

SHIRE OF KOJONUP

Kojonup



**Audit & Risk Committee
Minutes**

7 September 2021

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 FOR THE AUDIT AND RISK COMMITTEE MEETING
HELD ON 7 SEPTEMBER 2021

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AGENDA

1 **DECLARATION OF OPENING**

The Chairman, Cr Gale declared the meeting open at 9:06 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 (arrived 9:09am)

STAFF (OBSERVERS)

Grant Thompson	Chief Executive Officer
Anthony Middleton	Manager Corporate and Community Services
Heather Marland	Senior Finance Officer
Judy Stewart	Senior Administration Officer

SENIOR MANAGEMENT TEAM VISITOR:

Anthony Middleton

APOLOGIES

Nil

There were no members of the public present.

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 March 2021 (**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 March 2021 be confirmed as a true and accurate record.

CARRIED 5/0

6 DECLARATIONS OF INTEREST

Nil

Roger House entered the meeting at 9:09am.

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;

Anthony Middleton, Manager Corporate & Community Services, presented at the meeting with the key focus of his presentation being on the Community Services aspect of his role.

Topics discussed were as follows:

- Netball courts
- Oval lighting
- Playground
- Men's shed
- Skate park
- Youth engagement plan
- ALTUS record software
- ALTUS payroll software

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 March 2021		Committee members training – in house and formal.	Manager Corporate & Community Services has done Overheads training / workshop at May meeting. Future topics to be identified.	Completed – 4 May 2021 Refer to agenda item 11.6

10 SUMMARY OF RISK MANAGEMENT

10.1 RISK MANAGEMENT UPDATE

Please refer to the following attachments:

- 10.1.1 Risk Dashboard Report (Actions List by Profile) – July 2021
- 10.1.2 Risk Dashboard by Prioritised Actions Timeline – July 2021

10.2 OCCUPATIONAL SAFETY AND HEALTH COMMITTEE TERMS OF REFERENCE

The Occupational Safety and Health Committee updated its Terms of Reference at its 22 April 2021 meeting. The updated Terms of Reference were adopted by Council at its May 2021 Ordinary Meeting.

10.3 COVID-19 WORKING GROUP

Springhaven Aged Care facility residents who wished to receive the Pfizer Covid-19 vaccine received their first dose on 14 April 2021 and their second dose on 5 May 2021. Due to the packaging of the vaccine, portions were leftover and made available to Shire staff who were able to attend for vaccination within the required usage timeframe; this offer was taken up by seven staff. Since the above take up, further Springhaven staff have been vaccinated with another five to have their first dose prior to the 17 September 2021 cut off for staff and others working in aged care facilities. Across the entire organisation, 45 staff have had at least one vaccination as of 26 August 2021.

10.4 RISK MANAGEMENT RISK PROFILES REVIEW

The Senior Management Team and Senior Administration Officer have reviewed the Risk Profiles within Council's Risk Management Framework and updated accordingly (please see attached Dashboard Reports – by Profile and by Prioritised Timeline).

11 OFFICER REPORTS

11.1 PURCHASING & CREDITOR CONTROL - POLICY REVIEW

AUTHOR	Anthony Middleton – Manager Corporate & Community Services
DATE	Monday, 23 August 2021
FILE NO	FM.FNR.2
ATTACHMENT(S)	11.1.1 – Proposed Policy 2.1.2 with Suggested Changes Tracked 11.1.2 – Proposed Policy 2.1.2

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 to consider amending the Council Policy relating to purchasing to increase usability and compliance.

BACKGROUND

In the 2019/2020 annual financial audit process, the issue of purchase orders being raised after the date of the invoice was raised as a *‘material matter indicating non-compliance’*.

COMMENT

This compliance with Council Policy 2.1.2 is being addressed in three ways:

1. All staff have been advised via email of the requirement and importance of adhering to this policy. The most recent notification on Thursday 12 August 2021 was as follows:

‘Good afternoon team,

Our auditors continue to identify instances where purchase orders are dated after the date of the corresponding supplier invoice, or worse, no purchase order at all.

The requirement for a purchase order, and the contents of our purchasing policy has been covered numerous times in writing and via staff training. Good controls reduce the risk that unauthorised goods/services may be purchased.

In consultation with the CEO, please be advised that from this point forward, any purchasing undertaken that does not have a purchase order or does not comply with our purchasing policy will not be paid for by the Shire. You will personally be liable for such invoices received or the supplier simply not paid.

This will be reiterated at staff meetings and Senior Management Team meetings for staff without email addresses.

Please come and see me if you have any questions.

Thank you,

Anthony Middleton

Manager Corporate and Community Services'

2. The requirement for a purchase order and the contents of our purchasing policy has been covered numerous times via staff training workshops; and
3. Council Policy 2.1.2 (Purchasing and Creditor Control) has been reviewed annually to increase usability and compliance. This agenda item contains another review and recommends modification to the policy to further align the policy contents with best practice procurement.

It is recommended that Council Policy 2.1.2 (Purchasing and Creditor Control) be amended by including the following:

- a. *'The requirement for quotations and purchase orders contained above do not apply to the following purchase types:*
 - i. *Fuels & Oils*
 - ii. *Great Southern Treasures*
 - iii. *Postage & Freight*
 - iv. *Annual Subscription & Membership Renewals*
 - v. *Telephone and Utilities'*

The exclusion of the above five items from the policy provides a practical improvement to the organisations procurement processes and will in turn increase compliance with the Council's policy.

CONSULTATION

Finance Officer.

STATUTORY REQUIREMENTS

Purchasing by local governments in Western Australia is legislated by *Local Government Act 1995*, the *Local Government (Functions and General) Regulations 1996* and the *Local Government (Financial Management) Regulations 1996*.

POLICY IMPLICATIONS

This item recommends an amendment to Council Policy 2.1.2 (*Purchasing & Creditor Control*).

FINANCIAL IMPLICATIONS

Council Policy 2.1.2 (*Purchasing and Creditor Control*) sets the procedure for purchasing by the organisation, however, the recommendation does not in itself have a financial implication.

RISK MANAGEMENT IMPLICATIONS

RISK MANAGEMENT FRAMEWORK			
Risk Profile	Risk Description/Cause	Key Control	Current Action
3. Compliance	• <i>Ineffective policies & processes</i> • <i>Breakdowns in the tender or procurement process</i>	• <i>Audit and Risk Committee</i> • <i>External Audits (compliance)</i> • <i>Financial management reviews</i> • <i>Councillor/Staff Induction Process</i> • <i>Councillor/Staff training</i> • <i>Tender and Procurement process</i> • <i>Three year Legislative review of compliance (Reg17)</i>	n/a
Risk rating - Low			
IMPLICATIONS			
Robust purchasing controls that have high levels of compliance reduce the risk that unauthorised goods/services may be purchased.			

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications for this report.

SOUTHERN LINK VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil.

VOTING REQUIREMENTS

Simple Majority.

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Cr Singh, seconded Cr Webb that it be recommended to the Council that Council Policy 2.1.2 (Purchasing and Creditor Control) be amended as attached.

CARRIED 6/0

11.2 BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN – ANNUAL REVIEW

AUTHOR	Judy Stewart – Senior Administration Officer
DATE	30 April 2021
FILE NO	CM.PLN.1; RM.POL.1
ATTACHMENT(S)	11.2.1– Business Continuity and Disaster Recovery Plan (BCDRP) September 2021 (showing changes) 11.2.2 - BCDRP September 2021 (clean copy) 11.2.3 – CONFIDENTIAL BCDRP Addendum - COVID-19 Pandemic Response Plan 2021 (showing changes) 11.2.4 – CONFIDENTIAL BCDRP Addendum – COVID-19 Pandemic Response Plan 2021 (clean copy)

STRATEGIC/CORPORATE IMPLICATIONS		
“Smart Possibilities – Kojonup 2027+”		“Smart Implementation – Kojonup 2021 +”
Key Pillar	Community Outcomes	Corporate Actions
KP3 - 3 Performance	3.1 – Be a continually engaged and strategic community which leads and organises throughout the entire stakeholder group 3.4 – Be organised and transparent in our financial management	Delivered Activity – Provision of Risk Management processes and systems

DECLARATION OF INTEREST

Nil

SUMMARY

To seek Committee comment of a reviewed and updated Business Continuity and Disaster Recovery Plan including a COVID-19 Pandemic Response Plan and Springhaven Lodge Outbreak Management Plan.

BACKGROUND

The Council last reviewed its Business Continuity and Disaster Recovery Plan (Plan) in April 2020.

COMMENT

A Business Continuity and Disaster Recovery Plan, including a COVID-19 Pandemic Response Plan and Springhaven Lodge Outbreak Management Plan, provides guidance at a time when an organisation may be under considerable duress following a disaster that has affected, or in the event of a pandemic continues for some time to affect, the ability to provide essential or required services. Such a Plan identifies priorities and the resources required to return services in as quick and efficient manner as possible or to guide the organisation through a sustained event, aiming to minimise negative impact. Due to the upheaval that may be caused by such events, including dealing with the confusion that may accompany them, a well thought out Plan containing current, up to date information is a vital resource.

Changes to the existing Plan are tracked and shown in red font in the first attachment.

CONSULTATION

Chief Executive Officer
Manager Corporate and Community Services
Manager Works and Services
Manager Springhaven Lodge
Works Administration Officer

STATUTORY REQUIREMENTS

Local Government Act (1995): s 5.56. Planning for the future

- (1) A local government is to plan for the future of the district.
- (2) A local government is to ensure that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district.

POLICY IMPLICATIONS

The Plan is completed in accordance with Council's Risk Management Policy 2.3.5 and Business Continuity Policy 2.3.6.

FINANCIAL IMPLICATIONS

Nil

RISK MANAGEMENT IMPLICATIONS

The Plan represents part of the Shire's Risk Management documentation. It is vital, from a business continuity and disaster recovery perspective, that details within such a Plan are as current as possible and regular reviews are undertaken.

ASSET MANAGEMENT IMPLICATIONS

Nil

SOUTHERN LINK VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Mr Hope seconded Mr House that it be recommended to the Council that the updated Business Continuity and Disaster Recovery Plan September 2021, including the COVID-19 Pandemic Response Plan 2021 and Springhaven Lodge Outbreak Management Plan, as attached, be adopted.

CARRIED 6/0

11.3 RISK MANAGEMENT FRAMEWORK REVIEW

AUTHOR	Judy Stewart – Senior Administration Officer
DATE	15 July 2021
FILE NO	CM.PLN.1; RM.POL.1
ATTACHMENT(S)	11.3.1 - Existing Risk Management Framework showing changes 11.3.2 - Draft Risk Management Framework clean copy 11.3.3 - Risk Profile 9 (example): External Theft and Fraud (including Cyber Crime)

STRATEGIC/CORPORATE IMPLICATIONS		
“Smart Possibilities – Kojonup 2027+”		“Smart Implementation – Kojonup 2021 +”
Key Pillar	Community Outcomes	Corporate Actions
KP3 - 3 Performance	3.4 Be organised and transparent with our financial management. Delivered Activity: Provision of Risk Management processes and systems.	3.4.9 – Purchase/develop and implement a suitable and robust risk management software program to improve the management and reporting of the Shire’s risk process.

DECLARATION OF INTEREST

Nil

SUMMARY

The purpose of this report is to consider an updated Risk Management Framework (Framework) originally created using a Local Government Insurance Services’ (LGIS) framework based on *AS/NZS ISO 31000:2018 Risk management - Guidelines* and adapted to the Shire of Kojonup’s (Shire) risk management requirements.

BACKGROUND

The Shire’s existing Risk Management Framework was last reviewed in May 2019. The Shire of Kojonup was one of four regional shires, at that time, to engage LGIS in the reviewing of its previous Risk Management Plan, the aim being to ensure contemporary best practice in risk management.

In 2019, the Senior Management Team and author attended two LGIS conducted workshops concentrating on common risks, controls, actions, responsibilities/accountabilities and priorities in line with the new Framework and a new Risk Management Policy (Policy). A more in-depth comparison between the 2017 Plan and 2019 Framework was outlined in Item 12.6 of Council’s 21 May 2019 Ordinary Meeting minutes; Council adopted the existing Framework at that meeting.

COMMENT

The aim of Risk Management is to recognise and manage risks in order to minimise negative consequences while optimising potential opportunities. The Risk Management process involves many facets including identification, defining levels of risk (based on consequence and likelihood), analysis, prioritisation, action/treatment, and recording, monitoring and reporting. A Risk Management Framework details that process, assigns responsibilities and is fundamental to good governance in local government.

The Framework and Policy are supported, at an operational level, by a working document containing fifteen (15) risk profiles generic to local governments which also encompass risks unique to the Shire of Kojonup such as those associated with the Springhaven aged care facility. An example of a risk profile can be found at Attachment 11.3.3.

All staff were consulted for the 2021 review of the Risk Management Framework; minor and inconsequential updates and amendments to the existing document are shown in Attachment 11.3.1.

Council's reviewed Business Continuity and Disaster Recovery Plan 2021 (a risk mitigation document) is also for Council consideration at this meeting.

CONSULTATION

All Staff

STATUTORY REQUIREMENTS

Whilst a Risk Management Plan is not required specifically under legislation, regulation 17 of the *Local Government (Audit) Regulations 1996* requires:

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to*
 - a. **Risk management**; and*
 - b. Internal control; and*
 - c. Legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in sub-regulation (1) (a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*

POLICY IMPLICATIONS

Council Policy 2.3.5 'Risk Management' is central to the Risk Management Framework.

FINANCIAL IMPLICATIONS

Nil

RISK MANAGEMENT IMPLICATIONS

The Risk Management Framework underpins all risk management aspects pertaining to the Shire.

ASSET MANAGEMENT IMPLICATIONS

Nil

**SOUTHERN LINK VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS)
IMPLICATIONS**

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Cr Singh, seconded Mr Hope that it be recommended to the Council that the reviewed Shire of Kojonup Risk Management Framework dated September 2021, as attached, be adopted.

CARRIED 6/0

11.4 ANNUAL FINANCIAL REPORT 2019/2020 & GENERAL MEETING OF ELECTORS

AUTHOR	Anthony Middleton – Manager Corporate & Community Services
DATE	Wednesday, 25 August 2021
FILE NO	FM.AUD.2 & FM.FNR.1
ATTACHMENT(S)	11.4.1 Annual Financial Report 2019/2020 11.4.2 Auditor's Management Letter

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 to consider the 2019/2020 Annual Financial Report, incorporating the Audit Report and make recommendation to the Council.

BACKGROUND

Each local government is to prepare an annual report for each financial year. The report is a record of the Shire's activities for the financial year and is an integral part of the accountability principles established for local governments in WA.

COMMENT

The Audit Report and Annual Financial Report both form part of the Annual Report which will be considered by the Council at their 21 September 2021 meeting. The Auditor's management letter is provided as additional information to the Committee and Council for transparency and full disclosure.

The Annual Electors Meeting must be held within 56 days of accepting the annual report, with appropriate time being allowed after adoption to give notice of the meeting, say 14 days. This effectively means that the Annual Electors Meeting needs to be held between 5 October 2021 and 16 November 2021. In previous years, the Annual Electors Meeting has been held in the evening following the Council Meeting, so it is therefore recommended that the meeting be held on Tuesday 12 October 2021. It is also proposed to hold the meeting at the Sporting Complex.

The Annual Electors Meeting will be publicised in the Great Southern Herald, Shire web site and Shire Facebook page as soon as possible after the date is set, and in the next available Kojonup News and Shire E-News.

Significant Matters Raised:

Contained within the 2019/2020 Audit Report was a matter identified as significant by the Auditor. These matters raised by the Auditor were as follows:

- a) **'The Operating Surplus Ratio and Asset Sustainability Ratio have been below the Department of Local Government, Sport & Cultural Industries standards for the past three years. The financial ratios are reported at Note 29 to the financial report.'**

Section 7.12A of the *Local Government Act 1995* requires a local government to:

- (4) A local government must —
 - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

The report required under s7.12A is as follows:

- a) Operating Surplus Ratio:

This ratio was the subject of two detailed reports to the Council and Audit Committee in 2019 and another in 2020. To improve this ratio, either operating income needs to increase or operating expenditure needs to decrease. This could be done through very blunt mechanisms, however may not be in the best interests of the community.

The method of calculating this ratio poses several philosophical problems in the application of the accounting standards. The main issue is the exclusion of 'Non-Operating Grants, Subsidies and Contributions' such as road grants and one-off grants for building assets such as housing. Roads grants, such as 'Roads to Recovery', 'Direct Road' and 'Regional Road Group' are long term local government funding streams that have existing, in some cases, for decades. It is definitely acceptable to expect these funding sources to exist into the future. Secondly, these grants fund new assets or asset renewal and upgrade which all flow through to 'Operating Expenses' via increased depreciation and maintenance costs, thus negatively affecting both sides of the ratio calculation.

- b) Asset Sustainability Ratio

The Asset Sustainability Ratio is a measure of depreciation of assets versus expenditure on asset renewal, i.e. Is the Shire adequately maintaining its asset base? This ratio highlights that capital expenditure has been skewed towards new assets rather than asset renewal.

The Shire has done considerable work on asset management, including the 'Building Assessment Framework 2017' which highlighted 25 buildings for disposal. Significant work has been undertaken on the Showgrounds and outlying community halls, however, these are significant issues that will take time to work through.

CONSULTATION

Auditors
Senior Staff.

STATUTORY REQUIREMENTS

Section 5.26 to 5.33; 5.53 & 5.54 of the *Local Government Act 1995*
Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*
Section 4 of the *Local Government (COVID-19 Response) Order 2020*

POLICY IMPLICATIONS

There are no policy implications for this report.

FINANCIAL IMPLICATIONS

This item reports on the financial position of the Shire as at 30 June 2020. The recommendation does not in itself have a financial implication.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications for this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications for this report.

SOUTHERN LINK VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil.

VOTING REQUIREMENTS

Simple Majority.

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Mr House, seconded Cr Wieringa that:

- 1. It be recommended to the Council that:**
 - a. The 2019/2020 Annual Financial Report be adopted; and**
 - b. The Manager Corporate & Community Services be requested to forward a copy of this Committee and the Council agenda items 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;**
- 2. The information contained within this report relating to the Operating Surplus Ratio and the Asset Consumption Ratio be received; and**
- 3. 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.**

CARRIED 6/0

11.5 LEAVE PROVISION ADEQUACY – ANNUAL UPDATE

AUTHOR	Anthony Middleton – Manager Corporate & Community Services
DATE	Wednesday, 25 August 2021
FILE NO	FM.FNR.1
ATTACHMENT(S)	Nil

STRATEGIC/CORPORATE IMPLICATIONS		
Community Strategic Plan 2017 – 2027 “Smart Possibilities – Kojonup 2027+”		Corporate Business Plan 2017 – 2021 “Smart Implementation – Kojonup 2021 +”
Key Pillar	Community Outcomes	Corporate Actions
KP – 3 Performance	3.4 – Be organised and transparent with our financial management.	3.4.2 – 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 Shire’s employee leave provisions in accordance with the goals set in Council Policy 2.1.8 (Financial Governance).

BACKGROUND

During 2016, the Audit & Risk Committee undertook considerable work into setting appropriate levels of funding for leave liability provisions. Following annual reviews, Council Policy 2.1.8 (Financial Governance) now states:

‘Employee Leave – As a minimum, the level of this reserve should meet both:

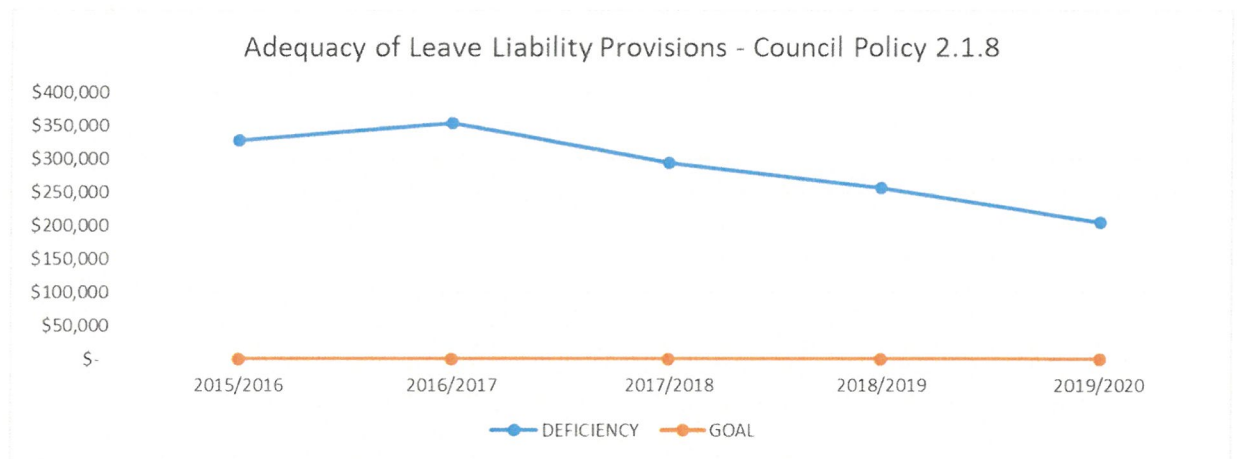
- The EBA sick leave liability (clause 29); and*
- The current portion of the long service leave liability for staff with seven (7) years or more service.*

This funding goal is to be implemented over several financial years up to 2021/2022 to manage the financial impact.’

COMMENT

An update on our progress against this goal within Council Policy 2.1.8 is as follows:

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Liability:					
EBA Sick Leave	\$ 150,000	\$ 199,941	\$ 125,793	\$ 138,911	\$ 144,998
CURRENT Long Service Leave	\$ 278,794	\$ 271,946	\$ 309,076	\$ 301,287	\$ 265,638
	\$ 428,794	\$ 471,887	\$ 434,869	\$ 440,198	\$ 410,636
Cash Backing:					
Leave Reserve Account	-\$ 99,810	-\$ 117,649	-\$ 140,063	-\$ 183,200	-\$ 205,018
DEFICIENCY	\$ 328,984	\$ 354,238	\$ 294,806	\$ 256,998	\$ 205,618



Relevant commentary on the above figures includes:

- The above figures show that the gap between provision and liability has reduced by an average of \$50,000 per year for the last three (3) years;
- This is predominately as a result of reducing leave accrual figures, while increasing the balance of the leave reserve account; and
- The Leave Liability Reserve account continues to slowly increase each year (current balance \$225,393), further improving the situation for next year's analysis.

CONSULTATION

Nil

STATUTORY REQUIREMENTS

Reserve accounts and the recording of employee leave liabilities is tightly governed through the *Local Government (Financial Management) Regulations 1996*, *Australian Accounting Standards* and *International Financial Reporting Standards*.

POLICY IMPLICATIONS

This report is an assessment of a goal set within Council Policy 2.1.8 (Financial Governance).

FINANCIAL IMPLICATIONS

The liability exposure of staff entitlements has a significant impact on the Shire's financial position. This policy aims to ensure a practical cash provision is made that balances both responsible financial management with reducing locking funds away unnecessarily

RISK MANAGEMENT IMPLICATIONS

This process of assessing the provision adequacy of the leave liability each year is a primary tool in minimizing financial risk exposure for this category of liability.

ASSET MANAGEMENT IMPLICATIONS

Nil.

SOUTHERN LINK VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil.

VOTING REQUIREMENTS

Simple Majority.

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Mr House, seconded Cr Webb that the Officer's report on leave provision adequacy be received.

CARRIED 6/0

11.6 COMMITTEE TRAINING

At the 16 March 2021 Audit & Risk Committee meeting, training for Committee members was discussed. Overheads was identified as one issues and a workshop held on 4 May 2021 to go through the three different types of overheads in detail. It was also discussed that future training topics are to be identified and this meeting could be used as an opportunity to complete that.

Cr Gale requested that an information session on Insurance be held.

11.7 OFFICE OF THE AUDITOR GENERAL REPORTS

The following report may be of interest to the Committee:

- Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities;
- Information Systems Audit Report 2021 – State Government Entities;
- Western Australian Public Sector Financial Statements – Better Practice Guide;
- Local Government General Computer Controls; and
- Regulation and Support of the Local Government Sector.

These and other reports by the OAG can be found at <https://audit.wa.gov.au/reports-and-publications/reports/>

11.8 SHIRE PRESIDENT'S LOG BOOK

As per Council Policy 3.20 (Motor Vehicle Use – Shire President) at the 21 February 2017 Committee Meeting and 21 March 2017 Council Meeting, the Shire's finance staff are now required to present the Shire President's log book "to the Audit Committee at the May meeting each year for verification of official and private usage".

As the usage was not available prior to the May 2021 Audit and Risk Committee meeting it is being tabled at the next meeting being 7 September 2021.

The Shire President did not maintain a recognised log book throughout 20/21, however Councillor Benn has provided a listing of his private kilometres travelled from November 2019 to April 2021.

The details included in the Shire Presidents log is for 26021 km travelled with 6764 being for private use and 19257 being business use.

The Shire President has been provided with a recognised log book for the 2021/2022 FBT year. FBT is not applicable to the Shire President, but for ease of accountability it has been aligned with the fleet vehicle usage reporting requirements.

Copies of the information provided are as follows:

CAR. No. 0001. 2331 Km. NOVEMBER.		
MONTH		PRIVATE.
NOV 2019	ALBANY KOJONUP	360 KM 44 KM
DEC 2019	KOJONUP	44 KM
JAN. 2020	ALBANY KOJONUP "	360 KM 44 KM 44 KM
FEB. 2020	ALBANY KOJONUP " ALBANY.	360 KM 44 KM 44 KM 360 KM.
MARCH 2020	ALBANY FARM FUEL KOJONUP KOJONUP	360 KM. 44 KM. 44 KM
APRIL 2020	ALBANY. KOJONUP " "	360 KM 360 KM 44 44 KM
MAY 2020	ALBANY KOJONUP	44 KM 360 KM 44 KM
JUNE 2020	KOJONUP	360 44 KM
JULY 2020	KOJONUP ALBANY FARM FUEL	44 KM 360 KM
AUG 2020	KOJONUP "	44 KM 44 KM 4024 KM.

MONTH	PLACE.	PRIVATE.
SEPT 2020	KOJONUP	44 km
	"	44 km
OCT 2020	ALBANY	360 km
	KOJONUP	44 km
	"	44 km
	ALBANY	360 km
NOV 2020	KOJONUP	44 km
	ALBANY	360 km
	KOJONUP	44 km
DEC 2020.	KOJONUP	44 km
	"	44 km
JAN 2020	KOJONUP	44 km
	"	44 km
FEB. 2021	KOJONUP	44 km
	"	44 km
MARCH 2021	ALBANY	360 km
	KOJONUP	44
	"	44
APRIL 2021	ALBANY	360
	KOJONUP	44
MAY 2021		
		2416
		4024
KOJONUP 1 km	28 352 km 10-5-21	6440 km.

The Senior Finance Officer has summarised the above information as follows:

Private Use Km's Travelled for Shire President K01			
Opening Odometer reading	1/11/2019		2331
	30/11/2019	404	
	31/12/2019	44	
	31/01/2020	448	
	29/02/2020	808	
	31/03/2020	808	
	30/04/2020	492	
	31/05/2020	764	
	30/06/2020	44	
	31/07/2020	404	
	31/08/2020	88	
	30/09/2020	88	
	31/10/2020	808	
	30/11/2020	448	
	31/12/2020	88	
	31/01/2021	88	
	28/02/2021	88	
	31/03/2021	448	
	30/04/2021	404	
Total Private Km's Travelled		6764	
Odometer Reading 01/05/2021			28352
Total Kms Travelled 01/11/19 to 30/04/2021			26021
Business Km's Travelled		19257	

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

NEW MOTION/COMMITTEE DECISION

Moved Cr Gale, seconded Cr Webb that the figures be made transparent on the cost of the Shire Presidents vehicle so that the Council can make an informed decision on whether to provide the Shire President with a vehicle or to pay a travel allowance.

CARRIED 6/0

13 NEXT MEETING

The next meeting of the Committee will be held Tuesday, 2 November 2021.

14 CLOSURE

There being no further business to discuss, the Chairman, Cr Gale, thanked members for their attendance and declared the meeting closed at 10:47am.

15 ATTACHMENTS (SEPARATE)

- 5.1 - Audit & Risk Committee Minutes 16 March 2021
- 10.1.1 - Risk Dashboard Report (by Profile) – July 2021
- 10.1.2 - Risk Dashboard Report (by Prioritised Timeline) – July 2021
- 11.1.1 – Proposed Policy 2.1.2 with Suggested Changes Tracked
- 11.1.2 – Proposed Policy 2.1.2
- 11.2.1 – Business Continuity and Disaster Recovery Plan September 2021 (showing changes)
- 11.2.2 – Business Continuity and Disaster Recovery Plan September 2021 (clean copy)
- 11.2.3 - Business Continuity and Disaster Recovery Plan COVID-19 Pandemic Response Plan 2021 (showing changes)
- 11.2.4 - Business Continuity and Disaster Recovery Plan COVID19 Pandemic Response Plan 2021 (clean copy)
- 11.3.1 – Existing Risk Management Framework – showing changes
- 11.3.2 – Draft Risk Management Framework – clean copy
- 11.3.3 – Risk Profile 9 (example): External Theft and Fraud (including Cyber Crime)
- 11.4.1 - Annual Financial Report 2019/2020
- 11.4.2 - Auditor's Management Letter


Presiding Member

2 NOVEMBER 2021
Date