

SHIRE OF KOJONUP

Kojonup



One community, many choices

Audit Committee

15 May 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 FOR THE AUDIT COMMITTEE MEETING
HELD ON 15 MAY 2018

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AGENDA

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

The Presiding Member, Cr J Mathwin, will declared the meeting open at 9:07 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 Jill Mathwin	Presiding Member
Cr Graeme Hobbs	
Cr John Benn	
Cr Judith Warland	
Mr James Hope	(from 9:12am)
Mr Roger House	

STAFF (OBSERVERS)

Mr Rick Mitchell-Collins	Chief Executive Officer
Mr Anthony Middleton	Manager of Corporate Services
Mrs Heather Marland	Senior Finance Officer

VISITORS

Russell Harrison	Council's Auditor (via telephone from 9.18am to 9.55am)
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APOLOGIES

Nil.

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, 7 August 2018 at 9:00am.)

Nil.

6 **CONFIRMATION OF MINUTES**

AUDIT COMMITTEE MEETING held 20 March 2018

OFFICER RECOMMENDATION/COMMITTEE DECISION:

Moved Cr John Benn, seconded Cr Judith Warland that the minutes of the Audit Committee Meeting held on 20 March 2018 be confirmed as a true and accurate record.

CARRIED 5/0

7 **DECLARATIONS OF INTEREST**

Nil

8. **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

3rd Quarter (July – September)

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

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...)
- 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. REPORTS

9.1 STATUS REPORTS

9.1.1 COMMITTEE STATUS REPORT

Date	Item Number & Title	Issue	Response	Status
20 February 2018	10.7 Leave Provision Adequacy – Annual Update	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	The amount shown is the CURRENT portion of LSL. Current, meaning that LSL that could be due to be paid in the next 12 month period. As such, this applies to all LSL accrued following 7 or more years' service.	Completed, subject to follow up questions from the Committee.
20 February 2018	11.1 Other items for Discussion – The Kodja Place	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.	Refer to information provided in this agenda.	Completed, subject to follow up questions from the Committee.

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Date	Item Number & Title	Issue	Response	Status
20 March 2018	8.2 Annual Financial Report 2016/2017	General Journal Entry Controls – The auditors recommend that a formal process of review by the Manager of Corporate Services is implemented. This would involve scrutiny of system generated journal reports, sighting necessary supporting documentation and signing and retention as evidence.	The General Journal form has been adapted and there is now an area for an Authorising Officer signature. The General Journals will be presented to the MCS monthly for checking and sign off in conjunction with the Monthly reconciliation file.	Completed
20 March 2018	8.2 Annual Financial Report 2016/2017	Uncleared Municipal Bank Item - Audit procedure determined that a payment dated 3 March 2016 for \$1511.93 remained uncleared at audit date.	This cheque has been issued twice, as it is a refund on a partial sale of property. The cheque will be cancelled and a credit levied against the rates assessment.	Completed
20 March 2018	8.2 Annual Financial Report 2016/2017	Purchase Orders - During our review of purchases system we noted one instance where a Purchase order postdated the invoice. This related to Prandi Builders who are provided a works request list which is invoiced as completed.	The Council Policy in relation to Purchasing and Policy Orders is very clear and staff are communicated this policy. Further reminders will be provided at staff meetings in 2018. The CEO will activate a memo reinforcing the purchasing policy and the importance of adhering to our Policies and Procedures.	Ongoing

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Date	Item Number & Title	Issue	Response	Status
20 March 2018	8.2 Annual Financial Report 2016/2017	Creditors and Bank Ledger - A creditor payment batch was initially incorrectly accounted for as June payments when they were actually made in July 2017. This resulted in the bank and creditors being equally understated by \$246,350. An adjustment was processed to correct this prior to audit finalisation.	Compliance with regard to payment batches being processed as of date of payment will be formally reiterated to team members in writing as should not occur regardless of new staff appointments as matter is standard accounting practice.	Ongoing
20 March 2018	8.2 Annual Financial Report 2016/2017	Depreciation Expense - Extensive audit testing disclosed that certain assets were not depreciated during the financial year. This resulted in \$310,543 additional depreciation and a revised reconciliation of the asset register post amendment.	Assets (Depreciation) has been added to the PD of the SFO to ensure this oversight is not repeated on the asset module.	Completed
20 March 2018	8.2 Annual Financial Report 2016/2017	Annual Leave Accruals - Testing of the accrual for annual leave entitlements revealed an incorrect leave taken balance had been entered into the worksheet for one employee, resulting in the accrual being understated by \$969.52 This was an isolated error and no adjustment was required to be made.	Clause 4.3 of the Employee Manual will be enforced by the CEO as follows: "LEAVE WITHOUT PAY" "Unpaid leave is only granted in special circumstances and can only be approved by the Chief Executive Officer. The request should be on the Leave Application Form with an accompanying letter giving the reasons for the request."	Completed

9.1.2 RISK REGISTER

A copy of the “Extreme” rated risks is attached. The following summaries are provided for the Committee’s information and consideration:



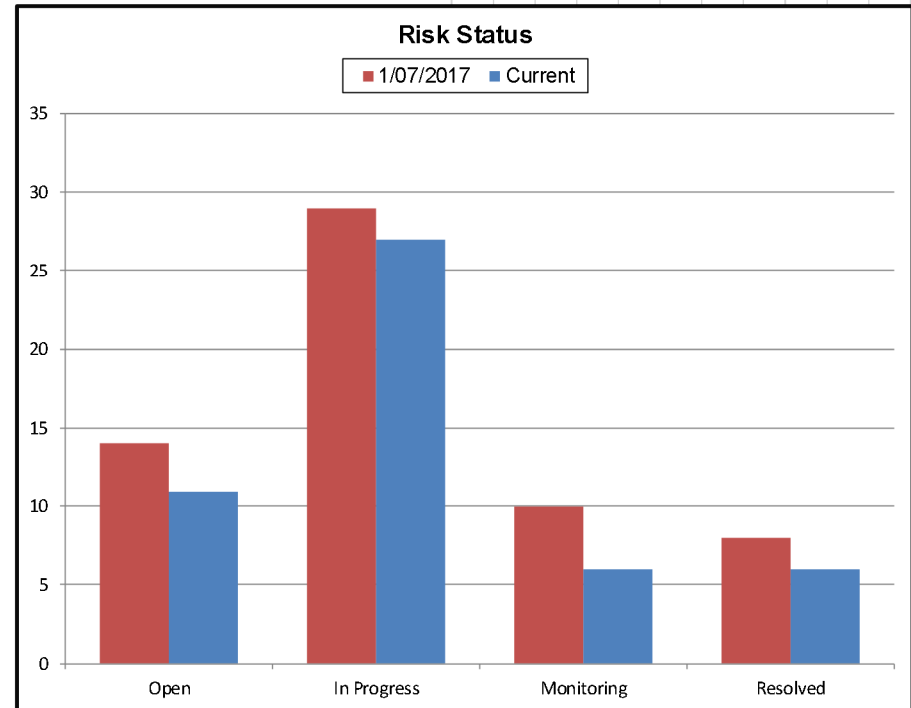
Risk Register - Management Dashboard Report

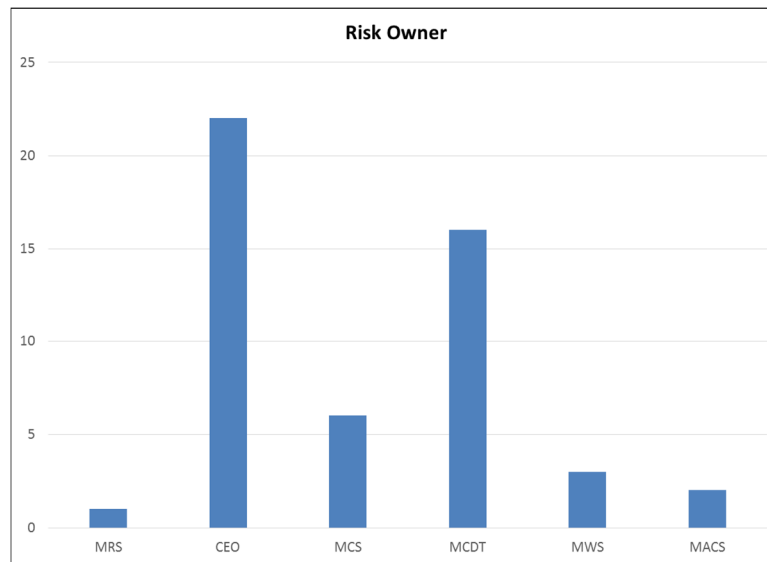
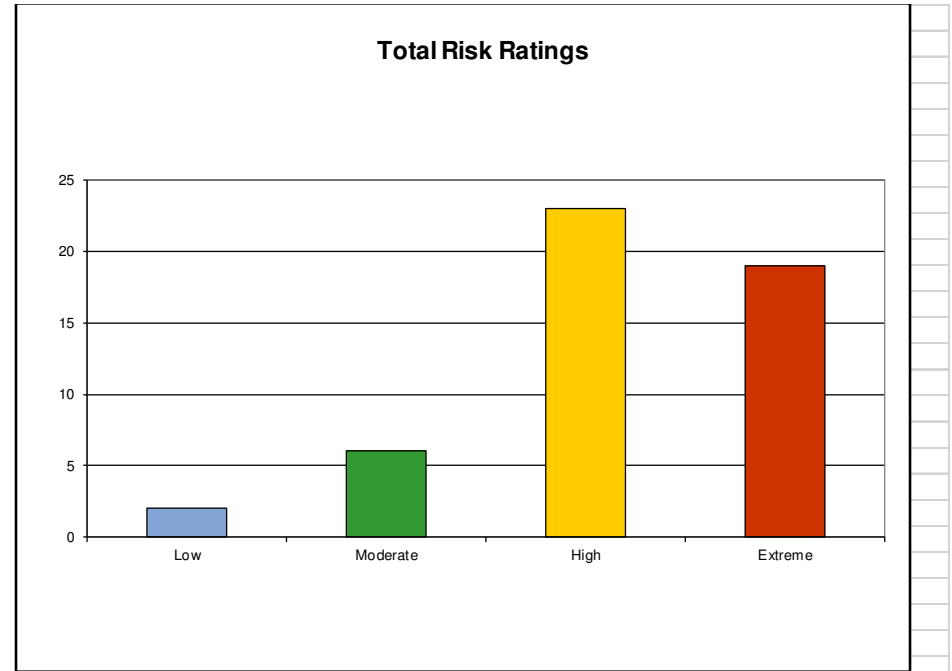
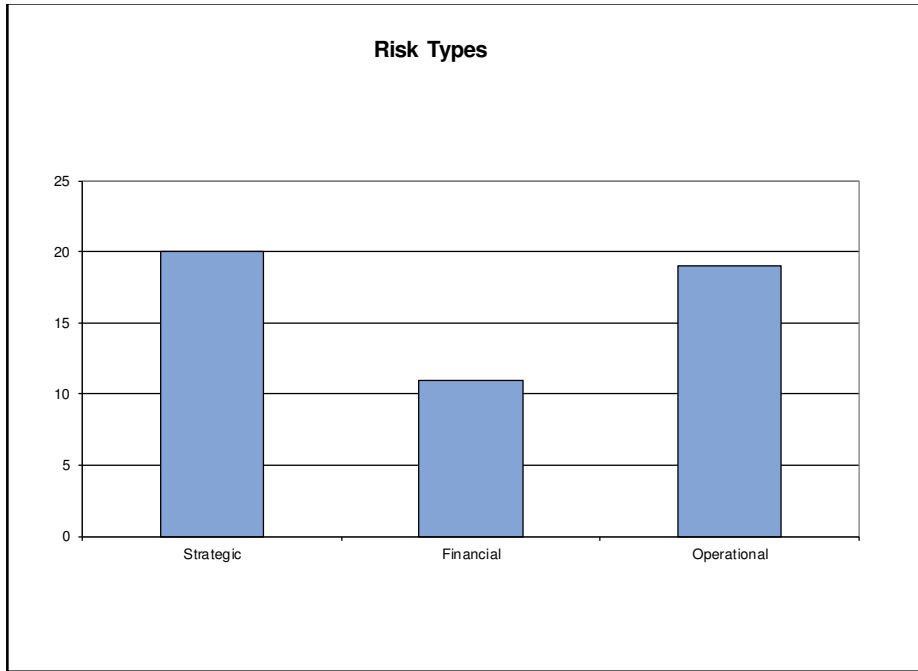
Risk Owner	
MRS	1
CEO	22
MCS	6
MCDT	16
MWS	3
MACS	2
Total	50

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

Risk Type Summary	
Strategic	20
Financial	11
Operational	19
Total	50

Risk Rating Summary	
Low	2
Moderate	6
High	23
Extreme	19
Total Risks	50





9.2 MEETING WITH THE SHIRE’S AUDITOR

Mr Russell Harrison (the Shire’s auditor) met with the Audit Committee via telephone at 9.18am and discussed the 2016/17 audit findings. This is a legal requirement to meet each year and also a good opportunity for information exchange between the Committee and its Auditor.

Mr Harrison discussed items such as:

- Audit Plan;
- Management Letter Points;
- Financial Ratios; and
- Change to the Office of the Auditor General (OAG).

Mr Harrison left the meeting at 9.55am.

9.3 FOCUS AUDIT - TIMELY PAYMENT OF SUPPLIERS

AUTHOR	Anthony Middleton – Manager Corporate Services
DATE	Tuesday, 8 May 2018
FILE NO	FM.AUD.2
ATTACHMENT(S)	9.3.1 Office of the Auditor General Management Letter

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 consider the matters raised in the Office of the Auditor General’s management letter for the recently undertaken focus audit on timely payment of suppliers.

BACKGROUND

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’.

COMMENT

OAG staff were on-site in the week commencing 12 February 2018 to conduct this audit and the management letter of the findings of the Audit was received on 28 March 2018.

Having a focus on one particular process highlighted process improvements to our finance team even before the audit was conducted – a positive which may not have otherwise occurred.

The focus audit identified four (4) areas in the management letter. The Management comment provided in each area can be seen in the attachment and summarised as follows:

1. Good & Services Received Date – It is viewed to be of little benefit to the Shire of Kojonup and therefore no change suggested;
2. Policy & Procedures – Whilst strong in this point, one area of improvement (regarding identifying timeliness) has been identified and will be implemented;
3. Untimely payment of invoices – Commentary is provided for specific examples identified within OAG sample audit of 60 invoices. Further staff training and reminders to occur; and
4. Invoice date not recorded on system – Procedural improvement was made prior to the OAG on-site visit.

CONSULTATION

Audit Committee Meeting 20 February 2018.
Council Briefing Sessions.

STATUTORY REQUIREMENTS

Local Government (Audit) Regulations 1996

POLICY IMPLICATIONS

Council Policy 2.1.2 – ‘Purchasing & Creditor Control’ clearly defines the Shire’s purchasing threshold. Two procedures back up this policy to further defines purchase order processes and purchasing.

FINANCIAL IMPLICATIONS

There are no financial implications for this report.

RISK MANAGEMENT IMPLICATIONS

Adequate purchasing controls have a substantial risk minimising function on over spending and unauthorised expenditure. This focus audit was very thorough and the Shire’s processes were found to be robust and adequate.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications for this report.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Cr Judith Warland, seconded Mr Roger House

- 1. The Office of the Auditor General’s management letter regarding the timely payment of suppliers be noted and recommended to the Council for consideration; and**
- 2. Items 2 & 3 in the management letter be included in the Committee Status Report of future Audit Committee agendas.**

CARRIED 6/0

9.4 REVIEW OF BUSINESS CONTINUITY & DISASTER RECOVERY PLAN

AUTHOR	Pam Chambers – Senior Administration Officer
DATE	Monday, 7 May 2018
FILE NO	CM.TND.1
ATTACHMENT(S)	9.4.1 - BCP and DC Plan - May 2018- Proposed Changes - Clean Copy 9.4.2 - BCP and DC Plan - May 2018- Proposed Changes - Showing tracking

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 2 - Connected	2.3 - Be providing for a safe and secure environment by working with State and Federal authorities.	2.3.3: 1. Commence planning and undertake test of documented incident plans 2. Review document as a result of test and in preparation for Council; 3. Investigate and document the procedure to divert Shire land line phones to mobile phones; 4. Prepare Emergency Kits as identified in the plan; and 5. Investigate contractual requirements for radio failure and alternative contingency plans for methods of communications for works staff.

DECLARATION OF INTEREST

Nil

SUMMARY

The purpose of this report is to review the Business Continuity & Disaster Recovery (BC&DR) Plan.

BACKGROUND

The BC&DR Plan was last reviewed by the Council at its meeting held 11 April 2017, where it resolved:

“...that the revised Business Continuity and Disaster Recovery Plan dated April 2017, as attached, be adopted.

COMMENT

A review of the BC&DR Plan has been undertaken. This Plan reinforces and is reinforced by the Shire's *Risk Management Plan*. The document has had major changes to make it more user friendly in the event of an incident.

Relevant risk information from this document will be incorporated into the Shires Risk Management Plan in order to ensure that the knowledge it contains is not lost. A copy of the Business Continuity & Disaster Recovery (BC&DR) Plan showing the changes made is attached, along with a 'clean' copy which is recommended for adoption by the Council.

CONSULTATION

Manager of Corporate Services
Manager of Regulatory Services
Regulatory/Admin & Payroll Officer

STATUTORY REQUIREMENTS

Local Government (Audit) Regulations 1996
Local Government Act 1995

POLICY IMPLICATIONS

2.3.5 – 'Risk Management'
2.3.6 – Business Continuity

FINANCIAL IMPLICATIONS

Should this plan be adopted the Shire will be required to purchase the necessary equipment to contain and make up the emergency kits. The approximate cost for each kit is two hundred and fifty dollars (\$250.00). The kits will play a major role in the capability of the Shire to continue to deliver its services at an acceptable level following a disruptive incident or a disaster.

RISK MANAGEMENT IMPLICATIONS

This plan compliments risk management aspects pertaining to the Shire's operations and ability to conduct business in the event of a disaster.

ASSET MANAGEMENT IMPLICATIONS

Nil

SOUTHERN LINK VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Cr John Benn, seconded Cr Graeme Hobbs that it be recommended to the Council that the revised Business Continuity and Disaster Recovery Plan dated May 2018, as attached, be adopted.

CARRIED 6/0

9.5 FEES & CHARGES REVIEW

AUTHOR	Anthony Middleton – Manager Corporate Services
DATE	Tuesday, 8 May 2018
FILE NO	FM.FEE.1
ATTACHMENT(S)	9.5.1 - 2018/2019 DRAFT List of Fees and Charges

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 consider the structure, content and equity of the existing fees and charges prior to consideration (adoption) by the Council in the upcoming 2018/2019 budget cycle.

BACKGROUND

The Council is required to adopt a list of fees and charges annually. This is conducted as part of the budget adoption process.

COMMENT

The attached list of fees and charges has been reviewed by staff and will be the subject of a Council briefing session. The opportunity exists for the Audit Committee to make comment in relation to its readability, complexity, equity, charging structures or fee objectives and contribute to this process.

CONSULTATION

Staff, Council and the Audit Committee.

STATUTORY REQUIREMENTS

Section 6.15 to 6.19 of the Local Government Act (1995) legislates the imposition of fees and charges for a local government. Section 6.19 of this Act requires a local government to advertise the imposition of fees and charges that are not included in the annual budget.

POLICY IMPLICATIONS

There is no Council policy applicable to this item.

FINANCIAL IMPLICATIONS

The list of fees and charges, when adopted, sets the level of many revenue items contained within the budget. Significant consideration needs to be given when setting each fee and charge and the effect that it will have on the usage of that facility and the total revenue level obtained.

RISK MANAGEMENT IMPLICATIONS

A thorough and complete list of fees and charges assists with legislative compliance and ensures the generation of adequate revenue.

ASSET MANAGEMENT IMPLICATIONS

An appropriate list of fees and charges can assist to fund the required asset management investment.

SOUTHERN LINK VROC (VOLUNTARY REGIONAL ORGANISATION OF COUNCILS) IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION/COMMITTEE DECISION

Moved Cr Judith Warland, seconded Mr James Hope that the list of fees and charges, as attached, be referred to the 2018/2019 draft budget process.

CARRIED 6/0

9.6 2018/2019 BUDGET TIMETABLE

Staff are currently immersed in the annual budget process and the 2018/2019 annual budget timetable was attached for the Committee's information.

This information was noted by the Committee.

9.7 VEHICLE LOG BOOK – KO.1 – SHIRE PRESIDENT

Following amendments to 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"*.

The log book was be tabled at the meeting.

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

Cr Mathwin:

- Cost investigation and operational structures of sporting facilities; and
- Future focus of the Committee.

It was resolved that the Manager of Corporate Services would do a report for the first item, and the committee members would further consider the second.

11 NEXT MEETING

The next ordinary meeting is scheduled for Tuesday, 7 August 2018 at 9:00am.

12 CLOSURE

There being no further business to discuss, the Chairman Cr J Mathwin thanked members for their attendance and declared the meeting closed at 10:35am.

13 ATTACHMENTS (SEPARATE)

9.1.2.1 – Risk Register – Extreme Risks

9.3.1 - Office of the Auditor General Management Letter

9.4.1 - BCP and DC Plan - May 2018- Proposed Changes - Clean Copy

9.4.2 - BCP and DC Plan - May 2018- Proposed Changes - Showing tracking

9.5.1 - 2018/2019 DRAFT List of Fees and Charges

9.6.1 – 2018/2019 Budget Timetable