

SHIRE OF KOJONUP

Kojonup



Audit & Risk Committee

Minutes

5 September 2023

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 Shires 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 AN AUDIT AND RISK COMMITTEE MEETING
HELD ON 5 SEPTEMBER 2023

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MINUTES

1 DECLARATION OF OPENING

The Chairman declared the meeting open at 9.14am and alerted the meeting of the procedures for emergencies including evacuation, designated exits and muster points.

2 ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

MEMBERS

Cr Gale	Member (Chair)
Cr P Webb	Member
Cr Egerton-Warburton	Member
Cr Bilney	Member
Roger House	Community Member

STAFF (OBSERVERS)

Grant Thompson	Chief Executive Officer (CEO)
Jill Johnson	Manager Financial and Corporate Services (MFCS)
Judy Stewart	Manager Governance and Administration (MGA) (Minutes)

APOLOGIES

James Hope	Community Member
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VISITORS

Cr Radford	President (10.25am)
Cr F Webb	Councillor (10.35am)

3 PUBLIC QUESTION TIME

Nil

4 SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

5 CONFIRMATION OF MINUTES

Audit & Risk Committee Meeting held 2 May 2023 ([Attachment 5.1](#))

OFFICER RECOMMENDATION/COMMITTEE DECISION

AR8/23 Moved Cr Egerton-Warburton Seconded Cr Bilney

That the minutes of the Audit & Risk Committee Meeting held on 2 May 2023 be confirmed as a true and accurate record.

CARRIED 5/0

For: Cr Gale, Cr P Webb, Cr Egerton-Warburton, Cr Bilney, Roger House

6 BUSINESS ARISING

6.1 CASHFLOWS

- Cashflow reports will be generated for Springhaven, Kodja Place, and the Shire Administration cost centres.
- A cashflow for 2024/2025 (cash in/cash out) will be commenced noting that some of the revenue streams included in 2023/2024 will not be available in 2024/2025.

6.2 2023-2024 BUDGET

- This year's budget has not included plant and machinery expenditure; in lieu \$360,000 has been allocated to an Information Communication Technology (ICT) upgrade.
- Labour costs – reduced numbers but wage increase across the board (5.8%) has resulted in a \$350,000 increase in total wage bill.
- Enterprise Bargaining Agreement negotiations – affected by move from Federal system to WA Industrial Relations Commission.
- Currently collecting Plant and Equipment hours to analyse/consider pushing out replacement timeframes.
- Pool – operations satisfactory, the chlorinator has recently been replaced.
- Long Term plans related to integrated planning are due this year.

COMMITTEE RECOMMENDATION

AR9/23 Moved Cr Bilney

Seconded Roger House

That it be recommended to Council that 2024/2025 cashflows be developed separately for the entire Shire organisation, Springhaven, and Black Cockatoo Café over the course of the next twelve months.

CARRIED 5/0

For: Cr Gale, Cr P Webb, Cr Egerton-Warburton, Cr Bilney, Roger House

The Manager Financial and Corporate Services left the meeting at 9.35am and returned at 9.38am.

7 DECLARATIONS OF INTEREST

Nil

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
- 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 – 2018, 2021...)
- Risk, Legal Compliance & Internal Controls review (each 3 years – 2021, 2024...)
- Summary of Risk Management

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
2 November 2022	10.1 – Risk Management Update	Risk Management Framework, Risk Register and Key Organisational Risks Review.	To progress by September 2023	To be commenced
2 November 2022	11.2 – Financial Management Review	The recommendations and observations raised within the Report be reported back to the Audit and Risk Committee for monitoring.	FMR adopted by Council, issues currently being addressed by Manager Financial & Corporate Services	Ongoing
28 February 2023	Comment	Council to adopt and publish policies dealing with Communications and Attendance of Council members and the Chief Executive Officer at events.	To progress by July 2023	In progress
5 September 2023	Information Request	Roger House - Netball Courts costing (1/2 grant funded) figures – CEO/MFCS		
5 September 2023	Information Request	Cr P Webb - List of vehicles containing trackers – CEO		
5 September 2023	Information Request	Cr Gale - Expenditure - machinery maintenance and repairs – analyse to see if worthwhile upgrading or not – CEO/MFCS		
5 September 2023	10.1 - Documentation	Risk Assessment and Acceptance Criteria including Likelihood x Consequence Matrix (Risk Management Framework)	To be forwarded to Committee members	Attachment – 10.1.3
5 September 2023	13.1 - Information Request	CEO and MFCS to look into feasibility of reduction in insurance premiums if the Shire was to increase insurance excesses		
5 September 2023	Documentation	New Organisational Workforce Structure – CEO	To be forwarded to Committee members after announcement of same	

10 SUMMARY OF RISK MANAGEMENT

10.1 RISK MANAGEMENT UPDATE

Please refer to the following attachments:

- 10.1.1 Risk Dashboard Report – September 2023
- 10.1.2 Risk Actions Report – September 2023
- 10.1.3 Risk Assessment and Acceptance Criteria

10.2 WORK HEALTH AND SAFETY

The CEO provided an update on Work Health and Safety (WHS) matters –

- Currently seeking WHS representatives in order to meet the quota of management representatives/WHS representatives at WHS meetings and fulfil quorum requirements
- Currently have two active Workers Compensation claims

11 OFFICER REPORTS

11.1 INSURANCE POLICIES

AUTHOR	Jill Johnson – Manager Financial & Corporate Services
DATE	Tuesday, 29 August 2023
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 2023/2024 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 2023/2024 financial year including the insurance provider, limit of liability and the cost of premium.

There has been an overall increase of 13.81% on last year; this is, however, lower than the predicted 15% forecast.

- LGIS Property has a scheme portfolio rate increase of 3%.
- LGIS Motor Vehicle Fleet has a minor rate increase due to 5yr claims loss ratio at 66% and a small uplift in total fleet value.
- Workcare has a minor increase from 2.75% to 3% due to 5yr claims loss ratio at 127% and minor lift in salaries.

Policy	2022/2023 Premium	2023/2024 Premium	Insurer	Liability	Interest Protected
LGIS Bushfire	\$36,775	\$52,605	Scheme	\$500k	Volunteer Bushfire members, medical expenses, loss of salary/wages and death benefits
LGIS Liability	\$40,920	\$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	\$4,428	\$4,198	Scheme	\$400k	Direct financial loss sustained by member
LGIS Property	\$122,431	\$114,555	Scheme	\$600m	Physical loss, destruction or damage to property including machinery breakdown and electronic equipment
LGIS Workcare	\$140,663	\$149,250	Scheme	\$500k	Workers Compensation and Injury Management including Journey Accident Cover
Corporate Travel	\$878	\$854	Scheme	\$10m	External Journey beyond 50km
Management Liability	\$40,025	\$38,136	Scheme	\$4.25m	Councillors and Officers Liability and Employment practices Liability
Marine Cargo	\$693	\$725	QBE	\$400k	All goods &/or interests belonging &/or appertaining whilst in transit by land, air, water and parcel post
Motor Vehicle	\$70,966	\$72,441	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	\$517	\$508	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	\$7,519	\$6,835	Vero Insurance	\$20m	Cover of Medical Practice lawsuits for Springhaven
TOTAL	\$465,815	\$481,027			

CONSULTATION

David Woods – Account Manager, LGIS

Grant Thompson – Chief Executive Officer

Jill Johnson – Manager Financial & Corporate Services

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

OFFICER RECOMMENDATION/COMMITTEE RECOMMENDATION

AR10/23 Moved Cr P Webb

Seconded Cr Egerton-Warburton

That it be recommended to Council that the information regarding the levels of the Shire of Kojonup's insurance for the 2023/2024 financial year be noted.

CARRIED 5/0

For: Cr Gale, Cr P Webb, Cr Egerton-Warburton, Cr Bilney, Roger House

12 CEO UPDATES

Cr Radford entered the meeting at 10.25am.

Cr F Webb entered the meeting at 10.35am.

12.1 DRAFT RESPONSE TO INTERIM AUDIT LETTER

(see attached correspondence 12.1.1 – CEO to present on matters raised in correspondence)

The CEO discussed the findings contained in the Interim Audit Letter and the actions being taken to address identified issues.

12.2 BUDGET AND ANNUAL OPERATING PLAN UPDATE – PRESENTATION BY CEO

The CEO gave a summarised presentation of the 2023/2024 Annual Budget and an operating plan update.

12.3 JOURNAL ENTRY ISSUES RELATED TO PRIOR GRANT FUNDING - CEO

The CEO explained journal entry issues relating to prior grant funding and actions being taken to address those issues.

12.4 SPRINGHAVEN UPDATE - CEO

The CEO advised that the Shire will review possible aged care facility grant funding which may be available to grow Aged Care in Kojonup. The Shire has access to land that it may be able to leverage to attract capital.

Cr F Webb left the meeting at 10.50am and re-entered at 10.54am.

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

13.1 INSURANCE PREMIUMS

Cr Gale – request for research into higher insurance excesses to potentially result in reduced insurance premiums.

14 NEXT MEETING

The next meeting of the Audit and Risk Committee is scheduled to be held Tuesday, 7 November 2023 at 9:00am.


15 CLOSURE

There being no further business to discuss, the Chairman thanked members for their attendance and declared the meeting closed at 10.56am.

ATTACHMENTS (SEPARATE)

- 5.1 - Audit & Risk Committee Minutes 2 May 2023
- 10.1.1 - Risk Dashboard Report – September 2023
- 10.1.2 - Risk Actions Report – September 2023
- 10.1.3 – Risk Assessment and Acceptance Criteria
- 11.1.1 - Vehicle and Plant Register
- 11.1.2 - Property Register
- 12.1.1 – Draft Response to Interim Audit Letter

Confirmed as a true and correct record



Presiding Member

6 Feb 2024.
Date