

**SHIRE OF KOJONUP**

**Kojonup**



*One community, many choices*

**Audit & Risk Committee**

*6 November 2018*

*Minutes*

## **TERMS OF REFERENCE**

### **AUDIT & RISK COMMITTEE**

#### **Function:**

This Committee is responsible for assisting Council in recommending appropriate actions to Council with regards to audit, risk and governance management to ensure accountability to the community in its responsibilities.

#### **Duties and Responsibilities:**

- Receive and review the biannual reports from the Chief Executive Officer (CEO) regarding the appropriateness and effectiveness of the 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:
  - a) assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995*; and
  - b) ensure that audits are conducted successfully and expeditiously;
- Examine the reports of the auditor after receiving a report from the CEO on the matters and:
  - a) determine if any matters raised require action to be taken by the Shire; and
  - b) ensure that appropriate action is taken in respect of those matters;
  - c) Review the report prepared by the CEO in respect of any matters raised in the report of the auditor and present the report to Council for adoption prior to the end of the next financial year or six months after the last report prepared by the auditor is received, whichever is the latest;
- Review the scope of the Audit Plan and its effectiveness;
- Consider and recommend adoption of the Annual Financial Report to the Council;
- Address issues brought to the attention of the Committee, including responding to requests from Council for advice that are within the parameters of the Committee's terms of reference;
- Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Committee's terms of reference following authorisation from the Council; and
- Review the annual Statutory Compliance Return and make a recommendation on its adoption to Council.

#### **Membership**

Four (4) Councillors; and

Two (2) Community Members.

**MINUTES FOR THE AUDIT AND RISK COMMITTEE MEETING**  
**HELD ON 6 NOVEMBER 2018**

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## MINUTES

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

The Presiding Member, Cr J Mathwin, declared the meeting open at 9:02 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	

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

Mr Anthony Middleton	Manager of Corporate Services
Mrs Heather Marland	Senior Finance Officer
Ms Judy Stewart	Senior Administration Officer

#### **APOLOGIES**

Mr James Hope  
Mr Roger House

### 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, 5 February 2019 at 9:00am.)

Nil

### 6 **CONFIRMATION OF MINUTES**

AUDIT COMMITTEE MEETING held 7 August 2018 ([Attachment 6.1](#))

#### **OFFICER RECOMMENDATION/COMMITTEE DECISION**

Moved Cr Benn, seconded Cr Hobbs that the minutes of the Audit and Risk Committee Meeting held on 7 August 2018 be confirmed as a true and accurate record.

**CARRIED 4/0**

**7 DECLARATIONS OF INTEREST**

Nil

**8 AUDIT & RISK COMMITTEE TIMETABLE**

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

**1st Quarter (January – March)**

- Committee Status Report
- Compliance Audit Return
- Summary of Risk Management
- Volunteer Management
- Leave Provision Adequacy

**2nd Quarter (April – June)**

- Committee Status Report
- Summary of Risk Management
- Fees & Charges Review
- Business Continuity Plan Review
- Shire President's Vehicle Log Book

**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 (*see update below*)
- Annual Financial Report (*see update below*)
- Annual Report (*see update below*)
- 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.

The Financial Report for the 2017/2018 financial year was forwarded to the auditors on 15 September 2018, prior to the 30 September deadline required under the legislation. The Annual Audit for this year will be conducted in the week commencing 26 November 2018, with hopefully the Audit Report and Annual Electors Meeting held shortly thereafter.

## 9 REPORTS

### 9.1 STATUS REPORTS

#### 9.1.1 COMMITTEE STATUS REPORT

Date	Item Number & Title	Issue	Response	Status
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
<del>20 March 2018</del>	<del>8.2 Annual Financial Report 2016/2017</del>	<del>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.</del>	<del>Compliance with regard to payment batches being processed as of date of payment has been formally reiterated to team members in writing as should not occur regardless of new staff appointments as matter is standard accounting practice. No issues were experienced in 2017/2018.</del>	<del>Completed</del>
15 May 2018	9.3 – Focus Audit - Timely Payment of Suppliers	OAG recommends that a written policy on processing payment of invoices is developed and placed on the Intranet for staff to access.	The Shire of Kojonup currently have in place Procedures that state when and how payments are made but they do not specifically define a goal of timeliness. The procedure will be updated. Action - Finance Officers (Brodie Potter and Melissa Binning)	Ongoing

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<b>Date</b>	<b>Item Number &amp; Title</b>	<b>Issue</b>	<b>Response</b>	<b>Status</b>
15 May 2018	9.3 – Focus Audit - Timely Payment of Suppliers	The Shire should pay all invoices within 30 days of the receipt of the invoice or receipt of the goods and services.	Training of all staff and authorising officers are to have signed invoices to creditors in a timely manner for payment. Action - Finance Officers (Brodie Potter/Melissa Binning)	Ongoing
<del>15 May 2018</del>	<del>10 – Cost investigation and operational structures of sporting facilities.</del>	<del>It was resolved that the Manager of Corporate Services would do a report on this item.</del>	<del>Agenda item presented to Committee at the August Meeting.</del>	<del>Completed</del>

9.1.2 RISK REGISTER

Risks identified at the Swimming Pool by Royal Life Saving WA in their 2016 Facility Audit have been added to the risk register in October 2018. In doing so, a risk area (location) has been added to the statistics presented below. The following summaries are provided for the Committee’s information and consideration:



Risk Register - Management Dashboard Report

Risk Owner	
MRS	0
CEO	21
MCS	28
MCDT	14
MWS	3
MACS	17
<b>Total</b>	<b>83</b>

Risk Status Summary		Current	1/07/2017
Open		19	14
In Progress		48	29
Monitoring		8	10
Resolved		8	8

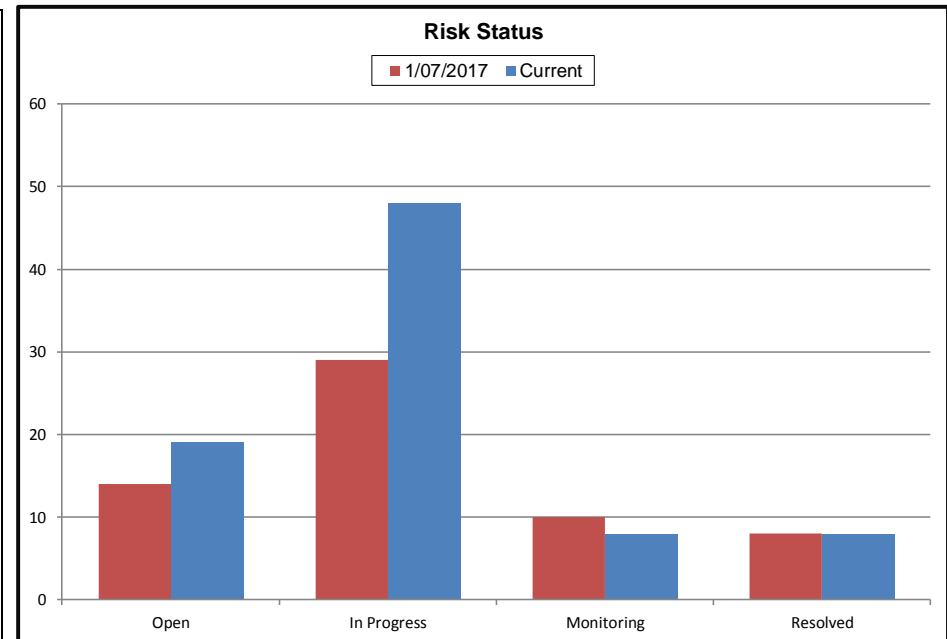
Risk Area	
Office	8
Depot	1
Springhaven	17
Kodja Place	18
Council	13
Swimming Pool	22
Other	4
<b>Total</b>	<b>83</b>

Risk Rating Summary	
Low	6
Moderate	18
High	26
Extreme	27
<b>Total Risks</b>	<b>83</b>

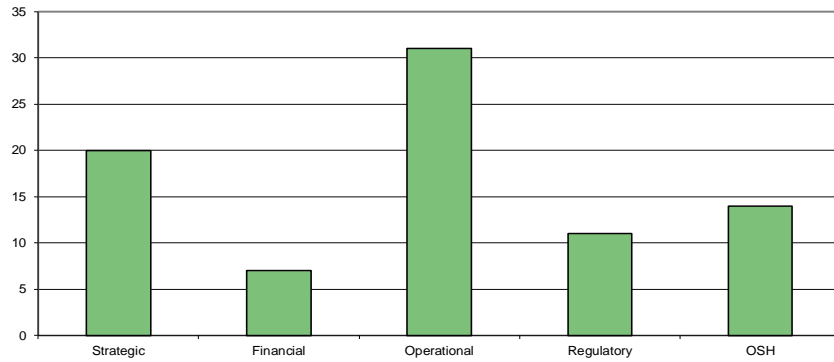
  

Risk Type Summary	
Strategic	20
Financial	7
Operational	31
Regulatory	11
OSH	14
<b>Total</b>	<b>83</b>

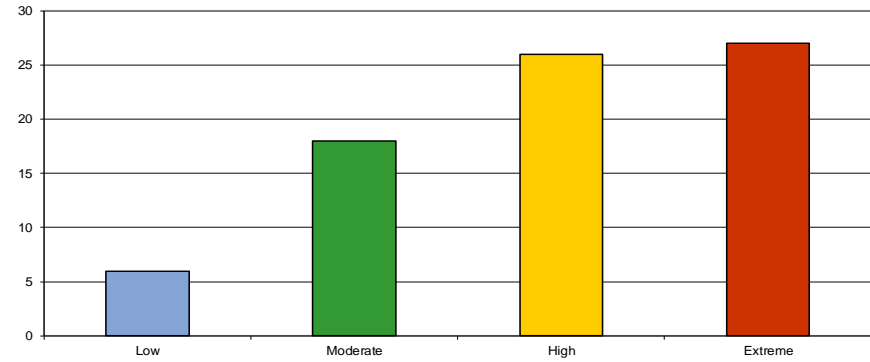




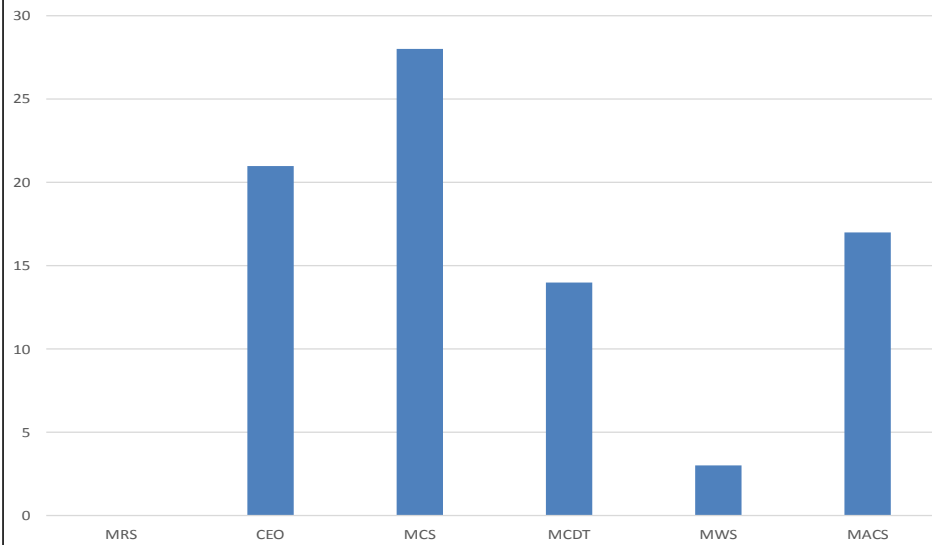
**Risk Types**



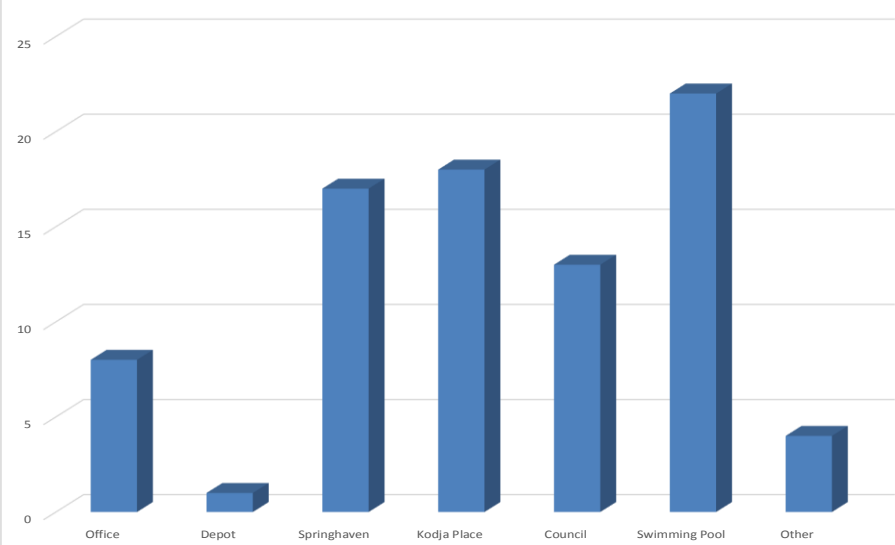
**Total Risk Ratings**



**Risk Owner**



**Risk Location**



## 9.2 RISK & LEGISLATIVE COMPLIANCE REVIEW

AUTHOR: Judy Stewart – Senior Administration Officer  
 DATE: Thursday, 25 October 2018  
 FILE NO: GO.CNM.9  
 ATTACHMENT: Nil

<b>STRATEGIC/CORPORATE IMPLICATIONS</b>		
<b>“Smart Possibilities – Kojonup 2027+”</b>		<b>“Smart Implementation – Kojonup 2021 +”</b>
<b>Key Pillar</b>	<b>Community Outcomes</b>	<b>Corporate Actions</b>
KP3 - 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. 3.4.3 - Commit to future state-wide measurement systems testing local government performance.

### DECLARATION OF INTEREST

Nil

### SUMMARY

The purpose of this report is to undertake the required review of systems and procedures in relation to risk management, internal control and legislative compliance as required by Regulation 17 of the *Local Government (Audit) Regulations 1996*.

### BACKGROUND

An amendment (gazetted 26 June 2018) to the *Local Government (Audit) Regulations 1996* now requires local government Chief Executive Officers (CEO) to carry out at least a *triennial* 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. To apply this review in 2018, whilst within the previously required *biennial* cycle, will synchronise well with Council’s Financial Management Review which is also due in 2018 and predicted to then occur triennially in the future.

### COMMENT

To review the appropriateness and effectiveness of systems and procedures, a set of measurable items is required to enable comparison and/or analysis. The following tables attempt to identify, quantify and track progress of risk management, legislative compliance and internal controls.

<b>RISK MANAGEMENT</b>			
	<b>2014</b>	<b>2016</b>	<b>2018</b>
<b>Risk Management Plan:</b>			
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?	✗	✓	✓
<b>Risk Register:</b>			
Number of Extreme & High risk items on the register?			
- Springhaven	11	3	2
- Office	17	7	4
- Council	15	15	10
- Depot	23	7	0
- The Kodja Place	n/a	25	21
- Swimming Pool	n/a	n/a	17
Is Risk regularly discussed and minuted at staff meetings and/or briefing sessions:			
- Springhaven (operational)	✗	✓	✓
- Office	✗	✓	✓
- Councillors	✗	✗	✓
- Depot	✗	✗	✗
- The Kodja Place	✗	✗	✗

<b>LEGISLATIVE COMPLIANCE</b>					
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Compliance Audit Return:</b>					
Was CAR completed by 31 March each year?	✓	✓	✓	✓	✓
Number of negative responses	3	8	1	0	1
<b>Information Statement:</b>					
Was the review undertaken?	✓	✓	✓	✓	✓
<b>Audit Report</b>					
Number of Items Raised	2	1	0	0	<i>not avail</i>

INTERNAL CONTROLS					
	2014	2015	2016	2017	2018
<b>Policies &amp; Delegations:</b>					
Was the Delegation Register reviewed (financial year)?	✓	✓	✓	✓	✓
Were all Council Policies reviewed?	✗	✓	✓	✓	✓
<b>Budget &amp; Finance:</b>					
Was Budget adopted prior to 31 August?	✓	✓	✓	✓	✓
Was the Budget reviewed on time (between 01/01 & 31/03)?	✓	✓	✓	✓	✓
When was the Annual Electors Meeting held?	April	April	March	Dec-16	May
Audit Management Letter - Number of Items Raised	5	4	4	4	6
<b>Integrated Planning:</b>					
Was the Long Term Financial Plan reviewed?	n/a	✓	n/a		in progress
When was the Strategic Community Plan reviewed?	n/a	✓	n/a	Jul 17	n/a
When was the Corporate Business Plan reviewed?	✓	✓	✓	Jun 17	Jun-18
When was the Asset Management Plan reviewed?	n/a	✓	n/a	Jul 17	n/a
Was the Workforce Plan reviewed?	✓	✓		Feb 17	Sep-18
<b>Springhaven Lodge:</b>					
Were Springhaven Policies reviewed by the Council?	✓	✗	✓	✓	✓
Springhaven Quality Agency Audit Visits					
- Issues noted (scheduled audit/ <i>unannounced partial audit</i> )	3 out of 127	0 out of 44	0 out of 33	0	0 out of 44
* Note- all three yearly (full) audits post 2018 will be <i>unannounced visits</i>	2.36%	0%	0%	0%	0%

The legislation for this review does not define the actual review process to be undertaken by the CEO. The trends shown in the tables above form a basis for review and enable demonstration of ‘*appropriateness and effectiveness*’, aiming for improvement and greater accuracy for each review undertaken, rather than merely undertaking a subjective review.

## CONSULTATION

Senior Management Team

## **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 subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
  - (3) The CEO is to report to the audit committee the results of that review.

## **POLICY IMPLICATIONS**

Nil

## **FINANCIAL IMPLICATIONS**

There are no known financial implications.

## **RISK MANAGEMENT IMPLICATIONS**

Compliance with regulation 17 of the *Local Government (Audit) Regulations 1996*. This is a primary tool of the risk management process and one that is required by legislation. It is now to be a triennial review of our systems and processes reported to the Council via the Audit Committee and, as such, is available publicly.

## **ASSET MANAGEMENT PLAN IMPLICATIONS**

There are no known Asset Management Plan implications.

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

Nil

## **VOTING REQUIREMENTS**

Simple Majority

## **OFFICER RECOMMENDATION/COMMITTEE DECISION**

Moved Cr Warland, seconded Cr Hobbs that it be recommended to the Council that the 2018 Risk and Legislative Compliance Review, as 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 as outlined in this report, be adopted.

**CARRIED 4/0**

### 9.3 INTERIM AUDIT – 2017/2018

The points raised in the 2017/2018 interim audit and the Manager Corporate & Community Services response to each item raised is attached. If the Committee requires further clarification on any individual point this can be raised at the meeting. It is proposed that the following action be taken in relation to each point:

1. This item is already contained within the Committee’s Status Report;
2. Contained within item 1 above;
3. Considered by the Committee at its meeting held 7 August 2018 – No further action;
4. No further action required;
5. No further action required;
6. Completed.

#### **OFFICER RECOMMENDATION/COMMITTEE DECISION**

**Moved Cr Warland, seconded Cr Benn that the points raised in the 2017/2018 interim audit and the Manager Corporate & Community Services response to each item raised be endorsed.**

**CARRIED 4/0**

### 9.4 ASSET MANAGEMENT PLAN - BUILDING ASSESSMENT FRAMEWORK

At its meeting held 7 August 2018, the Committee requested more information on the Council’s building assets and the possible assets identified for rationalisation. Attached is the adopted Building Assessment Framework which clearly sets this information out. The Manager Corporate & Community Services is currently in the process of preparing agenda items to the Council to address the future of those assets that scored less than 30 in the framework assessment. And hopes to present it at the December council meeting.

The committee noted the information.

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

Cr Mathwin:

- Policy or process to address Council approvals for budget over-runs

It was highlighted that individual Councillors would like project overruns to come to Council before being spent.

General discussion was held – the issue of time constraints was raised, Councillors would like to be kept informed, even if they are made aware at briefing sessions.

There needs to be more work and discussion eg would it be reported on a % or \$ over run, at what level eg all accounts or only projects. The committee members will give the matter further consideration.

11 **NEXT MEETING**

The next ordinary meeting is scheduled for Tuesday, 5 February 2019 at 9:00am.  
( This may change to 19 February depending on availability of committee members)

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 10:15am.

13 **ATTACHMENTS (SEPARATE)**

Attachment 6.1 – Minutes of the Audit Committee Meeting held 7 August 2018  
Attachment 9.3.1 – Interim Audit Management Points  
Attachment 9.4.1 – Building Assessment Framework