam council is a sustainable, responsive, innovative and transparent organisation.

Objective: Implement systems and processes which deliver outcomes for our community

B.2 Financial / Resource Implications

B.3 Legislative Compliance

N/A.

B.4 Policy Implications

G1.8 – Risk Management.

B.5 Stakeholder Engagement / Consultation

N/A

B.6 Risk Implications

Risk Category	Description	Rating (likelihood x consequence)	Mitigation Action
Financial	Nil.		
Health & Safety	Nil.		
Reputation	Nil.		
Service Interruption	Nil.		
Compliance	Nil.		
Property	Nil.		
Environment	Nil.		

C. OFFICER'S COMMENT

Refer to Attachment 1.

RECOMMENDATION / COMMITTEE DECISION

Minute No: AU.172

Moved: Cr Mencshelyi

Seconded: Cr Ryan

That Council accepts the Project Assessment Report as provided in Attachment 1 subject to incorporating a comment in relation to the access to Arnold Street.

CARRIED 3/0

The Chief Executive Officer discussed the following items which were raised in a meeting with Cr Pollard on 16 December 2020:

1. Access from Arnold Street – forming part of a Council resolution was the requirement for the Aquatic facility car park to have access from Arnold Street. This however was not actioned, which has been previously reported to Council. The reason for the oversight was 'human error' in that the decision of Council was not entered into the Councils motion tracking system, which was an oversight of an officer acting in the position of CEOPA. It is not considered that this is a systemic issue, rather a one off error.
2. A minor typographical error in referencing an employee's title incorrectly (Executive Manager Engineering services was referenced as Executive Manager Technical Services).
3. Independent Project Superintendent – discussion around whether the project Superintendent was in fact independent. Explained that the term independent was referencing the fact they are independent of the Shire of Northam. It was agreed that it could be argued that given the superintendent was the project architect that they are not independent of the project, however this is not considered a significant matter. A more pertinent discussion was held around the use of superintendents for projects. The discussion was around the view of the CEO that the value of project superintendents is not to interpret plans, moreover it is about having someone with the technical abilities to manage the day-to-day issues and sign offs that are required and ensuring that the construction is being undertaken in accordance with the plans and to a suitable standard. There are times when there are complex projects where Council staff either do not have the requisite skills/experience or the time to undertake this role – it is in these instances where the services of a dedicated project superintendent is required. Not having such a position in place would represent a significant project risk for Council.

There was a detailed discussion around the role of the Project Manager, which was mainly around final sign offs and contract administration. As discussed, the CEO is confident the Shire have the requisite skills internally to manage / administer contracts.

4. Impact changing staff have on project management – in the report it was referenced that changing staff had an impact on some elements of the project. Agreed that this should not, ideally, result in a significant impact on project delivery, however the CEO noted that in reality there is always an impact as while our records are good there are always some bits and pieces which may not be recorded and also just the knowledge the staff member has built up over the life of the project.
5. Discussion around how the project capital costs escalated over time and whether Council may have made an alternative decision if the original report presented gave a \$2m option to upgrade the current (old) pool or \$13m to develop what we currently have. Agreed that Council was always fully informed on the projected costs and made conscious decisions to increase project values. Spoke around the challenges of estimating projects in the early stages as they are largely done on loose concepts. As the project design develops the costings should become more accurate. Staff do look to build contingencies into projects and hence when Council adopts or endorses tenders staff recommend that Council authorise variations (to allow for any variations which may arise as part of the contingency allowed for). This discussion moved on to reporting on variations and the need to provide a little more clarity around what Council is expecting in terms of reporting and why the current position of a reportable variation being 10% or \$20,000 is actually referencing. Agreed this is a matter for a future Audit & Risk Committee meeting to consider.
6. Similarly the operating costs associated with projects, agreed that care needs to be taken to ensure accuracy. Discussed the increase in staff costs over original projections and agreed there were valid reasons (extending season / slides etc.), further to this the actual net project cost to Council in the 2020/21 annual budget is actually within 1% of the 2016 projected costs (based on present value).

6. URGENT BUSINESS APPROVED BY PERSON PRESIDING OR BY DECISION

Nil.

7. DATE OF NEXT MEETING

Thursday, 25th February 2020 at 5:00pm.

8. DECLARATION OF CLOSURE

There being no further business, the Shire President, Cr Chris Antonio declared the meeting closed at 6:18pm.

"I certify that the Minutes of the Audit and Risk Management Committee held on 17 December 2020 have been confirmed as a true and correct record."

_____ President

_____ Date