

SHIRE OF KOJONUP

Kojonup



Audit Committee

Minutes

15 November 2016

MINUTES FOR THE AUDIT COMMITTEE MEETING HELD 15 NOVEMBER 2016**TABLE OF CONTENTS**

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MINUTES

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

As the Presiding Member was unavailable for the meeting the Manager of Corporate Services declared the meeting opened at 9:05am. Mr House was nominated by Cr Pedler as the chair for the meeting. Mr House accepted.

2 **ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE**

Members

Cr Ned Radford
Cr Judith Warland
Cr Ian Pedler
Mr Roger House
Mr James Hope

Staff (Observers)

Mr Anthony Middleton Manager of Corporate Services
Mrs Heather Marland Senior Finance Officer

APOLOGIES

Cr Jill Mathwin (Presiding Member)

3 **PUBLIC QUESTION TIME**

Nil

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

Nil

5 **APPLICATIONS FOR LEAVE OF ABSENCE**

Nil

6 **CONFIRMATION OF MINUTES**

AUDIT COMMITTEE MEETING held 2 August 2016

AUDIT COMMITTEE DECISION

13/16 Moved Cr Radford, seconded Cr Warland that the Minutes of the Audit Committee Meeting held on 2 August 2016 be confirmed as a true record.

CARRIED 5/0

7 DECLARATIONS OF INTEREST

Nil

8 VISITORS/GUESTS

Nil

9 AUDIT COMMITTEE TIMETABLE

As a guide and subject to availability, each Audit 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
- 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).

10 REPORTS

10.1 STATUS REPORTS

10.1.1 COMMITTEE STATUS REPORT

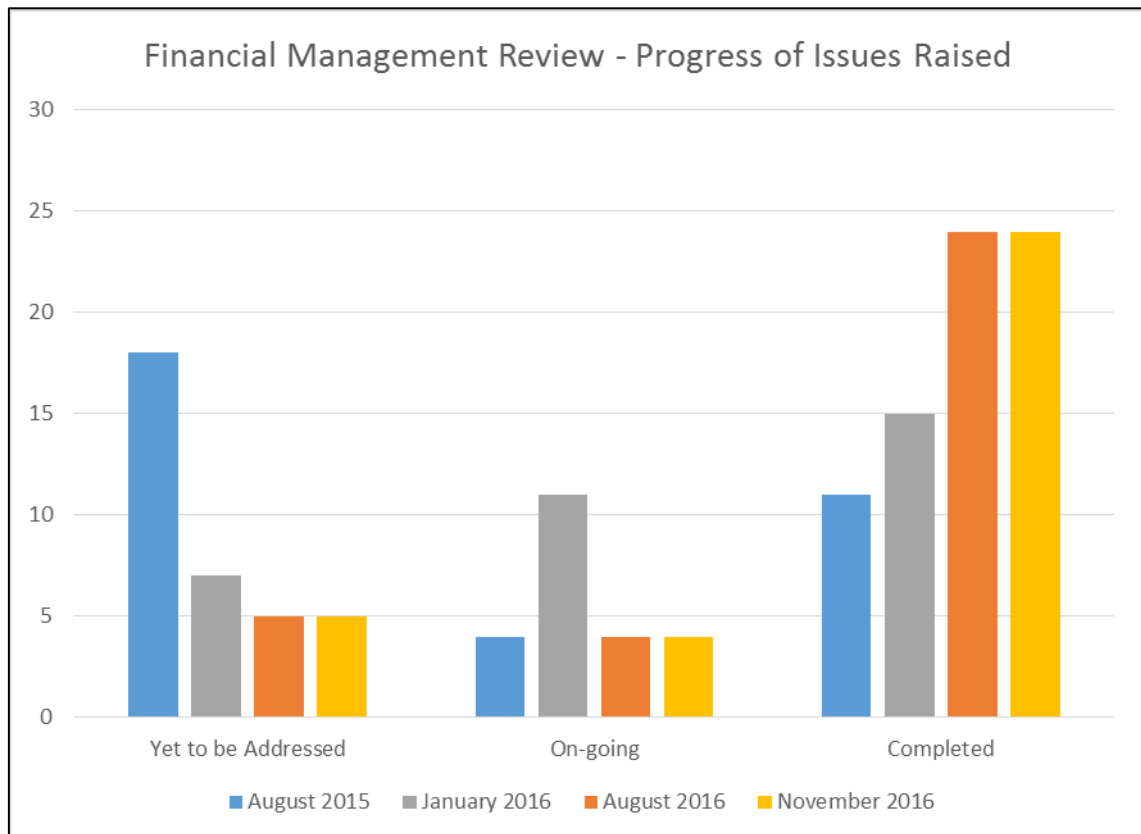
Date	Item Number & Title	Issue	Response	Status
16 September 2014	9.3 Fuel Cards	That fuel cards be considered whilst compiling the credit card policy.	Credit Card Policy has been adopted by the Council. Agenda Item in this agenda.	Ongoing
16 September 2014	11. Committee Membership	To investigate inclusion of an additional community member onto the audit committee (6th Member).	Agenda item – September Council Meeting	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
3 May 2016	10.3. Leave Entitlements & Provisions	A new or revised Council Policy be developed setting the Employee Leave reserve minimum balance equal to: <ul style="list-style-type: none"> • 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	Draft policy to be formulated for the Committee’s consideration. Agenda Item in this agenda.	Completed

General Discussion took place as follows:

- Fuel cards on today's agenda
- Tendering – Policy to capture more performance based criteria eg Shop Local, etc.

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:



At the Audit Committee Meeting held on 2 August 2016, members requested that items contained in the “yet to be addressed” and “on-going” categories be individually listed. They are as follows:

Yet to Commence:

RATES

- No evidence of independent review on manual rolling reconciliations.

PURCHASES, PAYMENTS AND PAYABLES (INCLUDING PURCHASE ORDERS)

- No proper segregation of duty surrounding EFT payments and changing of creditors details.
- No restriction over access to creditor's details.

SALARIES AND WAGES

- No proper segregation of duty surrounding payroll system and changes in employees' details.

INVESTMENTS

- Investment Policy did not comply with FM Regulation 19C.

Ongoing:

SALARIES AND WAGES

- Payroll reconciliations were not performed on a monthly basis.
- Employees' files not always updated with changes in employees pay rate.

IT GENERAL ENVIRONMENT

- System error in debtors records.

GENERAL JOURNALS

- General journals were not reviewed.

RISK MANAGEMENT PLAN

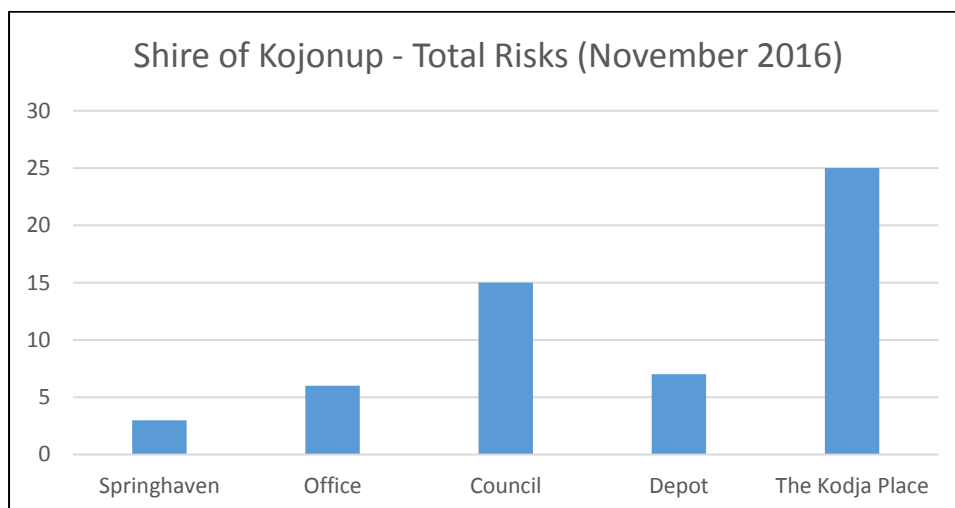
- Appropriateness and effectiveness of systems and procedures to be adequately addressed in the Plan.

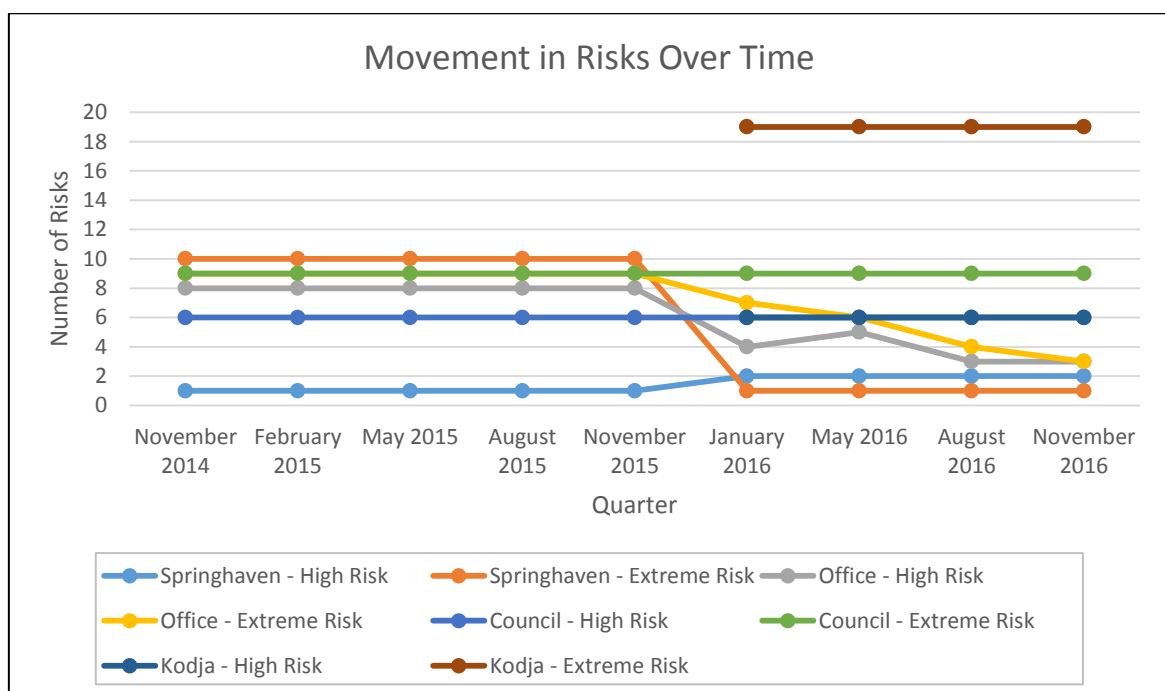
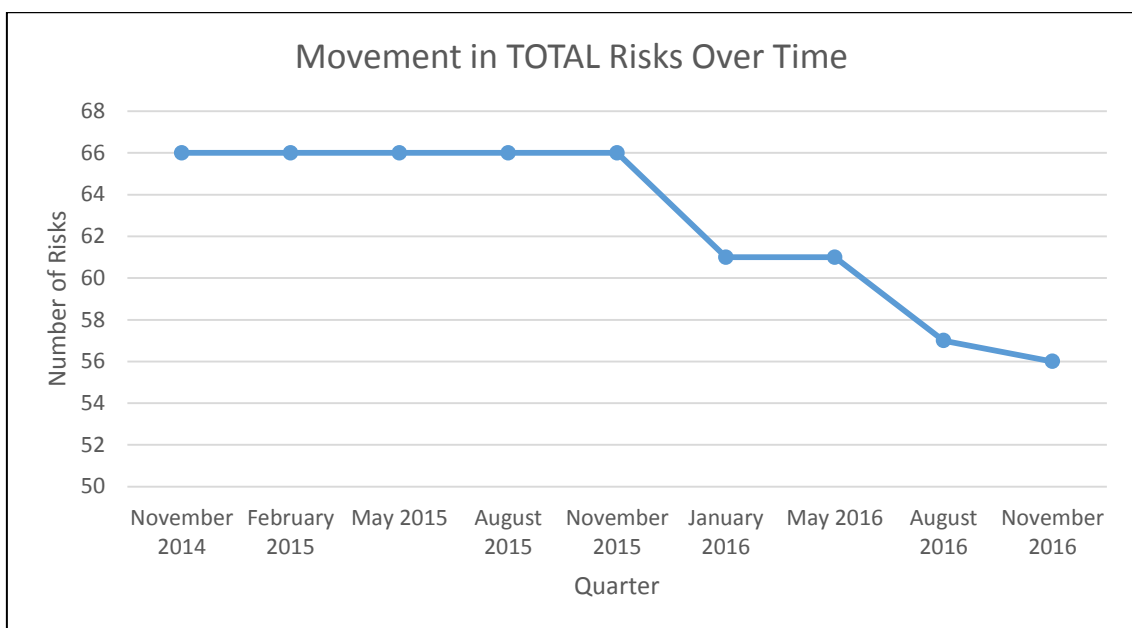
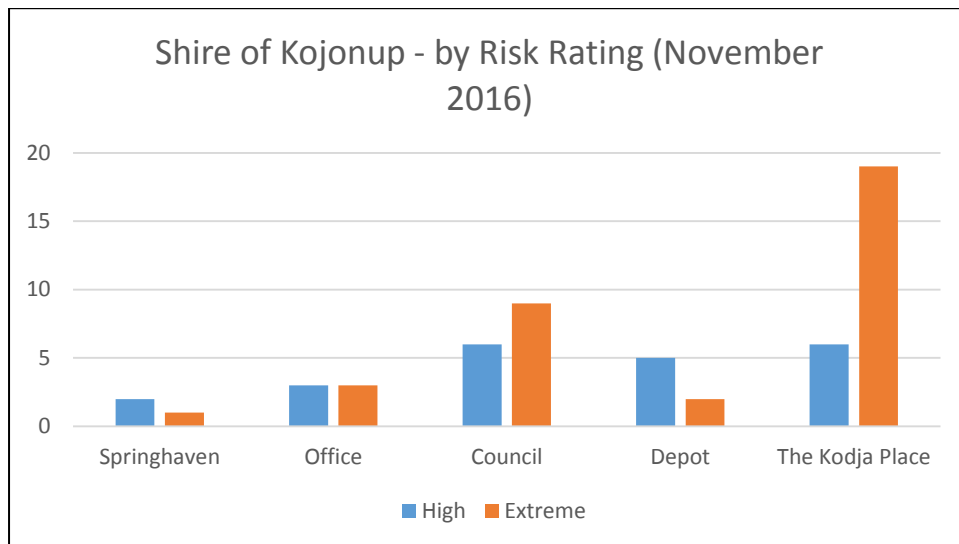
10.1.2 RISK REGISTER

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.

Currently office staff are reviewing one risk each fortnight at their staff meeting.

A summary of the risk registers are as follows:





It was noted that the Admin risks had reduced but not the other departments.

The Manager of Corporate Service advised that our Risk Process is in its infancy. And even though workshops were held to develop the register, review of the risks hasn't been included in our day to day operations in all departments and some risks are now no longer relevant. There is a need to review the complete plan, the whole process needs improvements.

10.2 MEETING WITH AUDITOR

Mr Russell Harrison (the Shire's auditor) addressed the Audit Committee via telephone from 9.30am until 9.57am. Mr Harrison mentioned that Mr Darren Long had assisted the Shire with the End of Year financials. Mr Harrison explained the ratios and the affects the timing of the receipt of the FAG's funding to the committee and the need to link the LTFP and liquidity plan.

10.3 INTERIM (PLANNING) AUDIT REPORT – 2015/2016

OFFICER RECOMMENDATION/AUDIT COMMITTEE DECISION

14/16 Moved Cr Warland, seconded Cr Pedler that the Interim (Planning) Audit Report for the 2015/2016 financial year be received.

CARRIED 5/0

10.4 CHANGE IN AUDIT LEGISLATION – CONDUCT OF AUDIT

The correspondence from the Office of the Auditor General regarding probable changes as to who will conduct local government audits into the future was noted.

10.5 ANNUAL FINANCIAL REPORT – 2015/2016

AUTHOR: Anthony Middleton – Manager Corporate Services
DATE: Wednesday, 21 September 2016
FILE NO: FM.AUD.2 & FM.FNR.1
ATTACHMENT: [10.5.1 Financial Report for the year ending 30 June 2015](#)
[10.5.2 Management Letter](#)

DECLARATION OF INTEREST

Nil

SUMMARY

The purpose of this report is to:

- Consider the 2014/2015 Annual Financial Report (including Audit report) and make recommendation to the Council; and
- To consider the matters raised in the Auditors Management Letter.

BACKGROUND

A 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 part of the accountability principles established for local government.

COMMENT

The annual financial report and auditors management letter is attached for the consideration of the Committee.

There were four (4) points raised in the management letter. Items 1, 2 & 4 are either for noting only or will be completed in due course. The third item is the only item that requires follow up and will be added to item 10.1.1 (Committee Status Report) in future Committee agenda's to ensure members can track progress on the actions taken.

CONSULTATION

Auditors

STATUTORY REQUIREMENTS

Section 5.26 to 5.33; 5.53 & 5.54 - Local Government Act 1995

Regulation 51(2) of the Local Government (Financial Management) Regulations 1996

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 2016. The recommendation does not in itself have a financial implication.

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

There are no risk management implications for this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications for this report.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION/AUDIT COMMITTEE DECISION

15/16 Moved Cr Pedler, seconded Cr Radford that:

- 1. It be recommended to the Council that the 2015/2016 Annual Financial Report be adopted; and**
- 2. The matter raised in the Management Letter regarding ‘Bank Reconciliations’ be noted and included in the Committee Status Report (Item 10.1.1) of future Audit Committee Agendas.**

CARRIED 5/0

10.6 RISK AND LEGISLATIVE COMPLIANCE REVIEW

AUTHOR: Anthony Middleton – Manager Corporate Services
DATE: Wednesday, 19 October 2016
FILE NO: GO.CNM.9
ATTACHMENT: Nil

DECLARATION OF INTEREST

Nil

SUMMARY

The purpose of this report is to undertake the biennial review of systems and procedures in relation to risk management, internal control and legislative compliance as required by Local Government (Audit) Regulation 17.

BACKGROUND

At its meeting held 4 November 2014, the Audit Committee resolved:

- 1. the Audit Committee refer to the Council the review that has been undertaken for Risk Management and Audit Compliance of the systems and procedures required under Regulation 17 of the *Local Government (Audit) Regulations 1996* be accepted and referred to the Council; and**
- 2. the complete review of financial management systems and procedures together with the Business Continuity Plan that will be finalised by end of December 2014 at which time both documents will be provided to the Council through the Audit Committee.**

Changes to the *Local Government Audit Regulations (1996)* in 2013 now require local government CEO's to carry out at least a biennial review of legislative compliance, internal control and risk management and present the results of the review to Council's audit committee. The audit committee is to consider the CEO's review and report the results of the review to Council. 2016 represents the second such review being required.

COMMENT

To review the 'appropriateness and effectiveness', it is assumed that you must first have measured the items to enable a comparison or analysis on their effectiveness. Unfortunately, a baseline measurement was not taken in 2014, however, the following table attempts quantify some of these issues, whilst also undertaking the review as required:

RISK MANAGEMENT		
	2014	2016
Risk Management Plan:		
Is there an Adopted Plan in Place?	✓	✓
Was it reviewed in the two year period?	n/a	✓
Was the Business Continuity & Disaster Recovery Plan reviewed?	n/a	✓
Was the Asbestos Management Plan reviewed?	✗	✓
Risk Register:		
Number of Extreme & High risk items on the register?		
- Springhaven	11	3
- Office	17	7
- Council	15	15
- Depot	23	7
- The Kodja Place	n/a	25
Is Risk regularly discussed and minuted at staff meetings:		
- Springhaven	✗	✗
- Office	✗	✓
- Council	✗	✗
- Depot	✗	✗
- The Kodja Place	✗	✗

LEGISLATIVE COMPLIANCE			
	2014	2015	2016
Compliance Audit Return:			
Was CAR completed by 31 March each year?	✓	✓	✓
Number of negative responses	3	8	1
Information Statement:			
Was the review undertaken?	✓	✓	✓
Audit Report			
Number of Items Raised	2	1	0

INTERNAL CONTROLS			
	2014	2015	2016
Policies & Delegations:			
Was the Delegation Register reviewed (financial year)?	✓	✓	✓
Were all Council Policies reviewed?	✗	✓	✓
Budget & Finance:			
Was Budget adopted prior to 31 August?	✓	✓	✓
Was the Budget reviewed on time?	✓	✓	✓
When was the Annual Electors Meeting held?	April	April	March
Audit Management Letter - Number of Items Raised	5	4	4
Integrated Planning:			
Was the Long Term Financial Plan reviewed?	n/a	✓	n/a
When was the Strategic Community Plan reviewed?	n/a	✓	n/a
When was the Corporate Business Plan reviewed?	✓	✓	
When was the Asset Management Plan reviewed?	n/a	✓	n/a
Was the Workforce Plan reviewed?	✓	✓	
Springhaven Lodge:			
Were Springhaven Policies reviewed by the Council?	✓	✗	
Springhaven Audit Visits			
- Items noted	3 out of 127 2.36%	0 out of 43 0%	0 out of 33 0%

The legislation does not define the actual review process to be undertaken by the CEO, and therefore the trends shown in the table above are a good beginning for this review and will demonstrate our ‘appropriateness and effectiveness’ with greater accuracy for each review undertaken.

CONSULTATION

Nil.

STATUTORY REQUIREMENTS

Local Government Audit Regulations (1996)

17. CEO to review certain systems and procedures

- (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.*
- (3) *The CEO is to report to the audit committee the results of that review.*

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

Nil

STRATEGIC/CORPORATE IMPLICATIONS

Corporate Business Plan 2013 – 2017

Outcomes:

- G1 – Being Well Governed

Actions:

- G1.4.1 – Implement organisation wide risk management.

RISK MANAGEMENT IMPLICATIONS

Compliance with regulation 17 of the *Local Government Audit Regulations (1996)*.

ASSET MANAGEMENT IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

AUDIT COMMITTEE DECISION/OFFICER RECOMMENDATION

16/16 Moved Cr Pedler; seconded Cr Warland that it be recommended to Council that the review is required under Regulation 17 of the Local Government (Audit) Regulations 1996 on the appropriateness and effectiveness of the Shire of Kojonup's systems and procedures in relation to risk management, internal control and legislative compliance be adopted

CARRIED 5/0

10.7 FUEL CARD USAGE

AUTHOR: Anthony Middleton – Manager Corporate Services
DATE: Wednesday, 19 October 2016
FILE NO: GO.CNM.9
ATTACHMENT: **Circular 9-2011 Provision of Motor Vehicles to Elected Members**

DECLARATION OF INTEREST

Nil

SUMMARY

The purpose of this report is to review the usage of fuel cards within the organisation.

BACKGROUND

At its meeting held 16 September 2014, the Audit Committee resolved:

“that it be recommended to the Council that Fuel Cards be considered whilst compiling the credit card policy.”

A credit card policy has since been adopted by both the Audit Committee and Council, however, the use of fuel cards was not included in the policy.

The use of fuel cards is adequately covered for staff through the ‘Purchasing and Creditor Control’ Council Policy and associated purchasing delegations, however it is not addressed for elected members (Shire President).

COMMENT

The Local Government Act does not allow elected members to incur expenditure on behalf of the Shire (with the exception of the Shire President in emergency situations). A fuel card operates in the same manner as a credit card or purchase order, that is, purchase the goods now with a liability on the Shire to pay later.

Guideline 11 (Use of Corporate Credit Cards) issued by the Department of Local Government & Communities states this:

‘5. Issuing of Corporate Credit Cards to Elected Members

The Act does not make provision for the issuing of credit cards to elected members. A local government can only pay allowances or reimburse expenses to an elected member. There are no provisions within the Act which allow an elected member to incur a debt, as would be the case with a credit card.’

Council Policy 3.20 ‘Motor Vehicle Use – Shire President’ includes the following statements:

‘A fully maintained motor vehicle will be made available to the Shire President to enable the undertaking of official duties and activities associated with the position of the office of Shire President.

The motor vehicle will be made available to the Shire President for both Business Use and Restricted Private Use within the State of Western Australia, south of the 26th parallel. At the discretion of the Shire President the vehicle may be used by other Councillors and Staff for business use.

The Council will be responsible for all running costs of the motor vehicle, including but not limited to, all registration, insurances, fuels and oils maintenance, and repair costs. Fuel for private use to be the responsibility of the Shire President.’

And

‘The Shire of Kojonup will be financially responsible for the maintenance of the motor vehicle but it is the responsibility of the primary user to ensure that the motor vehicle has a sufficient amount of fuel, oil/lubricant, water, and tyre pressure.’

In researching this agenda item, a ‘Department of Local Government’ circular from 2011 was uncovered which explains this issue in detail. The circular titled ‘Provision of Motor Vehicles to Elected Members’ is attached and details reimbursements vs allowances, private usage and Council Policy inclusions. This circular makes suggestions for inclusion into a Council Policy and it is recommended that these be actioned by adding the following to the Council Policy:

“The position of Shire President shall, for the purposes of carrying out the functions of the office, be entitled to receive the provision of a fully maintained local government owned vehicle.

The vehicle provided to the President:

- *is to be in lieu of travel/mileage claims otherwise claimable by the President for use of his/her personal vehicle;*
- *can be used for personal private purposes, not for any commercial purpose, but only on the basis that the cost of that private use is fully reimbursed by the President to the local government;*
- *will not occur at the reduction of the fees, allowances and reimbursements (other than the travel/mileage claims) otherwise ordinarily payable to the Shire President's position as approved by Council in accordance with the relevant provisions of the Local Government Act 1995; and*
- *will be administered in accordance with any related Management Practice to this Policy that the local government has in place.*

The calculation of the private use component of the vehicle costs to be reimbursed to the local government by the President is to be determined as follows:

- *a logbook is to be kept of both official and private use of the vehicle, which shall be agreed with the President as being the basis upon which the costs of private use will be calculated and subsequently required to be paid by the President to the Shire;*
- *on the basis that the predominant use of the vehicle will be for official purposes, only those vehicle costs of a "variable" nature directly affected by the additional private use will be used for determining the payment for private use to be made by the Mayor/President. This includes fuel, vehicle servicing costs (and then only the additional servicing costs occasioned by the private use) and depreciation where it can be shown that the additional private use has negatively impacted on the trade value of the vehicle.”*

As the Council Policy already states that fuel used for private use is to be paid for by the President and a log book is currently maintained, it is considered that in practice the recommended provisions above are already being met by both the organisation and the Shire President.

For the avoidance of all doubt, it would also be prudent to add to the policy that *“Fuel purchased for business (Shire) use of the vehicle be made by way of Shire issued fuel*

card.”

CONSULTATION

Chief Executive Officer and Shire President.

STATUTORY REQUIREMENTS

Section 5.101A and 5.102 of the *Local Government Act 1995* states:

5.101A. Regulations about payment of expenses

Regulations may be made about the method of payment of an expense for which a person can be reimbursed.

5.102. Expense may be funded before actually incurred

Nothing in this Division prevents a local government from making a cash advance to a person in respect of an expense for which the person can be reimbursed.

Local Government (Administration) Regulations 1996 state:

34AD. Method of payment of expenses for which person can be reimbursed

- (1) The provision of a vehicle owned by a local government —
 - (a) to a council member who is a mayor or president of the local government; or
 - (b) to a council member who is not a mayor or president of the local government if —
 - (i) no reasonable alternative method of travel is available to the council member; and
 - (ii) the CEO, mayor or president of the local government has given prior written approval for the provision of the vehicle,

is prescribed under section 5.101A as a method of payment of expenses for which a council member can be reimbursed.
- (2) Before a vehicle owned by a local government is provided to a council member the local government and the council member must sign an agreement setting out the responsibilities of the council member in relation to the use of the vehicle.

POLICY IMPLICATIONS

The recommendation seeks to add additional information to Council Policy 3.20 ‘Motor Vehicle Use – Shire President’

Council Policy 3.10 ‘Councillors Fees and Reimbursements’ is also relevant to this item.

FINANCIAL IMPLICATIONS

Nil

STRATEGIC/CORPORATE IMPLICATIONS

Corporate Business Plan 2013 – 2017

Outcomes:

- G1 – Being Well Governed

Actions:

- G1.4.1 – Implement organisation wide risk management.

RISK MANAGEMENT IMPLICATIONS

Increased compliance with the *Local Government Act 1995* decreases risks of associated with non-compliance such as fines, damage to image, etc.

ASSET MANAGEMENT IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION

That it be recommended to the Council that the following be added to Council Policy 3.20 (Motor Vehicle Use – Shire President):

“The position of Shire President shall, for the purposes of carrying out the functions of the office, be entitled to receive the provision of a fully maintained local government owned vehicle.

The vehicle provided to the President:

- *Is to be in lieu of travel/mileage claims otherwise claimable by the President for use of his/her personal vehicle;*
- *Can be used for personal private purposes, not for any commercial purpose, but only on the basis that the cost of that private use is fully reimbursed by the President to the local government;*
- *Will not occur at the reduction of the fees, allowances and reimbursements (other than the travel/mileage claims) otherwise ordinarily payable to the Shire President's position as approved by Council in accordance with the relevant provisions of the Local Government Act 1995; and*
- *Will be administered in accordance with any related Management Practice to this Policy that the local government has in place.*

The calculation of the private use component of the vehicle costs to be reimbursed to the local government by the President is to be determined as follows:

- *A logbook is to be kept of both official and private use of the vehicle, which shall be agreed with the President as being the basis upon which the costs of private use will be calculated and subsequently required to be paid by the President to the Shire;*
- *On the basis that the predominant use of the vehicle will be for official purposes, only those vehicle costs of a "variable" nature directly affected by the additional private use will be used for determining the payment for private use to be made by the Mayor/President. This includes fuel, vehicle servicing costs (and then only the additional servicing costs occasioned by the private use) and depreciation where it can be shown that the additional private use has negatively impacted on the trade value of the vehicle; and*
- *Fuel purchased for business (Shire) use of the vehicle be made by way of Shire issued fuel card.”*

AUDIT COMMITTEE DECISION

The item to be tabled for further discussion.

10.8 LEAVE ENTITLEMENT & PROVISIONS – DRAFT POLICY

AUTHOR: Anthony Middleton – Manager Corporate Services
 DATE: Thursday, 20 October 2016
 FILE NO: CM.TND.1
 ATTACHMENT: Council Policy 2.1.8 – ‘Financial Governance’

DECLARATION OF INTEREST

Nil

SUMMARY

The purpose of this report is to consider a draft policy setting the minimum level of the ‘Employee Leave’ reserve account.

BACKGROUND

At its meeting held 3 May 2016, the Audit Committee resolved:

“...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.”*

COMMENT

The 2015/2016 Annual Report shows the following leave liabilities:

	Annual Leave	Long Service Leave	TOTALS
Current	\$333,227	\$278,794	\$612,021
Non-Current	\$0	\$68,527	\$68,527
TOTALS	\$333,227	\$347,321	\$680,548

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 2016, however, is not included in the Annual Report.

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

	Annual Leave	Long Service Leave	EBA Sick Leave	TOTALS
Current	\$333,227	\$278,794	\$150,000	\$762,021
Non-Current	\$0	\$68,527	\$0	\$68,527
	\$333,227	\$347,321	\$150,000	\$830,548
Following Years Budget Provision	(\$333,227) **	-	-	(\$333,227)
Leave Reserve	-	(\$99,810)	-	(\$99,810)

Account				
TOTALS	\$0	\$247,511	\$150,000	\$397,511

** It is assumed that 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 \$400,000 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 \$328,984 will be required to transfer to the reserve account.

It is recommended that this goal be incorporated into the existing Council Policy 2.1.8 'Financial Governance', which has a section titled 'cash reserves'. It is also recommended that it 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 adding to an existing Council Policy (2.1.8).

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/OFFICER RECOMMENDATION

17/16 Moved Cr Radford; seconded Cr Warland that:

1. **Policy 2.1.8 be amended by adding the following to the end of the ‘Cash Reserves’ section:**
*‘Specifically, the following goals are set for individual reserve account balances:
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. This funding goal is to be implemented over four financial years up to 2019/2020 to manage the financial impact.’*
2. **The Chief Executive Officer be requested to provide further information and/or formulate a policy on the taking of leave, leave accrual issues and any other relevant matter.**

CARRIED 5/0

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 ordinary meeting is scheduled for Tuesday, 21 February 2017 at 9:00am.

14 CLOSURE

There being no further business to discuss, the Presiding Member, Mr Roger House, thanked members for their attendance and declared the meeting closed at 10:55am.

15 ATTACHMENTS (SEPARATE)

10.3 Interim Audit Report

10.4 Letter from the Auditor General's Office

10.5.1 Annual Financial Report – 2015/2016

10.5.2 Management Letter

10.7 Circular 9 – 2011 Provision of Motor Vehicles to Elected Members

10.8 Council Policy 2.1.8 – Financial Governance

Presiding Member

Date