

**SHIRE OF KOJONUP**

**Kojonup**



**Audit Committee**

*20 February 2018*

**MINUTES**

## **TERMS OF REFERENCE**

### **AUDIT COMMITTEE**

#### **Summary**

Established under *Section 7.1 of the Local Government Act 1995* (every local government must have an Audit Committee)

#### **Terms of Reference**

The duties and responsibilities of the Committee are:

- a) Provide guidance and assistance to the Council as to carrying out the functions of the Local Government in relation to audits;
- b) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Shire's Auditor;
- c) Develop and recommend to Council:
  - a list of those matters to be audited; and
  - the scope of the Audit to be undertaken;
- d) Recommend to the Council the person or persons to be appointed as Auditor;
- e) Develop and recommend to the Council a written agreement for the appointment of the Auditor;
- f) Meet with the auditor once in each year and provide a report to the Council on the matters discussed and outcome of those discussions;
- g) Liaise with the Chief Executive Officer (CEO) to ensure that the Shire does everything in its power to:
  - assist the Auditor to conduct the Audit and carry out his or her other duties under the *Local Government Act 1995*; and
  - ensure that audits are conducted successfully and expeditiously;
- h) Examine the reports of the Auditor after receiving a report from the CEO on the matters and:
  - determine if any matters raised require action to be taken by the Shire; and
  - ensure that appropriate action is taken in respect of those matters;
- i) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the Auditor and presenting the report to the Council for adoption prior to the end of the next financial year (or 6 months after the last report prepared by the Auditor is received, whichever is the latest);
- j) Review the scope of the Audit Plan and Programme and its effectiveness;
- k) Consider and recommend adoption of the Annual Financial Report to the Council;
- l) 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;
- m) 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
- n) Review the Statutory Compliance Return and make a recommendation on its adoption to Council.

#### **Membership**

Committee of six (6):

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

**MINUTES OF THE AUDIT COMMITTEE MEETING**  
**HELD ON 20 FEBRUARY 2018**

**TABLE OF CONTENTS**

|           |                                                                            |           |
|-----------|----------------------------------------------------------------------------|-----------|
| <b>1</b>  | <b>DECLARATION OF OPENING AND ANNOUNCEMENT OF GUESTS</b>                   | <b>4</b>  |
| <b>2</b>  | <b>ATTENDANCE, APOLOGIES &amp; LEAVE OF ABSENCE</b>                        | <b>4</b>  |
| <b>3</b>  | <b>PUBLIC QUESTION TIME</b>                                                | <b>4</b>  |
| <b>4</b>  | <b>SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE</b>           | <b>4</b>  |
| <b>5</b>  | <b>APPLICATIONS FOR LEAVE OF ABSENCE</b>                                   | <b>4</b>  |
| <b>6</b>  | <b>CONFIRMATION OF MINUTES</b>                                             | <b>5</b>  |
| <b>7</b>  | <b>DECLARATIONS OF INTEREST</b>                                            | <b>5</b>  |
| <b>8</b>  | <b>VISITORS/GUESTS</b>                                                     | <b>5</b>  |
| <b>9</b>  | <b>AUDIT COMMITTEE TIMETABLE</b>                                           | <b>6</b>  |
| <b>10</b> | <b>REPORTS</b>                                                             | <b>7</b>  |
| 10.1.1    | COMMITTEE STATUS REPORT                                                    | 7         |
| 10.1.2    | RISK REGISTER                                                              | 8         |
| 10.2      | INVESTMENT POLICY REVIEW                                                   | 10        |
| 10.3      | AUDIT COMMITTEE - REVIEW OF TITLE AND TERMS OF REFERENCE                   | 12        |
| 10.5      | 2016/2017 ANNUAL REPORT UPDATE                                             | 20        |
| 10.6      | OFFICE OF THE AUDITOR GENERAL FOCUS AUDIT – TIMELY PAYMENTS UPDATE         | 20        |
| 10.7      | LEAVE PROVISION ADEQUACY – ANNUAL UPDATE                                   | 20        |
| <b>12</b> | <b>OTHER ITEMS FOR DISCUSSION OR FURTHER RESEARCH AS RAISED BY MEMBERS</b> | <b>21</b> |
| <b>13</b> | <b>NEXT MEETING</b>                                                        | <b>22</b> |
| <b>14</b> | <b>CLOSURE</b>                                                             | <b>22</b> |
| <b>15</b> | <b>ATTACHMENTS (SEPARATE)</b>                                              | <b>22</b> |

## AGENDA

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

In the absence of the Presiding Member, Cr J Mathwin, The Manager Corporate Services opened the meeting at 9.03am and called for nominations to chair the meeting.

Cr G Hobbs nominated to Chair the meeting and in the absence of any other nominations, Cr G Hobbs took the Chair and alerted the meeting of the procedures for emergencies including evacuation, designated exits and muster points.

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

#### **MEMBERS**

Cr Graeme Hobbs  
Cr John Benn  
Mr James Hope  
Mr Roger House

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

Mr Anthony Middleton      Manager of Corporate Services

#### **VISITORS**

Mr Craig McVee      Manager of Works & Services

#### **APOLOGIES**

Cr Judith Warland has requested a leave of absence extension until 12 March 2018.

Cr Jill Mathwin      Presiding Member

Mrs Heather Marland      Senior Finance Officer (Observer)

### 3 **PUBLIC QUESTION TIME**

Nil.

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

Nil

### 5 **APPLICATIONS FOR LEAVE OF ABSENCE**

(The next ordinary meeting is scheduled for Tuesday, 1 May 2018 at 9:00am.)

Nil.



**6      CONFIRMATION OF MINUTES**

AUDIT COMMITTEE MEETING held 12 December 2017

**OFFICER RECOMMENDATION/COMMITTEE DECISION**

Moved Cr J Benn, seconded Roger House that the Minutes of the Audit Committee Meeting held on 12 December 2017 be confirmed as a true and accurate record.

**CARRIED 4/0**

**7      DECLARATIONS OF INTEREST**

Nil.

**8      VISITORS/GUESTS**

Mr Craig McVee, Manager of Works was present to discuss with the Committee the following:

- Vegetation at ‘T’ intersections;
- Fence line clearing;
- Road grading efficiencies;
- Commodity route funding;
- Blackwood Road
- Plant replacement timeframes;
- Passenger Vehicles; and
- Culvert cleaning equipment.

The Manager of Works left the meeting at 9.51am.

**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
- 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

**3<sup>rd</sup> Quarter (July – September)**

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

**4<sup>th</sup> 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...)
- 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.

For noting only (or additions).

**10    REPORTS**

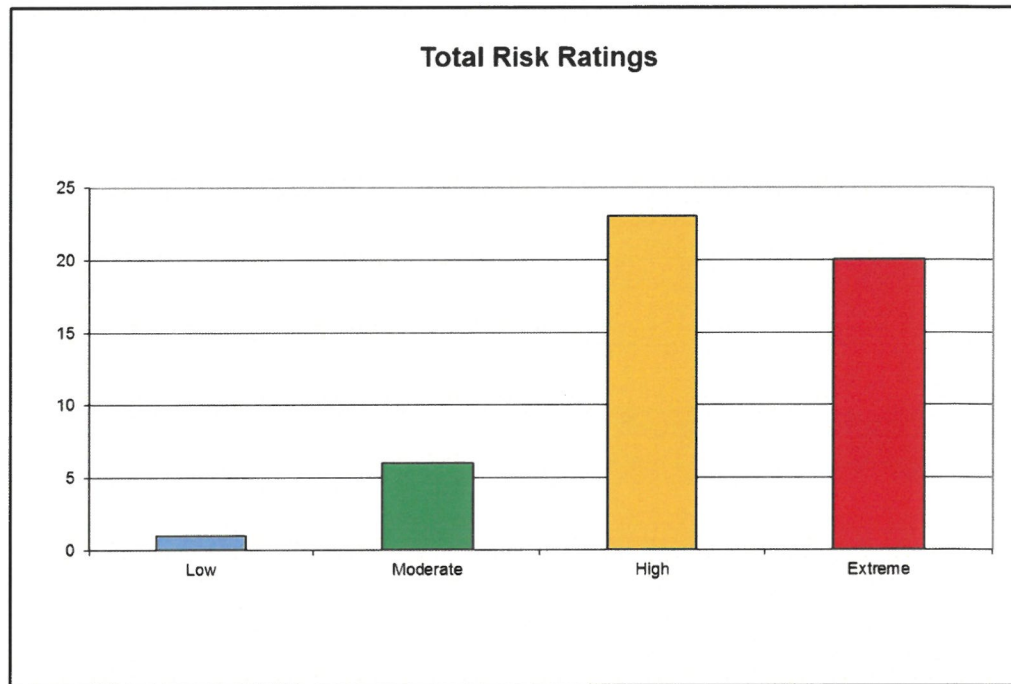
**10.1    STATUS REPORTS**

**10.1.1    COMMITTEE STATUS REPORT**

| Date                   | Item Number & Title            | Issue                                                                                                               | Response                                                                            | Status               |
|------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------|
| <del>6 June 2017</del> | <del>7 Visitors</del>          | <del>Changing the timing of the creditor bank detail changes verification to immediately before EFT approval.</del> | <del>Amalgamated into written procedure for purchasing and creditor payments.</del> | <del>Completed</del> |
| 31 July 2017           | 11. Other items for Discussion | Questioned costs incurred when fires get out of Control out of the prohibited and restricted burning period         | This item was discussed by the Committee and resolved.                              | Completed            |
| n/a                    | Financial Management Review    | <del>Investment Policy did not comply with FM Regulation 19C</del>                                                  | Refer agenda item in this agenda                                                    | Completed            |

### 10.1.2 RISK REGISTER

The following summaries are provided for the Committee's information and consideration:

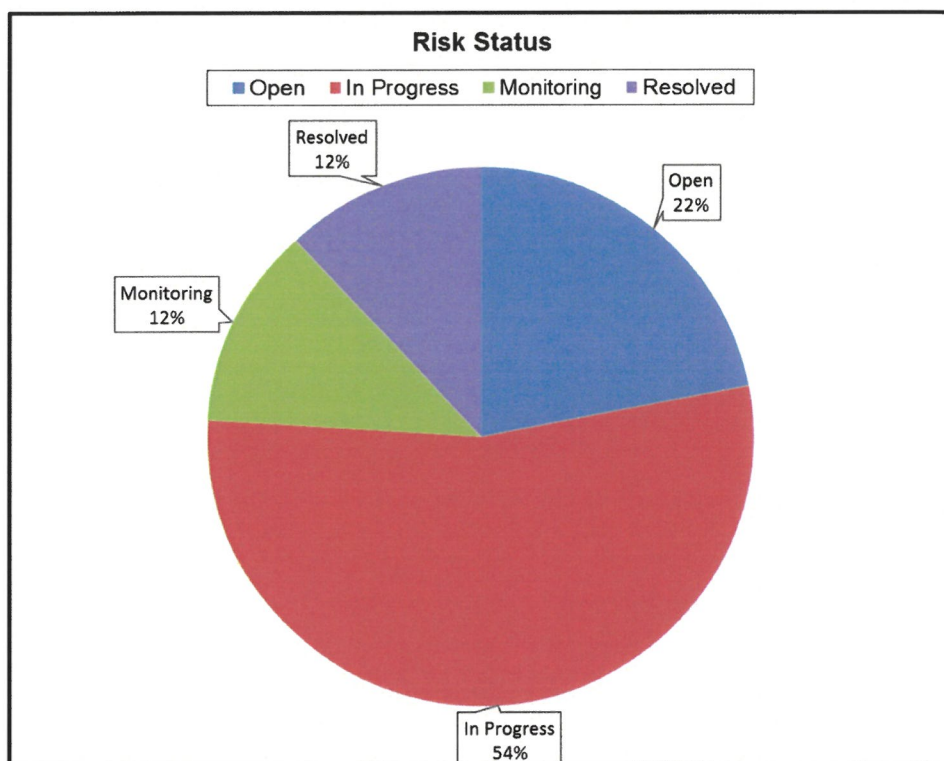
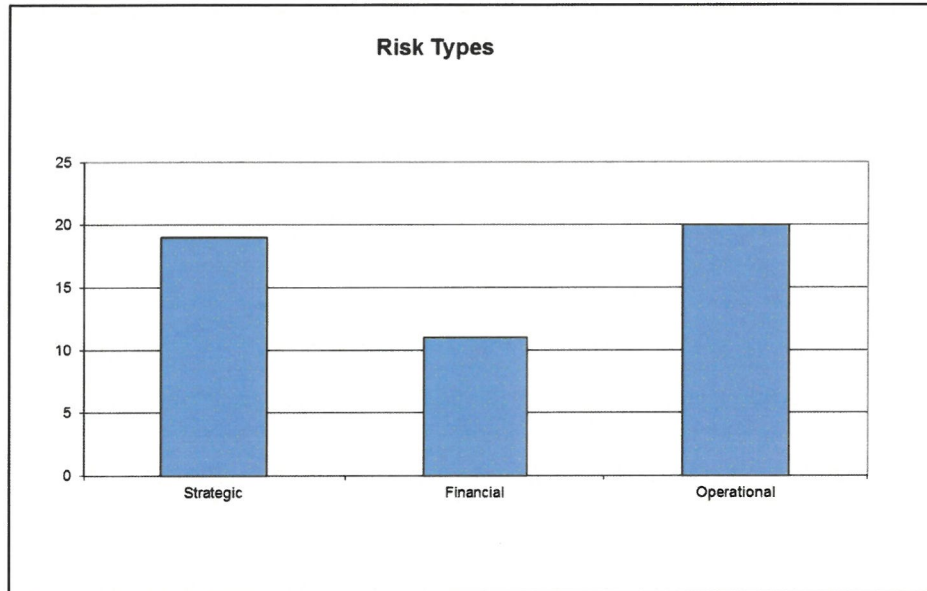


| Risk Owner   |           |
|--------------|-----------|
| MRS          | 1         |
| CEO          | 22        |
| MCS          | 6         |
| MCDT         | 16        |
| MWS          | 3         |
| MACS         | 2         |
| <b>Total</b> | <b>50</b> |

| Risk Status Summary | Current | 1/07/2017 |
|---------------------|---------|-----------|
| Open                | 11      | 14        |
| In Progress         | 27      | 29        |
| Monitoring          | 6       | 10        |
| Resolved            | 6       | 8         |

| Risk Type Summary |           |
|-------------------|-----------|
| Strategic         | 19        |
| Financial         | 11        |
| Operational       | 20        |
| <b>Total</b>      | <b>50</b> |

| Risk Rating Summary |           |
|---------------------|-----------|
| Low                 | 1         |
| Moderate            | 6         |
| High                | 23        |
| Extreme             | 20        |
| <b>Total Risks</b>  | <b>50</b> |



## 10.2 INVESTMENT POLICY REVIEW

|                      |                                                                            |
|----------------------|----------------------------------------------------------------------------|
| <b>AUTHOR</b>        | <b>Anthony Middleton – Manager Corporate Services</b>                      |
| <b>DATE</b>          | <b>Tuesday, 6 February 2018</b>                                            |
| <b>FILE NO</b>       | <b>FM.IVS.1</b>                                                            |
| <b>ATTACHMENT(S)</b> | <b>11.2 - Council Policy 2.1.5 - Investments (Showing Tracked Changes)</b> |

| <b>STRATEGIC/CORPORATE IMPLICATIONS</b>                                    |                                                                   |                                                                                                                         |
|----------------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| Community Strategic Plan 2017 – 2027 “Smart Possibilities – Kojonup 2027+” |                                                                   | Corporate Business Plan 2017 – 2021 “Smart Implementation – Kojonup 2021 +”                                             |
| <b>Key Pillar</b>                                                          | <b>Community Outcomes</b>                                         | <b>Corporate Actions</b>                                                                                                |
| <b>KP – 3 Performance</b>                                                  | 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 INTERST

Nil.

### SUMMARY

The purpose of this report is to review Council Policy 2.1.5 – ‘Investments’ to ensure that it meets all statutory requirements.

### BACKGROUND

The contents of Council Policy 2.1.5 do not currently meet all of the requirements of regulation 19C of the *Local Government (Financial Management) Regulations 1996*. This report recommends amendments to the Policy to ensure compliance.

### COMMENT

Whilst in practise, the Shire’s investment transactions are considerably more conservative than the contents of the Council Policy, it is imperative that the policy reflect legislative requirements.

The amendments recommended in this report ensure compliance with regulation 19C of the *Local Government (Financial Management) Regulations 1996*. These five simple requirements are listed below under ‘Statutory Requirements’.

### CONSULTATION

Nil.

### STATUTORY REQUIREMENTS

*Local Government (Financial Management) Regulations 1996*, Regulation 19C (Investment of money, restrictions on (Act s. 6.14(2)(a))) states:

(1) In this regulation —

*authorised institution* means —

- (a) an authorised deposit-taking institution as defined in the Banking Act 1959 (Commonwealth) section 5; or
- (b) the Western Australian Treasury Corporation established by the Western Australian Treasury Corporation Act 1986;

*foreign currency* means a currency except the currency of Australia.

- (2) When investing money under section 6.14(1), a local government may not do any of the following —
- (a) deposit with an institution except an authorised institution;
  - (b) deposit for a fixed term of more than 12 months;
  - (c) invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
  - (d) invest in bonds with a term to maturity of more than 3 years;
  - (e) invest in a foreign currency.

#### POLICY IMPLICATIONS

This item recommends changes be made to Council Policy 2.1.5 – ‘Investments’ to ensure the requirements of regulation 19C of the *Local Government (Financial Management) Regulations 1996* are met.

#### FINANCIAL IMPLICATIONS

There are no immediate financial implications for this report, however, the investment policy is the primary tool to safeguard significant shire funds and ensure that an adopted risk vs reward level is adhered to.

#### RISK MANAGEMENT IMPLICATIONS

The Council’s Investment policy is the primary tool to manage risks associated with the investment of surplus funds. It sets an appropriate risk vs reward appetite, focusing on the preservation of capital over returns.

#### ASSET MANAGEMENT IMPLICATIONS

Nil.

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

Nil.

#### VOTING REQUIREMENTS

Simple Majority.

#### OFFICER RECOMMENDATION/COMMITTEE DECISION

**Moved James Hope, seconded Roger House that it be recommended to the Council that Council Policy 2.1.5 – ‘Investments’ be amended as per the attached.**

**CARRIED 4/0**



10.3 AUDIT COMMITTEE - REVIEW OF TITLE AND TERMS OF REFERENCE

|                      |                                              |
|----------------------|----------------------------------------------|
| <b>AUTHOR</b>        | Pam Chambers – Senior Administration Officer |
| <b>DATE</b>          | Tuesday, 6 February 2018                     |
| <b>FILE NO</b>       | CM.REP.1                                     |
| <b>ATTACHMENT(S)</b> | Nil                                          |

| <b>STRATEGIC/CORPORATE IMPLICATIONS</b>                                           |                                                                  |                                                                                               |
|-----------------------------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| <b>Community Strategic Plan 2017 – 2027 “Smart Possibilities – Kojonup 2027+”</b> |                                                                  | <b>Corporate Business Plan 2017 – 2021 “Smart Implementation – Kojonup 2021 +”</b>            |
| <b>Key Pillar</b>                                                                 | <b>Community Outcomes</b>                                        | <b>Corporate Actions</b>                                                                      |
| KP – 3 Performance                                                                | 3.4 – Be organised and transparent with our financial management | 3.4.3 - Commit to future state-wide measurement systems testing local government performance. |

**DECLARATION OF INTERST**

Nil

**SUMMARY**

To review the Audit Committee’s current title and terms of reference given the changes made by State Parliament on 24 August 2017 appointing the Auditor General to audit local government finances and performance, effective once current contracts with appointed auditors expire.

**BACKGROUND**

Under *Section 7.1.A of the Local Government Act 1995* all Local Governments are required to establish an Audit Committee.

At the Ordinary Council Meeting held 14 November 2017 Council reviewed the Audit Committees membership and terms of reference following the October 2017 elections.

Changes made to the *Local Government Act 1995* as the result of State Parliaments decision necessitate a review of the Audit Committees title and terms of reference to set out the Committees role and responsibilities under the amended legislation.

**COMMENT**

The recent amendments to the *Local Government Act 1995* enable the Auditor General to audit local government finances and performance. State Parliament expects that this change will raise the standards of accountability for local governments to a level more consistent with public sector entities.

The amendments to the Act will be supported by changes to the *Local Government*



*(Financial Management) Regulations 1996 and the Local Government (Audit) Regulations 1996.*

The amendments introduce Performance Audits, primarily to examine the effective and efficient management and operation of public sector programs and activities and their compliance with legislation. In fact, The Shire of Kojonup has already been chosen at random to receive a focus audit in the first quarter 2018 on the subject of “timely payment of suppliers”

Under the changes to *Local Government (Audit) Regulations 1996, Regulation 17* the Audit Committee will have greater responsibility in assisting the CEO to carry out the review of the Audit Regulations of systems and procedures concerning risk management, internal control and legislative compliance. It is therefore appropriate to incorporate the work ‘Risk’ in to the Committees title and rename the Audit Committee, the ‘Audit and Risk Committee’ and update its terms of reference. The Committee would be responsible for recommending and reviewing the Shires Risk Appetite Statement which would set the Shires risk tolerance and allow Council to make decisions consistent with our organisations capability to manage risk.

All local governments will be audited by the Auditor General either as their current contracts expire or from 2020/2021 whether they have a contract with an appointed auditor or not. The Shire of Kojonup has a contract with an auditor until 2017/2018 and will therefore be audited by the Auditor General from 1 July 2018.

**Current terms of reference for the Committee are as follows:**

Summary

Established under *Section 7.1 of the Local Government Act 1995* (every local government must have an Audit Committee)

Terms of Reference

The duties and responsibilities of the Committee are:

- ) Provide guidance and assistance to the Council as to carrying out the functions of the Local Government in relation to audits;
- a) Develop and recommend to Council an appropriate process for the selection and appointment of a person as the Shire’s Auditor;
- b) Develop and recommend to Council:
  - A list of those matters to be audited; and
  - The scope of the Audit to be undertaken;
- c) Recommend to the Council the person or persons to be appointed as Auditor;
- d) Develop and recommend to the Council a written agreement for the appointment of the Auditor;
- e) Meet with the auditor once in each year and provide a report to the Council on the matters discussed and outcome of those discussions;
- f) Liaise with the Chief Executive Officer (CEO) to ensure that the Shire does

everything in its power to:

- Assist the Auditor to conduct the Audit and carry out his or her other duties under the *Local Government Act 1995*; and
  - Ensure that audits are conducted successfully and expeditiously;
- g) Examine the reports of the Auditor after receiving a report from the CEO on the matters and:
- Determine if any matters raised require action to be taken by the Shire; and
  - Ensure that appropriate action is taken in respect of those matters;
- h) Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the Auditor and presenting the report to the Council for adoption prior to the end of the next financial year (or 6 months after the last report prepared by the Auditor is received, whichever is the latest);
- i) Review the scope of the Audit Plan and Programme and its effectiveness;
- j) Consider and recommend adoption of the Annual Financial Report to the Council;
- k) 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;
- l) 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
- m) Review the Statutory Compliance Return and make a recommendation on its adoption to Council.

#### Membership

Committee of six (6):

- Four (4) Councillors
- Two (2) Community Members

#### **Proposed Terms of Reference for the Audit and Risk Committee effective 1 July 2018**

##### **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

- 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.

### **CONSULTATION**

Nil

### **STATUTORY REQUIREMENTS**

*Local Government Act 1995*

[\*Local Government Amendment \(Auditing\) Act 2017\*](#)

*Local Government (Audit) Regulations 1996*

*Local Government (Financial Management) Regulations 1996*

## **POLICY IMPLICATIONS**

2.3.5 Risk Management

2.3.6 Business Continuity

3.12 Council Advisory Committees

## **FINANCIAL IMPLICATIONS**

Nil

## **RISK MANAGEMENT IMPLICATIONS**

Council risks being non-compliant with new legislation if the proposed Terms of Reference are not adopted

## **ASSET MANAGEMENT IMPLICATIONS**

Nil

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

Nil

## **VOTING REQUIREMENTS**

Simple Majority.

## **OFFICER RECOMMENDATION/COMMITTEE DECISION**

Moved Roger House, seconded Cr J Benn that it be recommended to the Council that:

- The title of the Audit Committee be amended to the ‘Audit and Risk Committee’; and
- The terms of reference for the Audit and Risk Committee be updated to:

“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:
  - c) assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
  - d) 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:
  - d) determine if any matters raised require action to be taken by the Shire; and
  - e) ensure that appropriate action is taken in respect of those matters;
  - f) 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.”**

**and render these changes effective 1 July 2018.**

**CARRIED 4/0**



#### 10.4 COMPLIANCE AUDIT RETURN 2017

AUTHOR: Anthony Middleton – Manager Corporate Services  
DATE: 7 February 2018  
FILE NO: CM.REP.1  
ATTACHMENT: 11.4 Compliance Audit Return

| 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                                                           |
| n/a                                                                        | n/a                | n/a                                                                         |

#### DECLARATION OF INTEREST

Nil

#### SUMMARY

The purpose of this report is to consider the Compliance Audit Return for 2017 and make recommendation to the Council.

#### BACKGROUND

*Local Government (Audit) Regulation 14* requires a local government to carry out a compliance audit for each calendar year.

#### COMMENT

The completion of the Compliance Audit Return is mandatory for each local government. The return has been completed following a review of processes and documentation for each activity / area in which compliance is being assessed against the Local Government Act 1995 and its associated regulations. The return is to be adopted by the Council and submitted to the Department of Local Government by 31 March each year.

Regulation 14 also requires that the local government’s Audit Committee review the return and report the results of that review to the Council prior to adoption and submission to the Department.

#### CONSULTATION

Nil.

#### STATUTORY REQUIREMENTS

The Local Government Audit Regulations 1996, Regulation 14 states:

- “(1) a local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) the local government’s audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under sub regulation (3A), the compliance audit return is to be —
  - (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.”

**POLICY IMPLICATIONS**

There are no policy implications for this report.

**FINANCIAL IMPLICATIONS**

There are no financial implications for this report.

**RISK MANAGEMENT IMPLICATIONS**

Maximising compliance with legislation minimises the risks to the organisation of non-compliance and any associated penalties, damage to image or reputation that may occur.

**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 J Benn, seconded Roger House that the Compliance Audit Return for 2017, as attached, be adopted.**

**CARRIED 4/0**

10.5 2016/2017 ANNUAL REPORT UPDATE

The 2016/2017 end of year audit was conducted on 6 & 7 October 2017. At this time, the Audit Report is yet to be received and no issues of concern have been raised at this stage. The Audit Report is hoped to be received week ending 9 February 2018 and a new agenda item for item 10.5 will be circulated when this occurs.

**Meeting Resolution:**

**The Manager Corporate Services advised the meeting that the Auditors have advised that the Audit Report will be available on 13 March 2018. As such, it was resolved to hold an Audit Committee meeting on 20 March 2018.**

10.6 OFFICE OF THE AUDITOR GENERAL FOCUS AUDIT – TIMELY PAYMENTS UPDATE

As the Committee is aware, Local Government auditing in WA is in the transitional process of being taken over by the State Government's Office of the Auditor General (OAG).

Part of this change includes the OAG completing 'focus audits' on particular subjects, and the Shire of Kojonup has been chosen for a focus audit on the 'Timely Payment of Suppliers'. OAG staff will be on-site in the week commencing 12 February 2018 to conduct this audit.

It is envisaged that the Manager of Corporate Services will be able to verbally update the Committee on the visit.

**Meeting Resolution:**

**The Manager Corporate Services updated the meeting on the focus audit conducted on-site on 15 & 16 February 2018. The results will be circulated when received.**

10.7 LEAVE PROVISION ADEQUACY – ANNUAL UPDATE

During 2016, the Audit Committee undertook considerable work into setting appropriate levels of funding leave liability provisions, culminating in the Council amending its Policy 2.1.8 (Financial Governance) to include the following:

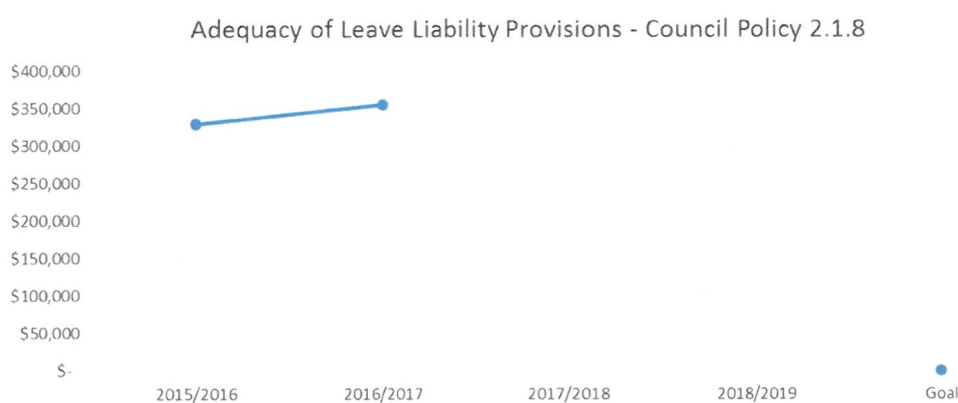
‘Specifically, the following goals are set for individual reserve account balances:

- **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.’

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



|                            | 2015/2016         | 2016/2017         |
|----------------------------|-------------------|-------------------|
| <b>Liability:</b>          |                   |                   |
| EBA Sick Leave             | \$ 150,000        | \$ 199,941        |
| CURRENT Long Service Leave | \$ 278,794        | \$ 271,946        |
|                            | <b>\$ 428,794</b> | <b>\$ 471,887</b> |
| <b>Cash Backing:</b>       |                   |                   |
| Leave Reserve Account      | -\$ 99,810        | -\$ 117,649       |
| <b>DEFICIENCY</b>          | <b>\$ 328,984</b> | <b>\$ 354,238</b> |



The above figures show that the gap between provision and liability is increasing, rather than being eliminated, predominately as a result of the EBA Sick Leave accrual growth.

The EBA is currently in the process of being reviewed and it is anticipated that this will have a very positive impact on this liability. In addition, the 2017/2018 annual budget contains a \$20,000 transfer to the Leave Liability Reserve account, further improving the situation.

# OFFICER'S RECOMMENDATION

For the Information of the Committee only.

## Meeting Resolution:

The Manager Corporate Services be requested to provide further breakdown on the long service leave liability with respect to when the liability will be incurred.

## 11 OTHER ITEMS FOR DISCUSSION OR FURTHER RESEARCH AS RAISED BY MEMBERS

### 11.1 The Kodja Place

## COMMITTEE DECISION

Moved James Hope, seconded Roger House that the Audit Committee seek the following information in regards to The Kodja Place:

1. An update on the current financial situation;
2. The contents of the Master Plan and what is the medium to long term plan, including any exit strategy if The Kodja Place is seen as unviable; and
3. An assessment of the risks involved.

**CARRIED 4/0**

**12     NEXT MEETING**

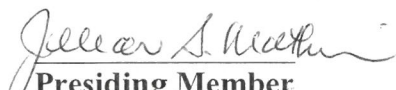
The next ordinary meeting is scheduled for Tuesday, 1 May 2018 at 9:00am.

**13     CLOSURE**

There being no further business to discuss, the Chairman Cr G Hobbs thanked members for their attendance and declared the meeting closed at 11.00am.

**14     ATTACHMENTS (SEPARATE)**

Item 11.2 - Council Policy 2.1.5 - Investments (Showing Tracked Changes)  
Item 11.4 Compliance Audit Return

  
Presiding Member

20 MARCH 2018  
Date