

SHIRE OF KOJONUP

Kojonup



Audit & Risk Committee

Minutes

2 November 2022

TERMS OF REFERENCE

AUDIT & RISK COMMITTEE

Function:

This Committee is responsible for assisting Council in recommending appropriate actions to Council with regards to audit, risk and governance management to ensure accountability to the community in its responsibilities.

Duties and Responsibilities:

- Receive and review the biannual reports from the Chief Executive Officer (CEO) regarding the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance and make recommendations to Council;
- Recommend and review the Shire's Risk Appetite Statement in order to set the Risk Tolerance of the Council;
- Monitor and receive reports concerning the development, implementation and on-going management of the Shire's Risk Management Plan and the effectiveness of its Risk Management Framework;
- Provide advice and assistance to Council as to the carrying out of its functions in relation to audits and recommend;
 - a) a list of those matters to be audited; and
 - b) the scope of the audit to be undertaken;
- Meet with the auditor yearly and provide a report to Council on the matters discussed and the outcome of the discussions;
- Liaise with the (CEO) to ensure that the Shire does everything in its power to:
 - a) assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
 - b) ensure that audits are conducted successfully and expeditiously;
- Examine the reports of the auditor after receiving a report from the CEO on the matters and:
 - a) determine if any matters raised require action to be taken by the Shire; and
 - b) ensure that appropriate action is taken in respect of those matters;
 - c) Review the report prepared by the CEO in respect of any matters raised in the report of the auditor and present the report to Council for adoption prior to the end of the next financial year or six months after the last report prepared by the auditor is received, whichever is the latest;
- Review the scope of the Audit Plan and its effectiveness;
- Consider and recommend adoption of the Annual Financial Report to the Council;
- Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference;
- Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Committee's terms of reference following authorisation from the Council; and
- Review the annual Statutory Compliance Return and make a recommendation on its adoption to Council.

Membership

Four (4) Councillors; and

Two (2) Community Members.

MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING
HELD ON 2 NOVEMBER 2022

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MINUTES

1 DECLARATION OF OPENING

The Chairman, Cr Gale, declared the meeting open at 9:04 am and alerted the meeting of the procedures for emergencies including evacuation, designated exits and muster points.

2 ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

MEMBERS

Cr Kevin Gale	Member
Cr Alan Egerton-Warburton	Member
Cr Roger Bilney	Member
Cr Paul Webb	Member
Roger House	Community Member

STAFF (OBSERVERS)

Grant Thompson	Chief Executive Officer
Heather Marland	Senior Finance Officer

SENIOR MANAGEMENT TEAM VISITOR

Nil

APOLOGIES

James Hope	Community Member
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3 PUBLIC QUESTION TIME

Nil

4 SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

5 CONFIRMATION OF MINUTES

5.1 AUDIT AND RISK COMMITTEE MEETING HELD 12 JULY 2022 ([Attachment 5.1](#))

COMMITTEE RECOMMENDATION

Moved Cr Egerton – Warburton, seconded Cr Bilney
That the minutes of the Audit and Risk Committee Meeting held on 12 July 2022 be confirmed as a true and accurate record.

Carried 5/0

6 DECLARATIONS OF INTEREST

Nil

7 SENIOR MANAGEMENT TEAM DISCUSSION

No Senior Managers were present

In accordance with the Financial Management Review adopted in February 2019, one senior manager will attend the Audit & Risk Committee on a rotational basis to discuss the following:

- Update on Manager's areas of responsibility and current projects/issues;
- Questions on Notice from the Audit Committee;
- Management's own recommendations for improvement in key areas.

8 COMMITTEE TIMETABLE

As a guide and subject to availability, each Audit & Risk Committee agenda will contain the following **(list to be expanded at the suggestion of members)**:

1st Quarter (January – March)

- Committee Status Report
- Compliance Audit Return
- Summary of Risk Management
- Volunteer Management
- Leave Provision Adequacy

2nd Quarter (April – June)

- Committee Status Report
- Summary of Risk Management
- Fees & Charges Review
- Business Continuity Plan Review
- Shire President's Vehicle Log Book

3rd Quarter (July – September)

- Committee Status Report
- Interim Audit Report
- Summary of Risk Management
- Insurance Overview

4th Quarter (October – December)

- Committee Status Report
- Audit Report & Management Letter
- Annual Financial Report
- Annual Report
- Financial Management Review (each 3 years – 2021, 2024...)
- Risk, Legal Compliance & Internal Controls review (each 3 years – 2021, 2024...)
- Summary of Risk Management

OFFICER COMMENT

The above list will remain at the commencement of each Committee agenda to act as a timetable and enable members to add to the items to be considered.

9 COMMITTEE STATUS REPORT

Date	Item Number & Title	Issue	Response	Status
Nil				

10 SUMMARY OF RISK MANAGEMENT

10.1 RISK MANAGEMENT UPDATE

Please refer to the following attachments:

- 10.1.1 Risk Dashboard Report – October 2022
- 10.1.2 Risk Actions Report – October 2022 (updates in red, italic font)

COMMITTEE RECOMMENDATION

The Audit and Risk Committee recommend that the Risk Management Framework and Risk Matrix be reviewed and updated, and that the Chief Executive Officer organise a workshop for the Audit and Risk Committee for input and review.

10.2 COVID-19 WORKING GROUP

The COVID-19 Working Group (Group) held its last scheduled meeting on 2 June 2022 and will now only meet if the need arises.

The following advice was received from the Department of Health (dated 18 October 2022):

Mandatory isolation requirements removed

Following an agreement at National Cabinet, the mandatory isolation requirements for COVID-19 positive cases and their close contacts were removed on 14 October 2022.

However, Western Australians are still encouraged to take steps to reduce the spread of COVID-19 and protect others.

Anyone who is COVID-19 positive or experiencing symptoms (runny nose, sore throat, cough, fever) is strongly encouraged to stay home until they have recovered.

It is recommended that those with COVID-19:

- *stay at home for at least 5 days and until symptoms clear*
- *register their positive rapid antigen test (RAT) with WA Health*
- *don't visit people at high risk of severe illness, such as aged or disability care facilities or healthcare facilities, such as GPs, physio or dentists for 7 days after testing positive*
- *notify their employer and discuss when to return to work.*

Exclusion period

While mandatory isolation requirements for COVID-19 cases and close contacts has been removed, some settings require ongoing risk management to protect those most vulnerable to severe illness.

People who work in a public hospital or public healthcare facility cannot attend work for 7 days after testing positive for COVID-19.

To protect those most at risk from COVID-19, for 7 days after testing positive to COVID-19, workers and visitors:

- *must not enter public health service facilities including public hospitals, public mental health services and public community dental services*

- *should not enter high-risk settings including disability and mental health and aged care residential facilities and healthcare settings (e.g. private hospitals, ambulance services, GP clinics, physiotherapy).*

Asymptomatic close contacts who work in high-risk settings can attend work with the agreement of their employer, provided they meet certain conditions.

Masks still required in high-risk settings

Masks are still required for people aged 12 years and over (year 7 and over for schools):

- *at hospitals and healthcare settings*
- *at residential aged care facilities and other residential care facilities*
- *in ambulance and patient transport services*
- *at primary health clinics (including general practitioner clinics, Aboriginal health services, private nurse offices and maternal, child, and dental health clinics)*
- *at specialist outpatient services and day procedure centres*
- *at allied health services including radiology, physiotherapy and occupational therapy services.*

Masks are not mandated for healthcare settings that do not have face-to-face interaction with patients (including telehealth services, pathology laboratories and corporate areas within health facilities).

If you believe you need wear a mask in certain circumstances, you are encouraged to do so.

11 **OFFICER REPORTS**

11.1 INSURANCE POLICIES 2022/2023

AUTHOR	Heather Marland – Senior Finance Officer
DATE	Thursday, 27 October 2022
FILE NO	RM.REG.1
ATTACHMENT(S)	11.1.1 - Vehicle and Plant Register 11.1.2 - Property Register

STRATEGIC/CORPORATE IMPLICATIONS		
“Smart Possibilities – Kojonup 2027+”		“Smart Implementation – Kojonup 2018-2022”
Key Pillar	Community Outcomes	Corporate Actions
KP 3 – Performance	3.4 Be organised and transparent with our financial management	3.4.2 Act with sound long-term and transparent financial management and deliver residents considered value for money.

DECLARATION OF INTEREST

Nil

SUMMARY

The purpose of this report is to inform the Audit and Risk Committee of the insurance levels and associated costs held by the Shire of Kojonup (Shire) for the 2022/2023 financial year.

BACKGROUND

Insurance is one of the Shire’s largest annual expenses and most important risk management tasks and, therefore, it is appropriate that the Council, in addition to staff, be comfortable with the levels of insurance taken out.

COMMENT

The Shire of Kojonup obtains insurance cover through LGIS (Local Government Insurance Services). LGIS is partly owned by WALGA and offers insurance through its Scheme Membership and also through policies taken out with insurers. It is able to obtain policies from main stream insurance at a reduced rate as it brokers on behalf of all scheme members.

Below is a list of insurances held by the Shire for the 2022/2023 financial year including the insurance provider, limit of liability and the cost of premium.

There has been an overall increase of 12.10% on last year; this is, however, lower than the predicted 15% forecast. The 3 larger increases are LGIS Property which is a result of increased assets, Workcare due to a loss ratio of 146.2 over the past 3 years and LGIS Bushfire as a flow on from weather related catastrophes on the east coast.

Policy	2021/2022 Premium	2022/2023 Premium	Insurer	Liability	Interest Protected
LGIS Bushfire	\$31,500	\$36,775	Scheme	\$500k	Volunteer Bushfire members, medical expenses, loss of salary/wages and death benefits
LGIS Liability	\$37,499	\$40,920	Scheme	\$500m	Public liability - Death or Personal Injury, Loss or Damage to Property
Casual Hirers Liability	\$ 0	\$0	Covered by Scheme	\$10m	Legal liability to third parties for death, illness or personal injury and loss of damage to property at hired facility
Commercial Crime and Cyber Liability	\$3,426	\$4,025	Scheme	\$400k	Direct financial loss sustained by member.
LGIS Property	\$112,168	\$122,431	Scheme	\$600m	Physical loss, destruction or damage to property including machinery breakdown and electronic equipment
LGIS Workcare	\$113,850	\$140,662	Scheme	\$500k	Workers Compensation and Injury Management including Journey Accident Cover
Corporate Travel	\$825	\$878	Scheme	\$10m	External Journey beyond 50km
Management Liability	\$34,643	\$37,518	Scheme	\$4.25m	Councillors and Officers Liability and Employment practices Liability
Marine Cargo	\$660	\$693	QBE	\$400k	All goods &/or interests belonging &/or appertaining whilst in transit by land, air, water and parcel post
Motor Vehicle	\$67,395	\$70,966	Scheme	\$3.2m	All motor vehicles and trailers owned leased or mortgaged under hire purchase or hired in or let out. Includes volunteer bushfire brigade members' vehicles.
Personal Accident - Volunteers , Councillors	\$467	\$517	Scheme	\$300k	Elected members and volunteers if injured or die whilst engaged in work for the Shire if said work is authorised by the Shire
Medical Malpractice Liability	\$6,990	\$7,518	Vero Insurance	\$20m	Cover of Medical Practice lawsuits for Springhaven
Less Contribution Assistance	-\$9,078	-\$26,349			Surplus Credit
TOTAL	\$400,345	\$436,554			

CONSULTATION

David Woods – Account Manager LGIS
Grant Thompson – Chief Executive Officer

STATUTORY REQUIREMENTS

Local Government Act 1995 Section 5.42(1)

Delegation Register – Admin 007 – Entering into Contracts of Insurance

The Chief Executive Officer (CEO) is Delegated Authority to enter into appropriate contracts of insurance. In exercising the delegation, the CEO is to have regard to the provisions of the Annual Budget.

Section 5.49(2) (Workers' compensation arrangement) of the *Local Government Act 1995* states:

(2) WALGA is to establish and manage, for the benefit of itself and any eligible body that chooses to participate, a group self-insurance arrangement against liability to pay compensation under the WCIM Act.

POLICY IMPLICATIONS

2.1.8 – Financial Governance – Management of financial risk prudently, having regard to economic circumstances.

FINANCIAL IMPLICATIONS

Insurance is the most important risk management task undertaken each year. Insurance is the Shire's single largest ongoing external cost and without adequate cover the Shire is extremely exposed to financial and property loss and open to liability.

RISK MANAGEMENT IMPLICATIONS

Without sufficient insurance cover the Shire runs the risk of being unable to maintain its current level of service in the event of a major/catastrophic loss and possibly exposes itself to litigation costs if not adequately insured.

ASSET MANAGEMENT IMPLICATIONS

Nil

SOUTHERN LINK VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RECOMMENDATION

Moved Cr Webb, seconded R House

That the information regarding the levels of the Shire of Kojonup's insurance for the 2022/2023 financial year be noted.

Carried 5/0

11.2 CHIEF EXECUTIVE OFFICER – INTERNAL FINANCIAL MANAGEMENT REVIEW - 2022

AUTHOR	Grant Thompson – Chief Executive Officer
DATE	Friday, 28 October 2022
FILE NO	FM.FNR.2
ATTACHMENT(S)	Nil

STRATEGIC/CORPORATE IMPLICATIONS		
"Smart Possibilities – Kojonup 2027+"		"Smart Implementation – Kojonup 2021 +"
Key Pillar	Community Outcomes	Corporate Actions
KP 3 - Performance	3.4 – Be organised and transparent with our financial management.	3.4.1 - Increase regularity of readable financial reporting to the community. 3.4.2 – Act with sound long-term and transparent financial management and deliver residents considered value for money.

DECLARATION OF INTEREST

Nil

SUMMARY

The purpose of this report is for the Audit and Risk Committee to consider an internal Financial Management Review (FMR) undertaken by the Chief Executive Officer (CEO) of the appropriateness and effectiveness of the Shire of Kojonup's financial management systems controls and procedures.

BACKGROUND

The Audit and Risk Committee requested that, for this cycle, the CEO complete an internal FMR.

This report is in no way a forensic review of the accounts and was not searching for anomalies or fraud but rather looking at the appropriateness of controls and systems in place. It is not an independent report and does not offer any assurance whether limited or otherwise. It is not possible for the CEO, in practice, to examine every activity and procedure or transaction.

This report is prepared solely for the Audit and Risk Committee of the Shire of Kojonup (Shire) for the purpose of the CEO reporting under Local Government (Financial Management) Regulations 5(2) (c).

The objective of the review is to assist the CEO discharge their responsibilities in respect to Regulation 5(2) (c) of the Local Government (Financial Management) Regulations 1996 (as amended). The Chief Executive Officer is to review the financial systems and procedures at least every three financial years.

Internal Control Policy & Procedures

Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 require that the Chief Executive Officer establish efficient systems and procedures:

- (a) for the proper collection of all money owing to the local government;
- (b) for the safe custody and security of all money collected or held by the local government;
- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
- (d) to ensure proper accounting for municipal or trust:
 - (i) income received or receivable;
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;
- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments;
- (f) for the maintenance of payroll, stock control and costing records; and
- (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

Further, Regulation 5(2)(a) of the Local Government (Financial Management) Regulations 1996 requires that the CEO is to ensure that the resources of the local government are effectively and efficiently managed.

Internal control is the whole system of controls, financial and otherwise, established by the management in order to carry on the business of the organisation in an efficient and orderly manner.

COMMENT

Based on this internal review of the financial systems there is nothing that stands out as a major red flag at this point. However, there are a number of areas that require significant improvement and are deemed higher risks for the Shire if not addressed. These risks should be addressed in the short to medium term (within a 2 year timeframe, some more immediate).

For those aspects of the Shire of Kojonup's Financial Management systems and procedures which were assessed as having opportunities for improvement, a table of outcomes and recommendations are embedded in this report.

The CEO makes the observation that the Shire of Kojonup has generally sound financial controls, albeit some are extremely manual and could be considered high risk due to human error. The Auditors have also commented on this in the past 12 months.

The Shire is in a reasonable financial position; however, debt management needs to be a strong focus over the coming period, with a higher but currently manageable debt level, and with a lower level of reserves due to being accessed recently for their specific projects. Debt has to be paid from Council's own funding sources which, with current inflationary variables, puts pressure on cashflow.

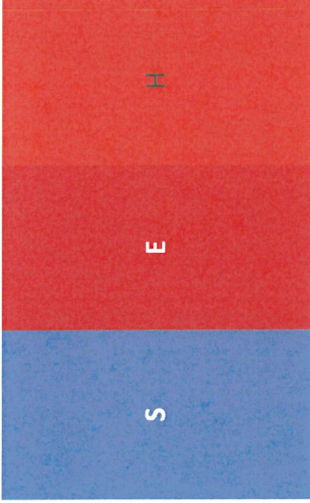
In the interests of promoting a culture of continuous improvement and self-managed discipline, emphasis on procedural and regulatory compliance, it will be important that Team Members participate in continuous improvement projects, particularly as we move to implement new systems.

The Shire management also needs to promote and manage attention to detail with regulatory and compliance matters.

The following table highlights the report outcomes by the CEO and recommendations:

S Systems and Process	C Compliance & Governance	E Efficiency/Cost Savings	H M L	High Risk Medium Risk Low Risk	Comments/Recommendations	
FINDINGS			NATURE		RISK	
BANK RECONCILIATION AND PETTY CASH						
<p>Bank reconciliations have been a primary focus and improved over the past year; however, scarce resources do put pressure on timeframes. The CEO has observed that bank reconciliations are being prepared on a monthly basis and reviewed by a responsible officer at this stage. Must continue to focus on verification controls and timing of reconciliations.</p>			S	E	M	<p>Systemising the financial system will support a greater level of productivity and time to do the important tasks of reconciliations. Currently have manual processes that require streamlining and open the Shire up to human error risk with data entry, processing etc</p> <p>Officers responsible for the approval of monthly reconciliations should ensure that a detailed review of the reconciliations is performed during the process.</p>
ASSET MANAGEMENT						
<p>Assets being rented on a wet hire as a private works basis to Community and Team Members needs to be reviewed. Anomalies and transparency of this service has been found to be vague at best.</p>			C	M	<p>Anomalies in the Policy and Process for utilising Shire Assets as private works needs a total overhaul. Recommend CEO to develop new Policy and procedures and present to Council</p>	
RECEIPTS AND RECEIVABLES						
<p>Debtors focus for following up outstanding debts.</p>			S	L	<p>The Shire needs to continue to follow up on outstanding debts. Recommend regular monitoring of reports by the CEO and followed up more regularly.</p>	

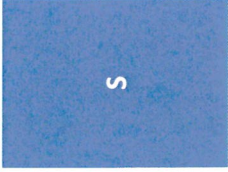
Managing Cash Business Swimming Pool



It was noted that there may be opportunity here for reconciliations with actual sales to be incorrect. Recommend that an Electronic Point of Sale be implemented as to require better reconciliation between stock and cash takings. This would also increase the ability of the Swimming Pool Manager to manage procurement more effectively.

RATES

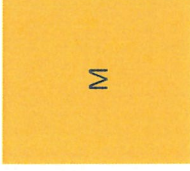
UV Rates run at last period was not backed up and due to error of wrong rate in the dollar used to raise rates, the journals were raised to remove the error so the right rateable value was posted. This is a system issue as much as it was human error.



Recommend updating new rates system within the Enterprise Resource Programme (ERP) framework. Review process for rates and ensure backups are done prior to running the rates. Create a two step verification process for running the rates process.

PURCHASES, PAYMENTS AND PAYABLES (INCLUDING PURCHASE ORDERS)

Previously Purchase orders were not properly raised and authorised in accordance with standard practice. The Shire has been monitoring this process carefully.



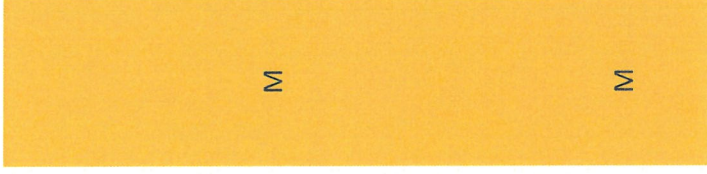
Happy to report that due to constant reinforcing Purchase Orders have improved significantly. No anomalies found. Further controls such as Two points of authorisation for PO's is being investigated by the CEO.

SALARIES AND WAGES

EBA Award Payment classifications. An anomaly where Team Members had received an allowance that they weren't eligible due to changes in their roles and classifications. Employees' files not always updated with changes in employee's pay rate.



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Recommend Systemising Payroll and HR, new system to be implemented, will allow controls in this space.

Also recommend the CEO review and monitor written contracts, EBA and payroll variables on a regular basis. New EBA requires negotiating once the Shire has been transferred to the West Australian Industrial Relations Commission framework. 2nd Quarter next year.

The Shire should review employee entitlement calculations and update the worksheets to ensure correct data is being used. Regular review of these calculations should also be carried out.

Reviewed segregation of duty surrounding payroll system and changes in employees' details.

S

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Have made significant improvement in this area and clear separation of duties is being undertaken. And an audit report run every cycle.

CREDIT CARD PROCEDURES

Credit card transactions reported monthly and monitored through financial reporting.

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CEO to maintain vigilance over all credit card expenditure. Review monthly with the Council.

Documentation for Invoices, receipts etc.

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Made improvements and reinforcing the behaviours. Receipt collection has improved.

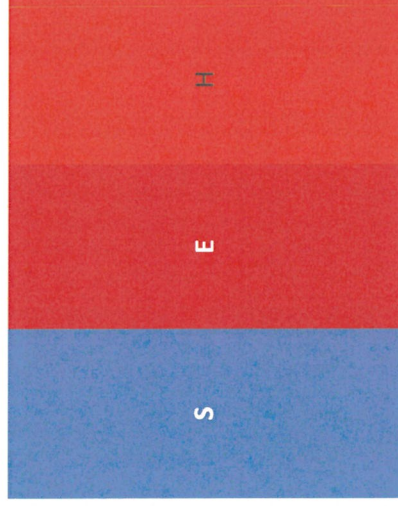
Current Manual Processes for collection of information is time consuming and every transaction has to be filed under a separate manual form



Automation of credit card receipting should be investigated, minimum recommendation to move to an electronic spreadsheet batch reporting of receipts for individuals to consider.

SYSTEM AND DATA MANAGEMENT

General data and information management is always in default due to time and resources. Updating data such as fixed Asset register remaining useful lives residual values other financial data is not always timely and has been noted by the auditors as a discipline and resource issue in the Shire



Fixed assets have been recorded in an asset register, which reconciles to the general ledger but notes some data takes time to update and not a systemised process.

Employ qualified accountant to help build the processes and controls according to the Accounting standards.

Systemise the ERP and financial management including updating asset management module.

FINANCIAL REPORTS

Auditing process is lengthy related to AOG
Monthly statements of financial activity do not break the budget into monthly, quarterly reporting.



Not in our control
Recommend a review of financial reports and evolve the current monthly reports to fit this expectation. Further systemise reporting in any new ERP system that is implemented.

REGISTERS

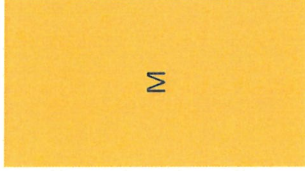
The records for the Registers of Gifts, Tenders, Financial Interests and Delegations, required are being maintained.



Note that registers are now published on website.
Good - no recommendation

INTEGRATED PLANNING AND REPORTING

Long Term Financial Plan overdue - reason Strategic Plan has not been completed



Long Term Financial Plan has been adopted by Council and reviewed by the Department of Local Government. With noted improving trends of debt service ratio, own source revenue coverage, current ratio and operating surplus ratios.

Recommend update and create a new Long Term Financial Plan immediately the Community Strategic Plan has been developed

STORAGE OF DOCUMENTS/RECORD KEEPING

Strong rooms are not fire resistant and historical documents not in an environmentally controlled room.



This is a compliance issue with State Records Act regarding our obligation to record and protect records. No environmentally controlled storage facility.

Recommendation is to install an air conditioner in the records room where the historical records are kept to ensure the ambient temperature is controlled. The Shire to investigate a suitable alternative that is fire resistant to store records in Kojonup.

Records Management in general is not at the standard it should be for the size of Kojonup Shire. Somewhat disorganised and the new records management system has caused some angst and is difficult to use.

Reviewing technology system to improve training, usage and functionality. Also reviewing new system for use. Records to be digitised and destroyed as a matter of priority as per the State Records Act.

Councillor Records Management is virtually non-existent

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State Records Act obliges Councillors to store and record records, could be a breach and non-compliance. Training of Councillors required as a matter of urgency, systems and processes need review to support Elected Members in recording information and records.

IT GENERAL ENVIRONMENT

Systems misaligned, Hardware Architecture not adequate enough for requirements.

Licensing going to be re-licenced April 2023, requires new operating system and security upgrade. It is clear that systems in Kojonup have developed in a modularized manner, specifically that the architecture and design of the systems needs modernizing and a new ERP system is required to manage all end to end transactions.

Payroll is a good example where all timesheets are done manually and verifying times and authorisations are difficult to achieve as data is not on hand related to the tasks. I would recommend that the Shire immediately updates its ERP system or as a minimum updates its payroll system and time management systems.

This an area of both improving productivity and controls for time management and payroll.

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Recommend a complete end to end ERP system, ICT review and new implementation in 2023/24. Currently sourcing vendors to present and express interest in implementing an ERP.

GENERAL JOURNALS

General errors in accruals, timing of uploads, consistency of running reports on time



Needs monitoring and improving. Procedural discipline and timing issues require monitoring.

Reserves Interest batches need to be aligned to storage and recording same as all ledger batches



Minor issue but Procedural change required to align and standardise storage of reserve interest transactions for recording purposes.

RISK MANAGEMENT PLAN

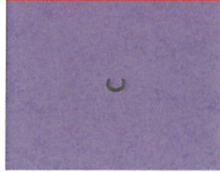
Appropriateness and effectiveness of systems and procedures to be adequately addressed in the Plan.



CEO has noted the Risk Framework and controls need a review over the next 12 months to update controls for relevance to changes in the environment.

RESOURCING

Resourcing and Skill Set



Auditors have raised an issue that there is no qualified accounting competency/capability in the Shire. With the SFO retiring at year's end, it will be important to attract the right person to the finance team. Recommend seeking qualified personnel to fill a financial role in the Shire Administration.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee meets regularly (4 times a year) and has a set agenda addressing general financial matters.



The Audit and Risk Committee's understanding of Council operating activities could be enhanced by ensuring the Committee has more time to consider particular higher risk items at meetings and discuss these risks in greater detail. It is incumbent on the CEO to make sure the meeting schedule is adhered to. This year has been disrupted by the ongoing issues with timing of the Annual Audits and reports not being available.

RECORDS AND COMPLAINTS: COMMUNITY FEEDBACK

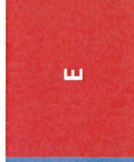
The CEO has observed that the records management system of managing complaints is not as streamlined nor is it as functional as required. Several complaints and correspondence from the Community has either been delayed, not responded to or lost due to the way correspondence comes into the Shire. It makes the process extremely manual and reliant on individuals to own the issue and follow up. High risk of human error.



The process for receiving and delegating complaints and community correspondence needs review. It is interdependent on the fact our older customer service system does not integrate with the new records management system. Recommend a full process and system review for customer service and records management.

FINANCIAL RATIOS

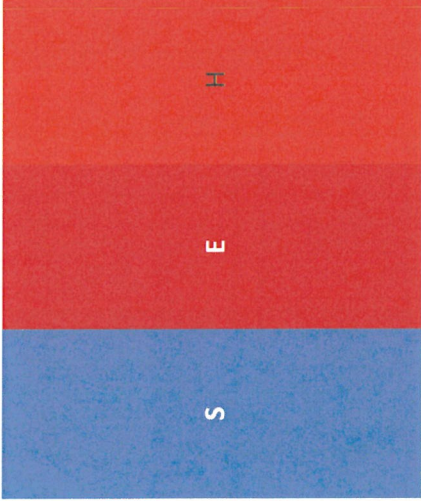
Financial reporting is changing as per local government reforms.



Do nothing now and wait for reforms to be directed by the Department. Believe this will improve our financial reporting as a middle tier Shire.

MANAGEMENT OPERATING SYSTEM

In the CEO's opinion an area of concern that requires further review is rostering, scheduling of resourcing, activity based costing and jobs/work orders management, to ensure the effective management of resources.



Recommend the Shire investigate a management operating system (MOS) for scheduling, rostering and executing jobs. Currently works and resources are being allocated manually and by individual managers. Risk for human error and limited reporting of asset utilisation and performance. Also key person risk is high that is Intellectual Property and knowledge held with one person.

6 Key High risks were identified from review for discussion by Audit and Risk Committee

1. Human Resource and Qualification of Accountant– with SFO retiring at year’s end it will be incumbent on the CEO to attract the right skilled person into that role.
2. Records and Complaints – needs a systemized process to respond to Community.
3. Strong rooms are not fire resistant and historical documents not in an environmentally controlled room.
4. General data and information management appears at times in default i.e. data is not timely or recorded in the right manner, mainly due to time and resources.
5. ERP System requires updating.
6. Swimming pool cash business risk.

CONSULTATION

Briefing Sessions

Ordinary Council Meeting September 2022

STATUTORY REQUIREMENTS

Local Government (Financial Management) Regulation 5(2) (c) requires the Chief Executive Officer to:

‘undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.’

POLICY IMPLICATIONS

This report has been completed in accordance with Council Policy 2.1.8 – ‘Financial Governance’.

FINANCIAL IMPLICATIONS

This item reports on the financial systems and procedures in place within the organisation, to ensure good governance and accountability with recommendations to improve certain aspects of the systems. The recommendation does not in itself have a financial implication.

All recommendations are considered as part of the budget process.

RISK MANAGEMENT IMPLICATIONS

RISK MANAGEMENT FRAMEWORK			
Risk Profile	Risk Description/Cause	Key Control	Current Action
3 – Compliance	Ineffective policies & processes Ineffective monitoring of changes to legislation	Financial management reviews Compliance Audit Return (DLGC) Councillor/Staff Induction Process Councillor/Staff training Disability Access and Inclusion plan Industry Standards maintained (LIWA/Royal Life, AIBS)	Nil
8 – Errors, Omissions and Delays	Complex legislation Human error	Staff training (mentoring, formal & on-the-job) Peer Review process Complaints Register Customer Service Charter Delegations register Planning Approval performance report Policies and Procedures	Implement a formal peer review process
<i>Risk rating: Adequate</i>			
IMPLICATIONS			
The risk rating from this review is pointing toward a high probability the Shire’s system and controls are at the end of their life and require an upgrade.			

ASSET MANAGEMENT IMPLICATIONS

Recommendations to upgrade the Enterprise Resource Planning System (ERP), which includes the end to end financial management processes of the Shire.

SOUTHERN LINK VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RECOMMENDATION

Moved Cr Bilney, seconded Cr Egerton-Warburton

That the attached Financial Management Review report prepared by the Chief Executive Officer on the appropriateness and effectiveness of the financial management systems and procedures of the Shire of Kojonup, dated October 2022:

1. Be received;
2. Be recommended to the Council for adoption; and
3. The recommendations and observations raised within the report be reported back to the Audit and Risk Committee for monitoring.

Carried 5/0

Cr Bilney congratulated the CEO Grant Thompson on the Financial Management Review, that it was clear and concise.

Cr Gale thanked the SFO Heather Marland for her contribution to the Committee over the years.

12 OTHER ITEMS FOR DISCUSSION OR FURTHER RESEARCH AS RAISED BY MEMBERS

COMMITTEE RECOMMENDATION

Moved CR Bilney, seconded Cr Egerton –Warburton

That the Audit and Risk Committee recommend to the Council, given the issues at Springhaven and the associated risk, that it progresses with the strategy to advertise an expression of interest to lease the management of the facility as a matter of urgency.

Carried 5/0

COMMITTEE RECOMMENDATION

Moved Cr Bilney, seconded Cr Egerton – Warburton

That the audit and Risk committee recommend to Council that the Community Members of the Audit and Risk Committee be included in emails dealing with all agenda items the same as Councilors excluding those that are confidential in nature.

Carried 5/0

COMMITTEE RECOMMENDATION

Moved Cr Bilney, seconded Cr Webb

Request Shire officers to investigate and report to the committee how the Complex Playground expenditure item was missed in the budget process.

Carried 5/0

13 **NEXT MEETING**

The next meeting of the Audit and Risk Committee will be at 9.00am, Tuesday, 7 February 2023 unless advised otherwise.

14 **CLOSURE**

There being no further business to discuss, the Chairman, Cr Gale, thanked members for their attendance and declared the meeting closed at 11.01am.

15 ATTACHMENTS (SEPARATE)

Item 5.1	5.1	Audit & Risk Committee Minutes 12 July 2022
Item 10.1	10.1.1	Risk Dashboard Report – October 2022
	10.1.2	Risk Actions Report – October 2022
Item 11.1	11.1.1	Vehicle and Plant Register
	11.1.2	Property Register


Presiding Member

28/2/2023
Date