

SHIRE OF KOJONUP

Kojonup



Audit & Risk Committee Minutes

18 August 2020

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 Shires 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 Shires 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 FOR THE AUDIT AND RISK COMMITTEE MEETING
HELD ON 18 AUGUST 2020

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MINUTES

1 DECLARATION OF OPENING

The Chairman, Cr Gale declared the meeting open at 9:02 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 Parminder Singh	Member
Cr Cindy Wieringa	Member
Cr Felicity Webb	Member
James Hope	Community Member
Roger House	Community Member

STAFF (OBSERVERS)

Anthony Middleton	Manager of Corporate & Community Services
Heather Marland	Senior Finance Officer
Judy Stewart	Senior Administration Officer

SENIOR MANAGEMENT TEAM VISITOR:

Rick Mitchell-Collins	Chief Executive Officer
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APOLOGIES

Nil

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 16 June 2020 ([Attachment 5.1](#))

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Cr Singh, seconded Cr Wieringa that the minutes of the Audit & Risk Committee Meeting held on 16 June 2020 be confirmed as a true and accurate record.

CARRIED 6/0

6 DECLARATIONS OF INTEREST

Nil

7 SENIOR MANAGEMENT TEAM DISCUSSION

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;

Rick Mitchell-Collins, Chief Executive Officer (CEO), presented at the meeting covering such topics as:

1. the Audit and Risk Committee's terms of reference;
2. Department of Local Government report;
3. OAG – WA Public Sector Audit Committees – Better Practice Guide;
4. Private use of motor vehicles (per 28 July 2020 Council resolution); and
5. Update on current aged care issues.

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 – 2018, 2021...)
- Risk, Legal Compliance & Internal Controls review (each 3 years – 2018, 2021...)
- 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
16 June 2020	11.1 ANNUAL FINANCIAL REPORT 2018/2019	<ul style="list-style-type: none"> The Manager Corporate & Community Services be requested to forward a copy of this Committee and the Council agenda items (relating to the Operating Surplus Ratio and the Asset Consumption Ratio) to the Minister for Local Government and placed on the Shire website in accordance with Section 7.12A (Duties of local government with respect to audits) of the Local Government Act 1995; The matters raised in the Auditor's Management Letter be noted and included in the Committee Status Report of future Audit and Risk Committee agendas: <ul style="list-style-type: none"> - Delay in Audit Process; - Asset Records. 	<ul style="list-style-type: none"> Report (agenda) sent to Minister and placed on Shire website - 11 August 2020; 	Completed
			<ul style="list-style-type: none"> - Completed - Completed. 	Completed Completed

Date	Item Number & Title	Issue	Response	Status
16 June 2020	12. OTHER ITEMS FOR DISCUSSION OR FURTHER RESEARCH AS RAISED BY MEMBERS	<p>1. The information of each vehicle with private use with regards to cost of fuel be requested, and</p> <p>2. That a review of all log books for those with private use of shire vehicles and also the policies for the use of the Shire Presidents vehicle and Councillor travel.</p>	<p>The Council resolved at its meeting held 28 July 2020:</p> <p>“That the CEO meet with the Audit and Risk Committee at its meeting to be held 18 August 2020 to clarify committee’s recommendations and purpose for such request, for example the cost of fuel represents only one component of vehicle use and all individual contracts are private in nature.”</p>	<p>The CEO is attending this meeting to discuss this issue and other general issues the Committee may have.</p>

10 SUMMARY OF RISK MANAGEMENT

10.1 RISK MANAGEMENT UPDATE

Please refer to the following attachments:

- 10.1.1 Risk Dashboard Report – August 2020
- 10.1.2 Risk Actions Report – 30 July 2020

10.2 COVID-19 RECOVERY PLAN

The Council's Business Continuity and Disaster Recovery Plan (Plan) was updated and endorsed by Council at its April 2020 Ordinary Meeting to include a COVID-19 Pandemic Response Plan incorporating a Springhaven Lodge Outbreak Management Plan. These documents were presented within the Audit and Risk Committee's 2 June 2020 meeting agenda.

As Western Australia has been able to move through the relaxation of State Government restrictions imposed to protect people from exposure to the COVID-19 virus, staff are now in the process of formalising a COVID-19 Recovery Plan (Recovery Plan). The aim of the Recovery Plan is to focus on how the Shire may assist the community recover from the negative impact the restrictions created and will concentrate on both:

- Assisting community wellbeing; and
- Financial measures aimed at improving the local economy.

COVID-19 WORKING GROUP

The COVID-19 Working Group has continued to meet regularly, recently moving from weekly to fortnightly meetings as restrictions imposed by the State Government have been able to be reduced. Accordingly, the Local Emergency Management Committee (LEMC) has also decreased its number of meetings from weekly to fortnightly to monthly until the most recent meeting decided to now hold LEMC meetings on a quarterly basis as was usual practice pre COVID-19.

Relevant staff have continued to attend webinars where appropriate; more recently those that focus on the recovery phase of the pandemic.

11 OFFICER REPORTS

11.1 INSURANCE COVERAGE LEVELS - 2020/2021

AUTHOR	Heather Marland – Senior Finance Officer
DATE	Friday 17 July 2020
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 review the insurance levels and associated costs held by the Shire for the 2020/2021 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 both the Committee and Council, in addition to staff, be comfortable with the levels of insurance taken out.

COMMENT

The Shire of Kojonup obtain insurance cover through Local Government Insurance Services (LGIS). LGIS is partly owned by the Western Australian Local Government Association (WALGA) and offer insurance through their Scheme Membership and also through policies taken out with insurers. They are able to obtain policies from mainstream insurance at a reduced rate as they broker on behalf of all scheme members.

Below is a list of insurances held by the Shire for the 2020/2021 financial year including the insurance provider, limit of liability and the cost of the premium:

Policy	2019/20 Premium	2020/21 Premium	Insurer	Liability	Interest Protected
LGIS Bushfire	\$27,240.	\$28,798	Scheme	\$500k	Volunteer Bushfire members, medical expenses, loss of salary/wages and death benefits
LGIS Liability	\$34,146	\$35,376	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 thirds parties for death, illness or personal injury and loss of damage to property at hired facility
Commercial Crime and Cyber Liability	\$2,592	\$2,757	Scheme	\$400k	Direct financial loss sustained by member.
LGIS Property	\$94,526	\$103,704	Scheme	\$600m	Physical loss, destruction or damage to property including Machinery breakdown and electronic equipment
LGIS Workcare	\$100,696	\$110,880	Scheme	\$500k	Workers Compensation and Injury Management including Journey Accident Cover
Corporate Travel	\$825	\$825	Scheme	\$10m	External Journey beyond 50km
Management Liability	\$30,893	\$34,643	Scheme	\$4.25m	Councillors and Officers Liability and Employment practices Liability
Marine Cargo	\$660	\$660	QBE	\$400k	All goods &/or interests belonging &/or appertaining whilst in transit by land, air, water and parcel post.
Motor Vehicle	\$59,733	\$67,395	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 member's vehicles.
Personal Accident - Volunteers , Councillors	\$467	\$467	Scheme	\$300k	Elected members and volunteers if injured or death whilst engaged in work for the Shire if said work is authorised by the Shire.

Medical Malpractice Liability	\$6,352	\$6,655 2	Vero Insurance	\$20m	Cover of Medical Practice lawsuits for Springhaven
Less Contribution Assistance		-\$31,080			COVID-19 related
Less 2019 Surplus Contribution Credit	-\$18,151				
	\$339,979	\$361,082			Approx 6.246% increase, reasonable given the global circumstances.

CONSULTATION

David Woods – Account Manager LGIS

Anthony Middleton – Manager Corporate and Community Services

STATUTORY REQUIREMENTS

Local Government Act 1995 Section 5.42(1)

Delegation Register – Admin 007 – Entering into Contracts of Insurance

The Chief Executive Officer 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 our 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 we run the risk of being unable to maintain our current level of service in the event of a major/catastrophic loss and possibly expose ourselves 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 DECISION

Moved Mr R House, seconded Cr Singh that the report regarding the levels of the Shire's Insurance coverage for the 2020/2021 financial year be received.

Carried 6/0

11.2 INTERIM AUDIT REPORT - 2019/2020

The Shire's 2019/2020 interim audit was conducted on-site on 16-18 June 2020. A draft report was given to Officer's to make comment on issues raised, however, no final report has been received at the time of this agenda compilation. The report will be circulated to Committee members when it is received.

11.3 WATC SECTOR AUTHORITY SUSTAINABILITY MODEL

The WA Treasury Corporation (WATC) has developed a Local Government Authority Sustainability Model to help Local Governments evaluate their financial sustainability. The financial Model provides Local Governments with the ability to assess how adjustments to their rating structures, borrowings, use of reserves or planned capital expenditure might impact upon their financial position.

The Model takes the long-term financial plan and actual financial data of a Local Government – already submitted to WATC as part of regular accounting and reporting – as a starting point to provide a 10-year forecast of financial performance.

The Model then provides Local Government with the capability to adjust key financial "levers" and consider a range of scenarios, in order to assess long term outcomes, solvency and sustainability. Further information on the financial Model is available on the Department of Local Government, Sport and Cultural Industries' website.

The Shire of Kojonup has registered to participate in a two phase roll-out of the Model. The Audit & Risk Committee will be kept up-to-date as this project progresses.

OFFICER COMMENT

For the information of the Committee only.

11.4 RECENT REPORTS BY THE OFFICE OF THE AUDITOR GENERAL (OAG)

As a new regular agenda item, a list of reports recently prepared by the OAG that may be of interest to the Committee will be prepared. Copies of these and all other reports are available at <https://audit.wa.gov.au/reports-and-publications/reports/>

Recent reports that may be of interest are:

15 July 2020	Working With Children Checks – Managing Compliance
30 June 2020	Regulation of Consumer Food Safety by Local Government Entities
25 June 2020	Information Systems Audit Report 2020 - Local Government Entities
25 June 2020	Western Australian Public Sector Audit Committees – Better Practice Guide
4 May 2020	Local Government Contract Extensions and Variations, and Ministerial Notice Not Required
30 April 2020	Control of Monies Held for Specific Purposes
25 March 2020	Controls Over Purchasing Cards

OFFICER COMMENT

Of particular interest to the Committee in the list above will be the *Better Practice Guide* relating to Western Australian Public Sector Audit Committees and it is strongly recommended that all Committee members have a thorough read of this report (included as attachment 11.4.1).

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

12.1 Staff Housing

A request for further information on staff housing was received from Cr Gale. The Manager Corporate & Community Services circulated the Council policy to Committee Members which defines staff housing allocations and procedures.

13 NEXT MEETING

The next meeting of the Committee will be held on 3 November 2020 at 9:00am.

14 CLOSURE

There being no further business to discuss, the Chairman, Cr Gale thanked members for their attendance and declared the meeting closed at 10:25am.

15 ATTACHMENTS (SEPARATE)

5.1 - Audit & Risk Committee Minutes 16 June 2020

10.1.1 - Risk Dashboard Report – August 2020

10.1.2 - Risk Actions Report – 30 July 2020

11.1.1 - Vehicle and Plant Register

11.1.2 - Property Register

11.4.1 - Western Australian Public Sector Audit Committees – Better Practice Guide


Presiding Member

16 MARCH 2021
Date