

**SHIRE OF KOJONUP**



**Audit Committee**

**MINUTES**

**3 May 2016**

**SHIRE OF KOJONUP****MINUTES FOR THE AUDIT COMMITTEE MEETING HELD ON 3 MAY 2016****TABLE OF CONTENTS**

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## MINUTES

### 1 **DECLARATION OF OPENING AND ANNOUNCEMENT OF GUESTS**

The Presiding Member declared the meeting opened at 9:05am and alerted the meeting of the procedures for emergencies including evacuation, designated exits and muster points.

### 2 **ATTENDANCE & APOLOGIES**

#### **MEMBERS**

Cr Jill Mathwin (Presiding Member)

Cr Judith Warland

Cr Ian Pedler

Cr Ned Radford

#### **STAFF (OBSERVERS)**

Mr Anthony Middleton                      Manager Corporate Services

Mr Rob Cowie                                      Regulatory/Administration Officer

#### **APOLOGIES**

Mrs Heather Marland                      Senior Finance Officer

**3 SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE**

Nil

**4 PUBLIC QUESTION TIME**

Nil

**5 APPLICATIONS FOR LEAVE OF ABSENCE**

Nil

**6 CONFIRMATION OF MINUTES**

AUDIT COMMITTEE MEETING HELD 5 APRIL 2016

**AUDIT COMMITTEE DECISION**

**9/16 Moved Cr Radford, seconded Cr Pedler that the Minutes of the Audit Committee Meeting held on 5 April 2016 be confirmed as a true record.**

**CARRIED 4/0**

**7 DECLARATIONS OF INTEREST**

Nil

## **8 AUDIT COMMITTEE TIMETABLE**

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

### **1st Quarter (January – March)**

- Committee Status Report
- Compliance Audit Return
- Review of Risk Registers

### **2nd Quarter (April – June)**

- Committee Status Report
- Review of Risk Registers
- Fees & Charges Review
- Business Continuity Plan Review
- Leave Provision Adequacy

### **3rd Quarter (July – September)**

- Committee Status Report
- Interim Audit Report
- Financial Management Review (each 4 years – 2014, 2018...)
- Review of Risk Registers

### **4th Quarter (October – December)**

- Committee Status Report
- Audit Report & Management Letter
- Annual Financial Report
- Annual Report
- Risk, Legal Compliance & Internal Controls review (each 2 years – 2014, 2016...)
- Review of Risk Registers

### **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.

For noting only (or additions).

## 9 REPORTS

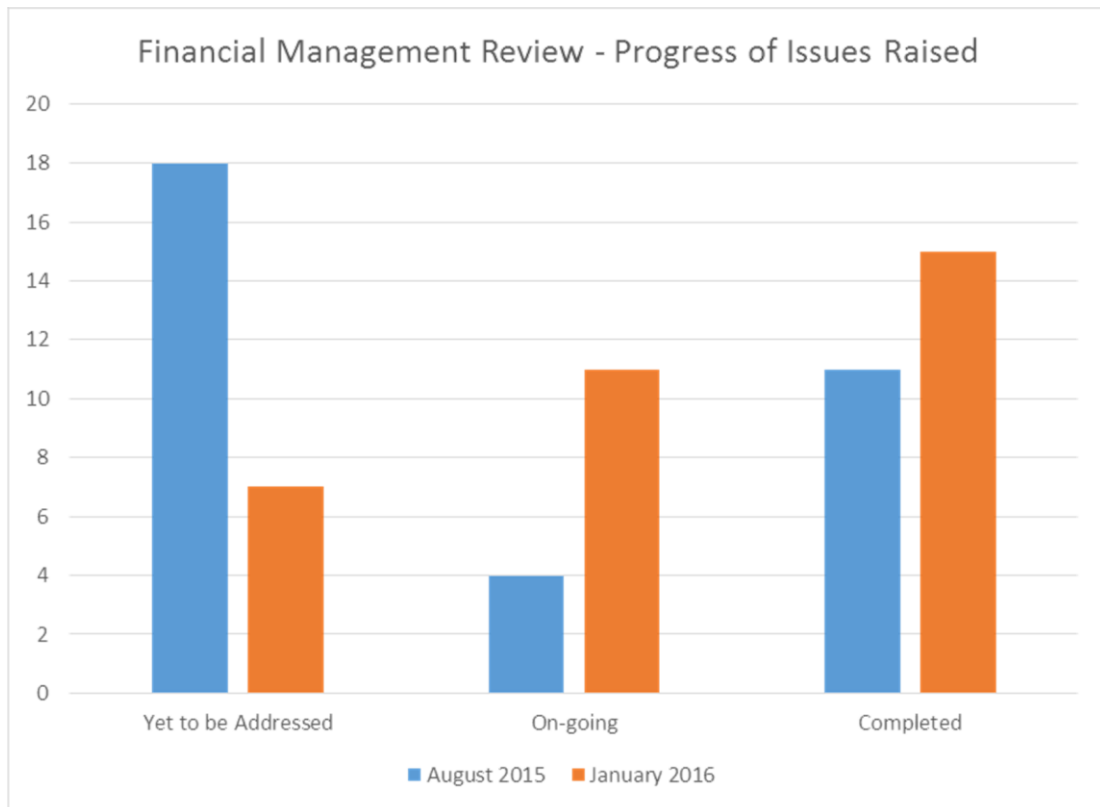
### 9.1 STATUS REPORT

#### 9.1.1 Committee Status Report

Date	Item Number & Title	Issue	Response	Status
16 September 2014	9.3 Fuel Cards	That fuel cards be considered whilst compiling the credit card policy.	Credit Card Policy has been adopted by the Council. Further investigation required into Fuel cards.	To be discussed at the next meeting
16 September 2014	11. Committee Membership	To investigate inclusion of an additional community member onto the audit committee (6th Member).	To be considered by the Committee and/or Council	Ongoing
3 February 2015	9.3. 2013/2014 Annual Financial Report	The Manager of Corporate Services will provide further detail on sick, annual and long service leave liabilities and the provision made for these liabilities.	Discussion can be held at the meeting	To be discussed at the next meeting
<del>3 February 2015</del>	<del>9.5. Risk Registers</del>	<del>The Committee enquired if the registers could include a column titled "Incidents" to give a practical focus to the risk registers.</del>	<del>Superseded – MCS to provide summary figures in future agenda illustrating progress.</del>	Completed
4 August 2015	9.1 Audit Contract	Any new audit contract should include major project, roads to recovery and Springhaven Lodge acquittals	Tender completed – Committee recommendation has been to Council and was adopted.	Completed
4 August 2015	9.1 Tendering & Performance Audits	The Committee queried the selection criteria used in tenders and requested that a Draft Council Policy be brought to a future Committee meeting		Ongoing To be discussed at the next meeting

### 9.1.2 Financial Management Review 2015 Status Report

A full copy of the Financial Management Review has previously been circulated and is available for Committee members if required. The review raised thirty three (33) matters and the status of their implementation is as follows:

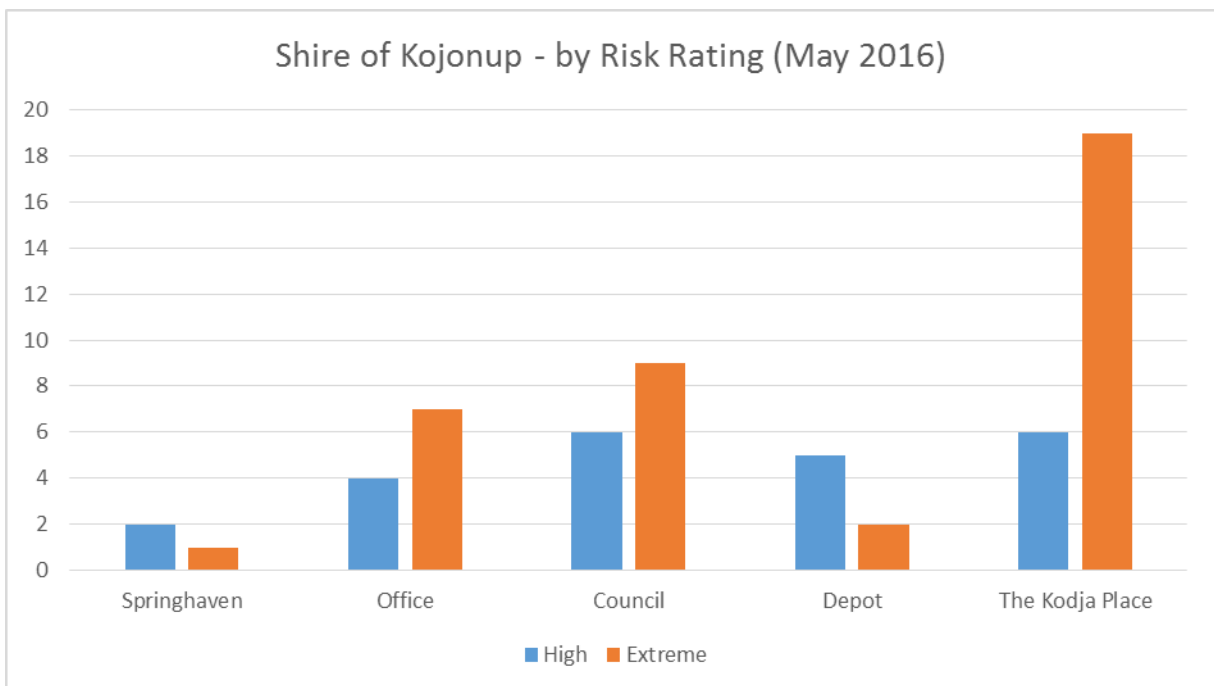
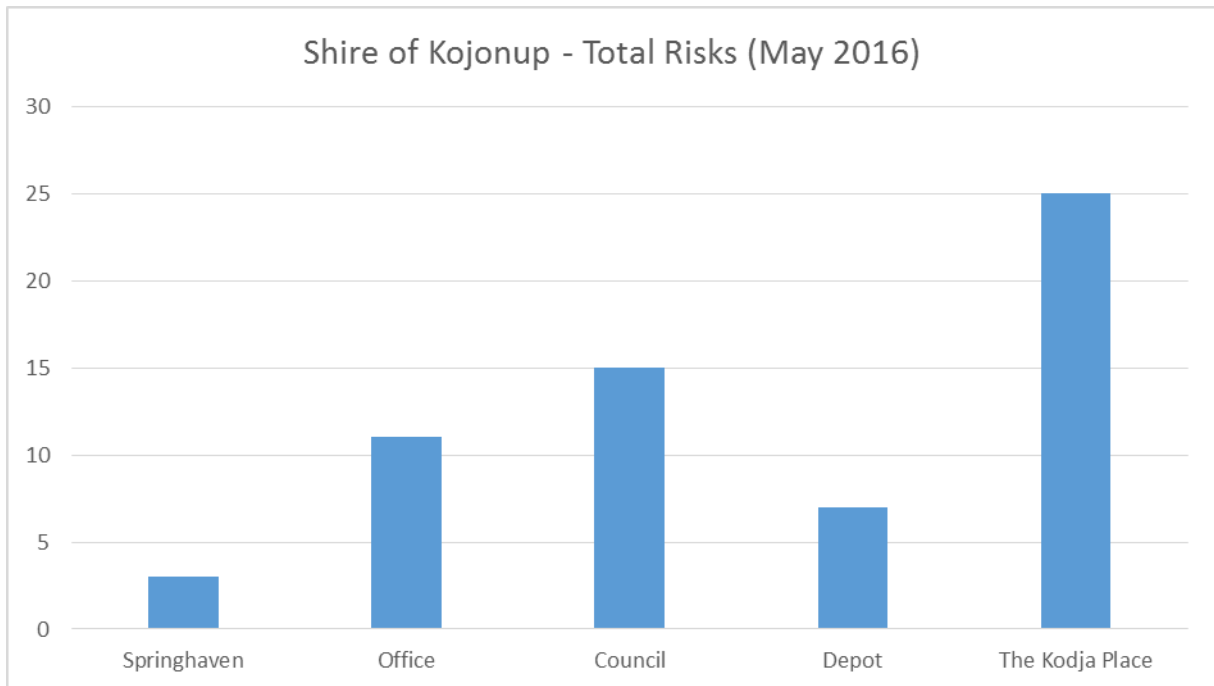


### 9.1.3 Risk Register

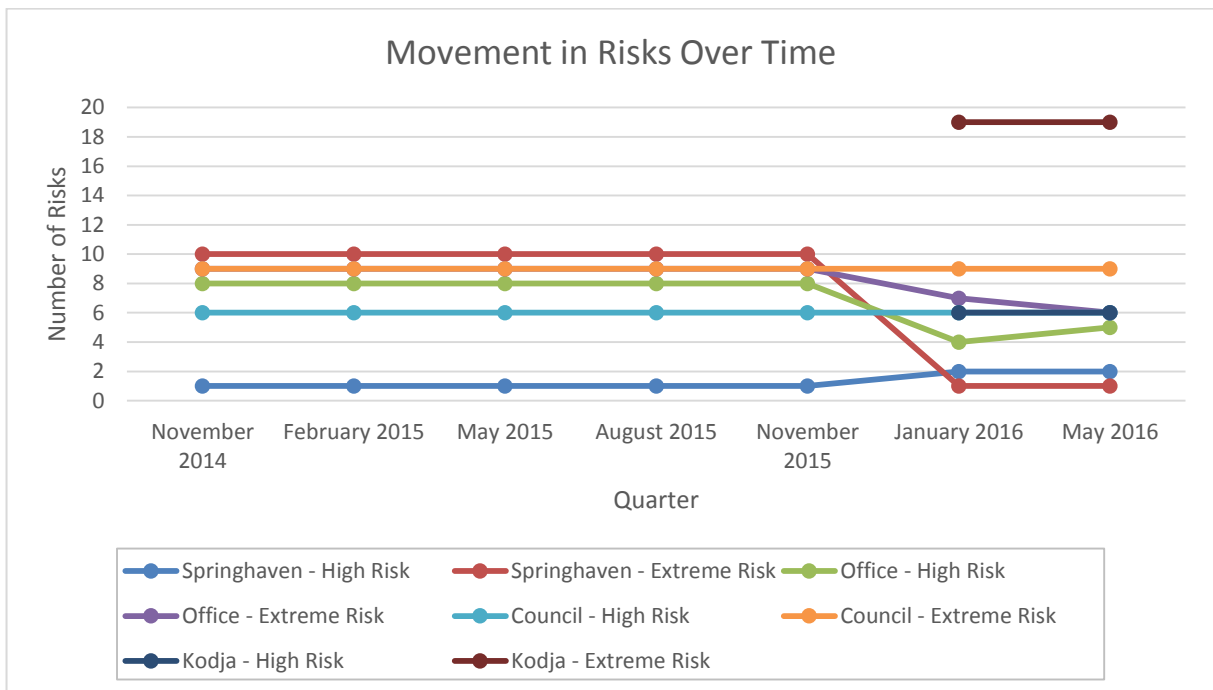
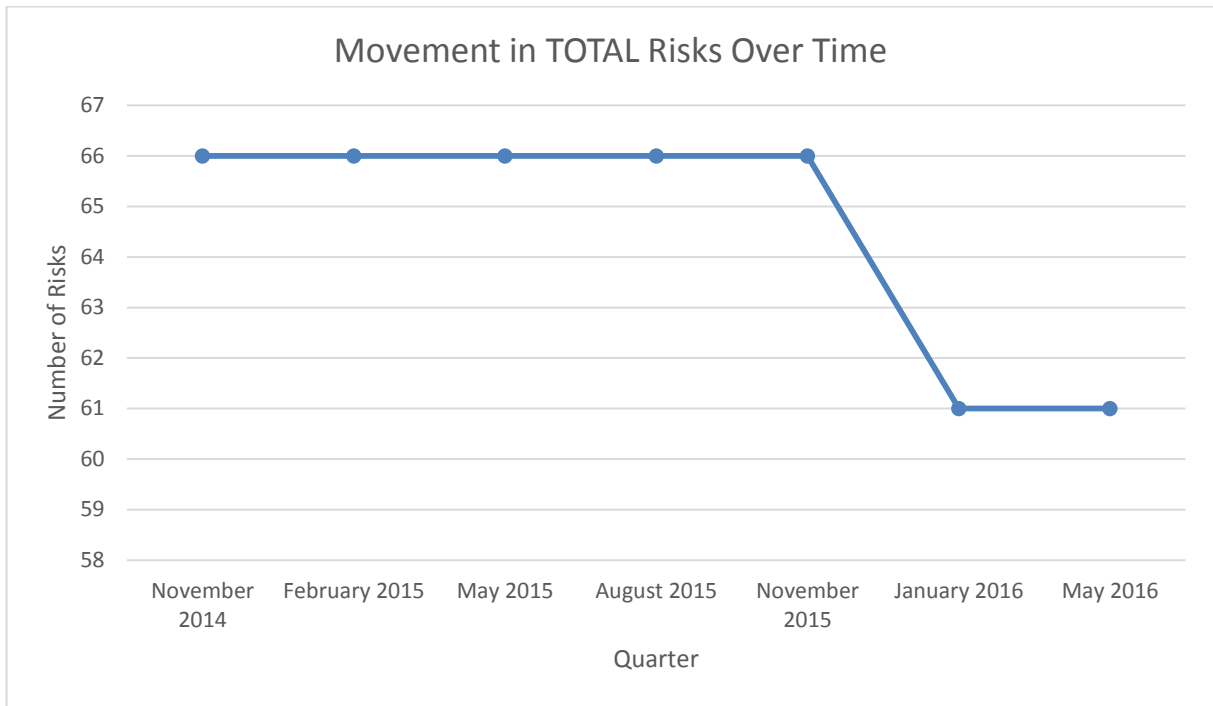
The Risk Management Plan and associated risk registers was adopted by the Council on 16 September 2014. It is therefore appropriate that the Audit Committee consider the major risks in each area and progress made towards minimising them, each quarter. Areas of concern can then be reported to the Council, through the Committee.

A summary of the risk register was tabled at the meeting, as follows:

It was commented that the Risk Register is currently not being reviewed as well as it should be. Currently the office staff are reviewing one risk each fortnight at the staff meeting.







**10 REPORTS OF OFFICERS****10.1 STATE GOVERNMENT WEBSITE – ‘MYCOUNCIL’**

AUTHOR: Anthony Middleton – Manager of Corporate Services  
DATE: Friday, 29 April 2016  
FILE NO: CM.TND.1  
**ATTACHMENT: Nil**

**DECLARATION OF INTEREST**

Nil

**SUMMARY**

The purpose of this report is to advise the Committee of a new financial comparative website launched by the State Government.

**BACKGROUND**

On Friday, 29 April 2016 the Department of Local Government and Communities launched a new website titled ‘MyCouncil’. The website can be viewed at [www.mycouncil.wa.gov.au](http://www.mycouncil.wa.gov.au) and enables members of the public to view and compare information and their local Shire.

**COMMENT**

The Manager of Corporate Services will show a short video of the web site for the Committee followed by a quick demonstration of MyCouncil.

**CONSULTATION**

Nil.

**STATUTORY REQUIREMENTS**

Nil. All data collated by MyCouncil is available within the Shire’s Annual Report.

**POLICY IMPLICATIONS**

There are no policy implications for this report.

**FINANCIAL IMPLICATIONS**

Nil. All data collated by MyCouncil is available within the Shire’s Annual Report.

**STRATEGIC/CORPORATE IMPLICATIONS****Community Strategic Plan 2013 – 2023**

Outcomes:

- G1 – Being Well Governed

**Corporate Business Plan 2013 – 2017**

Objectives:

- G1.2 – Maintain a structured forward planning process in accordance with legislation and community aspirations
- G1.4 – Maintain robust systems and controls

**RISK MANAGEMENT IMPLICATIONS**

Nil.

**ASSET MANAGEMENT PLAN IMPLICATIONS**

There are no asset management implications for this report.

**VOTING REQUIREMENTS**

Simple Majority

*9:34am – Cr Warland entered the meeting.*

**AUDIT COMMITTEE DECISION**

**10/16 Moved Cr Radford, seconded Cr Warland that the launch of the ‘MyCouncil’ website by the Department of Local Government and Communities be noted.**

**CARRIED 4/0**

## 10.2 COMMITTEE MEMBERSHIP

AUTHOR: Anthony Middleton – Manager of Corporate Services  
DATE: Friday, 29 April 2016  
FILE NO: CM.TND.1  
**ATTACHMENT:** Nil

### **DECLARATION OF INTEREST**

Nil

### **SUMMARY**

The purpose of this report is to consider possible candidates for the two (2) vacant positions on the Committee.

### **BACKGROUND**

The structure and membership of the Council's Audit Committee is as follows:

- Four (4) Councillors; and
- Two (2) Community Members.

The two community member positions are presently vacant and it is appropriate for the Committee to recommend possible candidates to the Council for appointment to the Committee.

### **COMMENT**

The Manager Corporate Services advertised for Community Members to join the Audit Committee in early 2014. One nomination was received however no appointment was made by the Council.

Having two community member positions on the Committee gives greater openness and accountability for the financial operations of the Shire and increases the diversity of this important Committee. Having said this, a minimum of four meetings per annum can be a significant voluntary time commitment for a Community member.

Should the Committee not be able to raise two candidates for the Council's consideration it may want to consider recommending that the structure of the Committee be amended to reduce or remove the number of Community members.

### **CONSULTATION**

Nil

### **STATUTORY REQUIREMENTS**

There is significant legislation covering the appointment of Committees, minimum number of members, payment to members and the Audit Committee generally. This is covered by both the Local Government Act 1995 and the Local Government (Administration) Regulations 1996.

### **POLICY IMPLICATIONS**

There are no policy implications for this report.

### **FINANCIAL IMPLICATIONS**

There is no financial implications for this report.

**STRATEGIC/CORPORATE IMPLICATIONS**Community Strategic Plan 2013 – 2023

Outcomes:

- G1 – Being Well Governed

Corporate Business Plan 2013 – 2017

Objectives:

- G1.2 – Maintain a structured forward planning process in accordance with legislation and community aspirations
- G1.4 – Maintain robust systems and controls

**RISK MANAGEMENT IMPLICATIONS**

The Audit Committee is a key risk minimization strategy, having oversight of several vital administrative functions.

**ASSET MANAGEMENT PLAN IMPLICATIONS**

There are no asset management implications for this report.

**VOTING REQUIREMENTS**

Absolute Majority

**OFFICER RECOMENDATION**

That the Audit Committee members approach suitable candidates to fill the community member positions and that these be presented at the next Audit Committee meeting for consideration.

**AUDIT COMMITTEE DECISION**

**10/16 Moved Cr Radford, seconded Cr Warland to request Council to appoint Mr Roger Bilney to become a member of the Audit Committee**

**CARRIED 4/0**

## 10.3 LEAVE ENTITLEMENT &amp; PROVISIONS – UPDATE

AUTHOR: Anthony Middleton – Manager of Corporate Services  
 DATE: Friday, 29 April 2016  
 FILE NO: CM.TND.1  
 ATTACHMENT: Nil

**DECLARATION OF INTEREST**

Nil

**SUMMARY**

The purpose of this report is to update the Committee on leave liabilities and the appropriateness of matching provisions.

**BACKGROUND**

This item was discussed in detail at the 3 February 2015 Audit Committee Meeting and this report provides an update to this discussion.

**COMMENT**

The 2014/2015 Annual Report shows the following leave liabilities:

	<b>Annual Leave</b>	<b>Long Service Leave</b>	<b>TOTALS</b>
Current	\$347,912	\$226,622	\$574,534
Non-Current	\$0	\$63,369	\$63,369
<b>TOTALS</b>	<b>\$347,912</b>	<b>\$289,991</b>	<b>\$637,903</b>

In addition, clause 29 of the Shire of Kojonup All of Staff Enterprise Bargaining Agreement makes provision for the payout of sick leave in certain conditions. The liability for this clause is estimated at \$150,000 as at 30 June 2015, however, are not included in the Annual Report.

The liabilities listed above are ‘provided’ for as follows:

	<b>Annual Leave</b>	<b>Long Service Leave</b>	<b>EBA Sick Leave</b>	<b>TOTALS</b>
<b>Current</b>	\$347,912	\$226,622	\$150,000	\$724,534
<b>Non-Current</b>	\$0	\$63,369	\$0	\$63,369
	<b>\$347,912</b>	<b>\$289,991</b>	<b>\$150,000</b>	<b>\$787,903</b>
<b>Following Years Budget Provision</b>	(\$347,912)	-	-	(\$347,912)
<b>Leave Reserve Account</b>	-	(\$97,018)	-	(\$98,018)
<b>TOTALS</b>	<b>\$0</b>	<b>\$192,973</b>	<b>\$150,000</b>	<b>\$342,973</b>

\*\* It is assumed that all each employee will take their leave allocation during the next 12 months and therefore the following year’s annual budget will cover the 12 months of salaries. Obviously, this is not the case for each and every employee and leave accruals per individual need to be managed closely.

The dollar value of current annual leave outstanding is approximately 10% of the total salary and wages per annum. If each employee is entitled to 4 weeks leave (out of 52 weeks in the year) this represents 7.7%. As such, it can be assumed that our annual leave liability is greater

than the expected leave for the next 12 month period, and as such either additional funds will be required to fund temps to fill staff vacancies or extended periods of leave will effect productivity. This has not been taken into account above.

Acknowledging that possibly not all annual leave will be covered by the next budget period, and that the table above shows nearly \$343,000 in liabilities not provided for, it is a fair assessment to say that our leave liabilities are not adequately catered for. Whilst it is NOT suggested that our leave be 100% backed by reserves, it is felt that the Employee Leave reserve should as a minimum cover the EBA sick leave liability and the current portion of the long service leave liability. If this is also the feeling of the Committee and the Council, an additional \$280,000 will be required to transfer to the reserve account.

It is recommended that the Committee discuss this issue in detail to prepare an agreed policy position for recommendation to the Council. If this policy position is in line with the comments above, it would obviously need to be implemented over several financial years to lessen the financial impact.

### **CONSULTATION**

Nil

### **STATUTORY REQUIREMENTS**

There is significant legislation covering the provision of leave entitlements, reserve accounts and accounting standards for such.

### **POLICY IMPLICATIONS**

The recommendation suggests creating a new policy position in relation to leave provisions.

### **FINANCIAL IMPLICATIONS**

There is significant financial implications for this report. As leave entitlements continue to grow without corresponding provisions, the financial exposure of the Shire increases should staff turnover.

### **STRATEGIC/CORPORATE IMPLICATIONS**

#### Community Strategic Plan 2013 – 2023

Outcomes:

- G1 – Being Well Governed

#### Corporate Business Plan 2013 – 2017

Objectives:

- G1.2 – Maintain a structured forward planning process in accordance with legislation and community aspirations
- G1.4 – Maintain robust systems and controls

### **RISK MANAGEMENT IMPLICATIONS**

This report is addressing a significant financial risk for the organisation, being the adequate provision of leave liability. This risk can be minimized through a greater financial provision and regular revision through reports such as this one.

### **ASSET MANAGEMENT PLAN IMPLICATIONS**

There are no asset management implications for this report.

**VOTING REQUIREMENTS**

Simple Majority

**AUDIT COMMITTEE DECISION**

**11/16 Moved Cr Pedler, seconded Cr Warland that the Manager of Corporate Services be requested to prepare an agenda item for the Committee's consideration which incorporates a new or revised Council Policy setting the Employee Leave reserve minimum balance equal to:**

- The EBA sick leave liability (clause 29); and**
- The 'current' portion of long service leave liability;**

**To be implemented over four financial years to lessen the financial impact**

**CARRIED 4/0**



**11 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

Nil

**12 NEW BUSINESS**

(of an urgent nature introduced by a decision of the meeting)

Nil

**13 NEXT MEETING**

The next Audit Committee meeting will be held Tuesday, 2 August 2016 commencing at 9:00am.

**14 CLOSURE**

There being no further business to discuss, the Presiding Member, Cr Mathwin, thanked the members for their attendance and declared the meeting closed at 10:20am.

**15 ATTACHMENTS (SEPARATE)**

Nil

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*Presiding Member*

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*Date*