

**SHIRE OF KOJONUP**

**Kojonup**



**Audit & Risk Committee  
Minutes**

**7 May 2019**

## 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 7 MAY 2019**

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## MINUTES

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

The Presiding Member, Cr J Mathwin, will declared the meeting open at 9 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 Roger House	

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

Anthony Middleton	Manager of Corporate & Community Services
Heather Marland	Senior Finance Officer
Judy Stewart	Senior Administration Officer

#### **Senior Manager Team Visitor:**

Craig McVee,	Manager Works & Services
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#### **APOLOGIES**

Mr James Hope

### 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, 6 August 2019 at 9:00am.)  
Dates for the Local Government Week to be confirmed

### 6 **CONFIRMATION OF MINUTES**

Audit & Risk Committee Meeting held 19 February 2019 (**Attachment 6.1**)

#### **OFFICER RECOMMENDATION**

Moved Cr J Warland, seconded Cr G Hobbs that the minutes of the Audit Committee Meeting held on 19 February 2019 be confirmed as a true and accurate record.

**CARRIED 5/0**



7 **DECLARATIONS OF INTEREST**

Nil

8 **SENIOR MANAGEMENT TEAM DISCUSSION**

In accordance with the Financial Management Review adopted in February 2019, one senior manager will attend the Audit & Risk Committee on a rotational basis to discuss the following:

- Update on Managers areas of responsibility and current projects/issues;
- Questions on Notice from the Audit Committee;
- Managements own recommendations for improvement in key areas;

Craig McVee, Manager Works & Services attended the meeting and responded to item 11.2 from the 19 February 2019 meeting

This item read:

***“Gravel Resheeting Program:***

***Mr House asked several questions regarding the 10 year program for gravel re-sheeting and roads generally. As such, and in accordance with the recommendations contained within item 10.3, Manager of Works and Services Craig McVee will be invited to the next meeting to address the Committee.”***

Craig McVee discussed the 10 year road program attachment 8.1 of the 7 May agenda.

9 **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
- 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
- Financial Management Review (each 3 years – 2018, 2021...)
- Risk, Legal Compliance & Internal Controls review (each 3 years – 2018, 2021...)
- 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 CEO recommended a list of items to be included in the Audit and Risk Committee timetable. The Audit and Risk Committee after some discussion concluded that the items were out of the committee's scope of reference and should not be added to the timetable.

## 10 REPORTS

### 10.1 STATUS REPORTS

#### 10.1.1 COMMITTEE STATUS REPORT

Date	Item Number & Title	Issue	Response	Status
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 previously didn't specifically define a goal of timeliness. The procedure has been amended with the due date for all payments to be 30 days from the receipt of the invoice.	Completed
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 to be undertaken to have invoices signed and to Finance Officer in a timely manner for payment. Action - Finance Officers (Brodie Potter/Melissa Binning)	Partially Complete
19 February 2019	10.2 Annual Report 2017/2018	Primary Returns for 3 individuals were missing from the register.	One Primary Return has been located and added to the register. The remaining two individual's returns are still trying to be located. A procedure has been created and placed at the front of the file to prevent this from occurring again.	Ongoing

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Date	Item Number & Title	Issue	Response	Status
19 February 2019	10.3 Financial Management Review	<p>Audit Committee</p> <ul style="list-style-type: none"> <li>The Audit Committee understanding of Council operating activities may be enhanced by inviting senior staff (by rotation) to report on key areas identified by the audit committee in order to understand systems process requirements and risks;</li> <li>Seeking managements own recommendations for improvement in key areas would be a useful source of information;</li> </ul>	<p>Audit &amp; Risk Committee agenda template has been changed by adding a Senior Management Team Visitor item which will include three sections as follows:</p> <ul style="list-style-type: none"> <li>Update on Managers areas of responsibility and current projects/issues;</li> <li>Questions on Notice from the Audit Committee;</li> <li>Managements own recommendations for improvement in key areas;</li> </ul>	Completed
19 February 2019	10.3 Financial Management Review	<p>Register of Complaints</p> <p>That a register of Complaints be established;</p>	<p>A register has been created in accordance with section 5.121 of the Act, including all form and a guide and is now stored in the Executive Assistants Office.</p>	Completed
19 February 2019	10.3 Financial Management Review	<p>Bank Reconciliations</p> <ul style="list-style-type: none"> <li>We note that signature and / or date are not evident on some month end reconciliations;</li> <li>That the month end reconciliations be placed on the agenda of regular management meetings provide a suitable opportunity for review and to formalise its critical importance to overall internal control.</li> </ul>	<ul style="list-style-type: none"> <li>The monthly financial checklist has been improved to ensure that all monthly checks are signed off.</li> <li>The Bank Reconciliation has been added as a regular item to the SMT agenda</li> </ul>	<p>Completed</p> <p>Ongoing</p>

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Date	Item Number & Title	Issue	Response	Status
19 February 2019	10.3 Financial Management Review	Trust Fund <ul style="list-style-type: none"> <li>the appropriate adjustment be made prior to finalising the reconciliation to ensure it balances correctly;</li> </ul>	A \$2.00 adjustment has been made to the trust fund to ensure it now balances.	Completed
19 February 2019	10.3 Financial Management Review	Credit Card Procedures <ul style="list-style-type: none"> <li>That the policy be improved by cardholders providing written acknowledgement of their responsibilities under the policy upon receipt of their card;</li> <li>That Cardholders certify their purchases recorded on the monthly statement;</li> </ul>	<ul style="list-style-type: none"> <li>No action taken to date.</li> <li>CEO as from 30 April 2019, now views and 'signs off' correctness of monthly card use and purchases for each card holder.</li> </ul>	Ongoing
19 February 2019	10.3 Financial Management Review	Financial Ratios <ul style="list-style-type: none"> <li>That the useful life prediction used to calculate depreciation rates be reviewed.</li> </ul>	No action taken to date.	

### **10.1.2 RISK MANAGEMENT UPDATE**

Over the course of two Local Government Insurance Services' (LGIS) workshops held in February and March, the Shire of Kojonup was one of four regional shires to review their existing Risk Management Plans and undertake training in a new Risk Framework and Risk Profiles to manage risk. The new Risk Profile documentation replaces the existing Risk Register and represents risk generic to local government whilst the Framework document is a more succinct, overarching document than the existing Risk Management Plan.

The Chief Executive Officer, Senior Management Team and Senior Administration Officer attended the workshops with a number of Councillors also attending a briefing on Risk Management. Following the March workshop, community groups were given the opportunity to attend a Risk Management workshop facilitated by LGIS with the aim of providing the groups with information around their risk management responsibilities.

In addition to two staff and the Shire President, the workshop was attended by thirteen other people. Thirteen community groups were represented with some groups represented by more than one person and some people representing more than one group. Following the workshop, information including documentation and advice available at the Workshop has been forwarded to community groups who attended and those who weren't represented.

In late March staff attended a Workcare Day conducted by LGIS in Borden. This day focused primarily on human resource risk and management topics and was well attended by representatives from several shires in the Great Southern Region with seven staff attending from the Shire of Kojonup.

Training on the new Risk Management framework and how the new Risk Profile templates operate has been undertaken with administration staff and discussion has commenced between the Chief Executive Officer, Senior Management Team and Senior Administration Officer around progressing with the requirements of the new Framework and how best to move forward. The formation of a Risk Management Procedures Manual and the capturing of risks from within the existing Risk Register will commence in the very near future.



**10.1.3 RISK MANAGEMENT FRAMEWORK ACTIONS LIST**

The following represents the new Actions List derived from the 15 risk profile areas, the personnel responsible for each action and the desired timeframes in which an action is to be undertaken.

The Dashboard Report is attached separately – Attachment 10.1.3.

Time Priority	Actions	Due Date	Responsibility
1	Check Police clearance policy	Mar-19	CEO
2	Restrict access to non-compliant/damaged/dangerous buildings until the future of these facilities is determined	Apr-19	CEO
3	Conduct annual evacuation drill at all facilities	Apr-19	CEO
4	Draft Bushfire Risk Management Plan	Jun-19	EMO
5	Re-establish disability inclusion plan Committee	Jun-19	MCDT
6	Formalise Records Management Training schedule for all Staff and Elected Members	Jun-19	MCCS
7	Formalise exit interview procedure	Jun-19	DCEO
8	Budget for CCTV and alarms, fobs security improvements	Jun-19	BMC
9	Update fixed assets record	Jun-19	MWS
10	Implement user-friendly stock control and reconciliation (fuel) procedure	Jun-19	MCCS
11	Implement Working with Children Check procedure	Jun-19	MCCS
12	Implement Working with Children Check procedure	Jun-19	MCDT
13	Implement formal Contractor site inductions (except Aged Care)	Jun-19	CEO
14	Review and properly situate MSDS's	Jun-19	CEO
15	Finalise Facebook guidelines	Jul-19	MCCS
16	Assign ownership of responsibilities from within LEMA Plan and test Plan	Sep-19	EMO
17	Review and assess Community Engagement Strategy and Plan	Sep-19	CEO
18	Develop Lease agreements register for all Shire facilities	Sep-19	SAO
19	Implement formal project management guidelines	Sep-19	CEO
20	Implement Corp Bus Plan status reporting schedule to Council	Sep-19	CEO
21	Formalise procedure to check contractors insurance at inception and at renewal	Sep-19	BMC
22	Formalise Contract Register (template/s in hand - process commenced)	Sep-19	BMC
23	Formalise documentation for induction & supervision of contractors on site	Sep-19	BMC
24	Improve communication of Customer Service Charter	Sep-19	MCCS
25	Draft Emergency Management plans for Shire buildings	Dec-19	BMC
26	Add additional generator input points (Admin building)	Dec-19	BMC
27	Negotiate Service level agreement with Vendors	Dec-19	MCCS
28	Commence annual building inspections	Mar-20	DSC
29	Draft improved Events planning process guidelines (including Planning Approvals, risk assessments, event management plans, food safety at stalls etc)	Mar-20	MCDT
30	Develop post event procedures and event evaluation debrief	Mar-20	MCDT
31	Community education re public events on private property	Mar-20	DSC
32	Finalise EBA	Jun-20	CEO
33	Implement a formal peer review process	Jun-20	CEO

## **11 OFFICER'S REPORTS**

### **11.1 BUSINESS CONTINUITY AND DISASTER RECOVERY PLAN – ANNUAL REVIEW**

<b>AUTHOR</b>	Judy Stewart – Senior Administration Officer
<b>DATE</b>	18 April 2019
<b>FILE NO</b>	CM.PLN.1; RM.POL.1
<b>ATTACHMENT(S)</b>	11.1.1 - Business Continuity and Disaster Recovery Plan showing changes 11.1.2 - Draft reviewed Business Continuity and Disaster Recovery Plan May 2019

<b>STRATEGIC/CORPORATE IMPLICATIONS</b>		
“Smart Possibilities – Kojonup 2027+”		“Smart Implementation – Kojonup 2021 +”
Key Pillar	Community Outcomes	Corporate Actions
KP3 - 3 Performance	3.1 – Be a continually engaged and strategic community which leads and organises throughout the entire stakeholder group 3.4 – Be organised and transparent in our financial management	Delivered Activity – Provision of Risk Management processes and systems

#### **DECLARATION OF INTEREST**

Nil

#### **SUMMARY**

To seek Council endorsement, via the Audit Committee, of an updated Business Continuity and Disaster Recovery Plan.

#### **BACKGROUND**

The Council last reviewed its Business Continuity and Disaster Recovery Plan (Plan) in May 2018.

#### **COMMENT**

A Business Continuity and Disaster Recovery Plan provides guidance at a time when an organisation may be under considerable duress following a disaster that has affected the ability to provide essential or required services. Such a plan identifies priorities and the resources required to return services in as quick and efficient manner as possible, aiming to minimise negative impact. Due to the upheaval that may be caused by such events, including dealing with the confusion that may accompany them, a well thought out Plan containing current, up to date information is a vital resource.

Changes to the existing Plan are tracked and shown in red font.

#### **CONSULTATION**

Senior Management Team

## **STATUTORY REQUIREMENTS**

*Local Government Act (1995)*

### **5.56. Planning for the future**

- (1) A local government is to plan for the future of the district.
- (2) A local government is to ensure that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district.

*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**

The Plan is completed in accordance with Council’s Risk Management Policy 2.3.5.

## **FINANCIAL IMPLICATIONS**

Nil

## **RISK MANAGEMENT IMPLICATIONS**

The Plan represents part of its Risk Management documentation. It is vital, from a business continuity and disaster recovery perspective, that details within such a Plan are as current as possible and regular reviews are undertaken.

## **ASSET MANAGEMENT IMPLICATIONS**

Nil

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

Nil

## **VOTING REQUIREMENTS**

Simple Majority

**OFFICER RECOMMENDATION/COMMITTEE DECISION**

Moved Cr J Warland, seconded G Hobbs that the updated Business Continuity and Disaster Recovery Plan dated May 2019 as attached, be recommended to the Council for adoption.

**CARRIED 5/0**



**11.2 RISK MANAGEMENT POLICY REVIEW**

<b>AUTHOR</b>	Judy Stewart – Senior Administration Officer
<b>DATE</b>	18 April 2019
<b>FILE NO</b>	CM.POL.2
<b>ATTACHMENT(S)</b>	11.2.1 - New Policy 2.3.5 – Risk Management (showing changes to existing Policy & based on LGIS Policy) 11.2.2 - Draft reviewed Policy 2.3.5 – Risk Management 11.2.3 - LGIS Risk Management Policy template

<b>STRATEGIC/CORPORATE IMPLICATIONS</b>		
“Smart Possibilities – Kojonup 2027+”		“Smart Implementation – Kojonup 2021 +”
Key Pillar	Community Outcomes	Corporate Actions
KP3 - 3 Performance	3.1 - Be a continually engaged and strategic community which leads and organises throughout the entire stakeholder group.	Delivered Activity – Provision of Risk Management processes and systems

**DECLARATION OF INTEREST**

Nil

**SUMMARY**

To seek Council endorsement of a replacement Risk Management Policy based on a Local Government Insurance Services (LGIS) template that aligns with AS/NZS ISO 31000:2018 Risk Management - Guidelines.

**BACKGROUND**

Shire staff have recently engaged in Risk Management workshops conducted by LGIS in order to update the Shire’s Risk Management documentation and ensure practices meet current standards and follow best practice. As a result of the consultation with LGIS, a separate item is presented to the Committee within this agenda seeking endorsement of a new Risk Management Framework provided by LGIS and modified to suit the Shire of Kojonup’s requirements. As part of the Risk Management review process, it is appropriate to also review Council’s Risk Management Policy 2.3.5.

**COMMENT**

Council’s existing Risk Management policy refers to AS/NZS ISO 31000:2009, a standard that was superseded in 2018. The Policy was last reviewed in November 2018 as part of Council’s annual Policy Manual review.

Whilst wording is similar between Council’s existing Risk Management policy and the policy provided by LGIS, the new Risk Management Framework also being presented to Council aligns with the LGIS policy and the latest standard (AS/NZS ISO 31000:2018). It is, therefore, recommended that the Council updates its Risk Management policy to meet current standards.

It is proposed to retain the paragraph from the existing policy that makes reference to compliance with the Integrated Planning requirements of the *Local Government Act (1995)* s. 5.56 (2), in recognition of those requirements.

Much of the information contained within the previous policy under the headings of 'Principles – Framework – Process', 'Responsibilities' and 'Monitor and Review' is captured either within the new Risk Framework document, the Framework's Risk Profiles or the LGIS policy. In the attachment showing changes, red font represents LGIS policy wording, black font represents wording retained from Council's existing Policy and green font represents suggested additional wording by the author that further describes how the monitoring and review process will be reported on.

#### **CONSULTATION**

Nil

#### **STATUTORY REQUIREMENTS**

*s.5.56 (2) Local Government Act (1995)* – Planning for the future

*r. 19C Local Government (Administration) Regulations 1996* - Strategic community plans, requirements for

#### **POLICY IMPLICATIONS**

Policy 2.3.5 'Risk Management' is updated in line with LGIS's Risk Management Policy.

#### **FINANCIAL IMPLICATIONS**

Nil

#### **RISK MANAGEMENT IMPLICATIONS**

Updating Council's Risk Management Policy will bring it into line with contemporary best practice and the new Risk Management Framework.

#### **ASSET MANAGEMENT IMPLICATIONS**

Nil

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

Nil

#### **VOTING REQUIREMENTS**

Simple Majority

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

Moved Cr G Hobbs, seconded Cr J Benn that it be recommended to the Council that Risk Management Policy 2.3.5 be amended as attached.

**CARRIED 5/0**



**11.3 RISK MANAGEMENT FRAMEWORK REVIEW**

<b>AUTHOR</b>	Judy Stewart – Senior Administration Officer
<b>DATE</b>	18 April 2019
<b>FILE NO</b>	CM.PLN.1; RM.POL.1
<b>ATTACHMENT(S)</b>	11.3.1 - Existing Risk Management Plan - March 2017 11.3.2 - Proposed Risk Management Framework - May 2019 (showing modifications to suit the Shire of Kojonup) 11.3.3 - Risk Profile sample: Safety and Security Practices 11.3.4 - Existing Measures of Consequence and Matrix tables 11.3.5 - New Measures of Consequence, Risk Matrix and other tables

<b>STRATEGIC/CORPORATE IMPLICATIONS</b>		
“Smart Possibilities – Kojonup 2027+”		“Smart Implementation – Kojonup 2021 +”
Key Pillar	Community Outcomes	Corporate Actions
KP3 - 3 Performance	3.4 Be organised and transparent with our financial management. Delivered Activity: Provision of Risk Management processes and systems.	3.4.9 – Purchase/develop and implement a suitable and robust risk management software program to improve the management and reporting of the Shire’s risk process.

**DECLARATION OF INTEREST**

Nil

**SUMMARY**

The purpose of this report is for Council to consider, via the Audit and Risk Committee, a new Risk Management system created using a Local Government Insurance Services’ (LGIS) framework based on AS/NZS ISO 31000:2018 and adapted to the Shire of Kojonup’s (Shire) risk management requirements.

**BACKGROUND**

Previous enquiries around risk management specific software have indicated that available products are not, at this point in time, best fit for purpose with regard to local government risk management requirements (Smart Possibilities: Corporate Action 3.4.9).

The Shire’s existing Risk Management Plan, based on AS/NZS ISO 31000: 2009, was last reviewed on 21 March 2017. The Shire of Kojonup was one of four regional shires to recently engage LGIS in the reviewing of their existing Risk Management Plan (Plan), the aim being to ensure contemporary best practice in risk management.

**COMMENT**

The aim of Risk Management is to recognise and manage risks in order to minimise negative consequences while optimising potential opportunities. The Risk Management process involves many facets including identification, defining levels of risk (based on consequence and likelihood), analysis, prioritisation, action/treatment, recording, monitoring and

reporting. A Risk Management Plan/Framework details that process, assigns responsibilities and is fundamental to good governance in local government.

The Chief Executive Officer, Senior Management Team and author attended two LGIS conducted workshops held across late February/early March concentrating on common risks, controls, actions, responsibilities/accountabilities, and priorities in line with the new Framework. The review process has delivered an updated Risk Management Policy and Framework along with a working document that identifies fifteen (15) risk profiles generic to local governments and also encompasses risks unique to the Shire of Kojonup such as those associated with the Springhaven aged care facility.

On a comparative level (existing Plan vs new Framework):

- Updates (different wording/similar values in many cases) are evident within risk impact areas of the new Framework's Measures of Consequence table with Financial Impact being an exception, Property being an additional risk area, Operation being defined as Service Interruption and Project divided into two areas (Time and Cost). Rating level terminology has changed for the higher three rating levels with Major now being referred to as Moderate, Critical as Major and Extreme as Catastrophic. Measures of Likelihood are the same within both documents. Risk Acceptance Criteria is similar (once again, slightly different wording is used to explain the risk rankings of Low, Moderate, High and Extreme). The tables within the new Framework attachment are highlighted where changes have occurred. The corresponding changes also show in the attached Existing Measures of Consequence and Matrix tables.
- The Risk Matrix has changed with a scoring system having been applied to consequence and likelihood ratings (multiplying consequence score x likelihood score) e.g.; something with a consequence rating of 'Insignificant' (1) multiplied by 4 (if it is 'Likely' to occur) equals a score of 4 and is, therefore, deemed to be a Low risk in accordance with the Risk Matrix (the Risk Acceptance Criteria table gives definition to the four risk rankings in the Risk Matrix (Low, Moderate, High and Extreme). Likewise, Moderate ranking equals a score between 5 and 9, High a score between 10 and 16 and Catastrophic a score of 20 or 25. Priority for treatment of a risk is applied in accordance with the ranking established by the Risk Matrix table.
- Existing Controls Ratings is an additional tool within the new Framework (found within the Risk Profile templates) applying an efficacy rating to the controls already in place and alerting staff to ratings that are effective (little scope for improvement), adequate (some scope for improvement) and inadequate (requiring corrective action/s).
- The new Risk Management Framework document, whilst similar in many aspects, is a more succinct, overarching document compared to the existing Plan that contains quite detailed appendices. Much of the information contained in the existing Plan's appendices (particularly 1 and 3) is available to staff in or as a requirement of other documentation such as the WA Accounting Manual, Audit Regulation 17 review (see Statutory Requirements below), the Business Continuity Plan, and employment practices as well as other corporate documents. Each risk area in the new Framework's working document (Risk Profiles) captures much of the action related information referred to in Appendices 2 of the existing Plan.

- Risk areas within the existing Risk Register are ‘locality’ (e.g.; Springhaven, Depot, Kodja Place etc.) and ‘type’ based (e.g.; operational, strategic, financial etc.) compared with a more overall corporate/business categorised approach in the new Framework’s Risk Profiles (e.g.; asset sustainability, compliance, environment etc.) that apply across the organisation. Risk Profiles include: Asset Sustainability, Business Disruption, Compliance, Document Management, Employment Practices, Engagement, Environment, Errors and Omissions and Delays, External Theft and Fraud/Facilities – Venues, IT and Communications, Misconduct, Project – Change Management, Safety & Security/Supplier – Contract.
- The Risk Profile templates of the new Framework capture more comprehensive detail than the existing Risk Register can and contain and address more ‘across the board’ local government risks. The new Framework allows risk causes to be identified (expanding understanding on the origin of particular risks) as well as indicators that assist in tracking progress, establishing benchmarks and determining trends. More information around the efficacy of controls is also able to be captured and monitored in the Risk Profiles of the new Framework under the ‘Controls Assurance’ section (to a larger extent than within the existing Risk Register document).
- Staff will be working towards ensuring that any outstanding risks identified in the existing Risk Register are captured within the Risk Profiles of the new Framework as well as forming a manual of Risk Management Procedures as outlined in the Framework’s Document Structure.
- In recognition of Council’s strategic role in Risk Management, additional wording (in green font) is suggested for addition into the new Framework under Council’s ‘Roles and Responsibilities’ being *‘Responsible for strategic decision making and ensuring adequate resources to meet the requirements of the Risk Management Framework’*.
- Other minor changes (to reflect correct titles) within the new LGIS Framework document are in green font and relate to the Audit and Risk Committee, Senior Management Team and Manager of Corporate and Community Services.
- A new Risk Management Policy aligned with AS/NZS ISO 31000:2018 is presented separately within this agenda for the Council’s and Committee’s consideration.

#### **CONSULTATION**

Michael Sparks, Senior Risk Consultant - Local Government Insurance Services  
Chief Executive Officer  
Senior Management Team

#### **STATUTORY REQUIREMENTS**

Whilst a Risk Management Plan is not required specifically under legislation, regulation 17 of the *Local Government (Audit) Regulations 1996* requires:

- (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.*

**POLICY IMPLICATIONS**

Council Policy 2.3.5 'Risk Management' (for review in this agenda) is central to the Risk Management Framework.

**FINANCIAL IMPLICATIONS**

Nil

**RISK MANAGEMENT IMPLICATIONS**

The Risk Management Framework underpins all risk management aspects pertaining to the Shire.

**ASSET MANAGEMENT IMPLICATIONS**

Nil

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

Nil

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER RECOMMENDATION/COMMITTEE DECISION**

That it be recommended to the Council that:

1. The new Risk Management Framework dated May 2019, as attached, be adopted; and
2. It be noted that this Framework replaces previous "Risk Management Plans".

**CARRIED 5/0**



## 11.4 FEES & CHARGES REVIEW

<b>AUTHOR</b>	Heather Marland – Senior Finance Officer
<b>DATE</b>	Tuesday, 30 April 2019
<b>FILE NO</b>	FM.FEE.1
<b>ATTACHMENT(S)</b>	<b>11.4.1 - 2019/2020 DRAFT List of Fees and Charges</b>

<b>STRATEGIC/CORPORATE IMPLICATIONS</b>		
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 2019/2020 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 & Risk 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 & Risk 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, for example, doubling a fee may not necessarily double the revenue received.

**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 J Benn, seconded Cr G Hobbs that the list of fees and charges, as attached, be referred to the 2019/2020 draft budget process with further consideration being given to Kodja Place and Springhaven fees.

**CARRIED 5/0**



**11.5 LEAVE PROVISION ADEQUACY – ANNUAL UPDATE**

<b>AUTHOR</b>	Anthony Middleton – Manager Corporate & Community Services
<b>DATE</b>	Monday, 1 May 2019
<b>FILE NO</b>	FM.FNR.1
<b>ATTACHMENT(S)</b>	Nil

<b>STRATEGIC/CORPORATE IMPLICATIONS</b>		
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 review the Shire’s employee leave provisions in accordance with the goals set in Council Policy 2.1.8 (Financial Governance).

**BACKGROUND**

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:

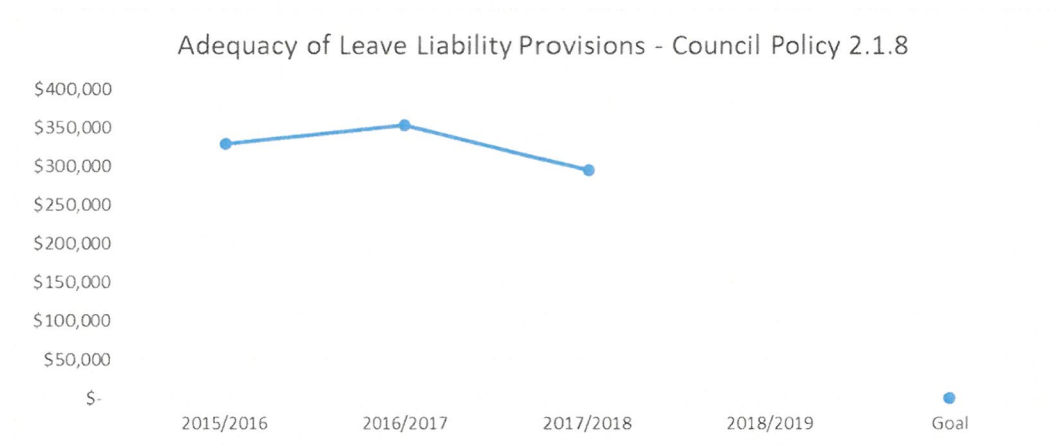
‘Specifically, the following goals are set for individual reserve account balances:

- **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.’

**COMMENT**

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

	<b>2015/2016</b>	<b>2016/2017</b>	<b>2017/2018</b>
<b>Liability:</b>			
EBA Sick Leave	\$ 150,000	\$ 199,941	\$ 125,793
CURRENT Long Service Leave	\$ 278,794	\$ 271,946	\$ 309,076
	<b>\$ 428,794</b>	<b>\$ 471,887</b>	<b>\$ 434,869</b>
<b>Cash Backing:</b>			
Leave Reserve Account	-\$ 99,810	-\$ 117,649	-\$ 140,063
<b>DEFICIENCY</b>	<b>\$ 328,984</b>	<b>\$ 354,238</b>	<b>\$ 294,806</b>



Relevant commentary on the above figures includes:

- The above figures show that the gap between provision and liability has reduced, albeit less than required to meet the target;
- This is predominately as a result of a reduction in the EBA Sick Leave accrual;
- Since 30 June 2018, significant attention has been given to reducing the leave liability. One retirement alone has reduced the EBA sick leave by over \$23,000 while other staff are taking increased amounts of annual leave (although not part of the calculation above);
- Long Service Leave accruals are difficult to control as Officer's are not entitled to take this leave until after ten (10) years of service, however, it is accrued in the Annual Financial Statements from day 1. Maybe a more relevant policy goal could be '*long service leave accruals for staff with seven (7) years or more service*', as any staff terminating employment after seven years are paid out their long serve leave on a pro-rata basis.
- The 2018/2019 Annual Budget contains a \$40,000 transfer to the Leave Liability Reserve account, further improving the situation for next year's analysis.

## CONSULTATION

Nil.

## STATUTORY REQUIREMENTS

Reserve accounts and the recording of employee leave liabilities is tightly governed through the *Local Government (Financial Management) Regulations 1996*, *Australian Accounting Standards* and *International Financial Reporting Standards*.

## POLICY IMPLICATIONS

This report is an assessment of a goal set within Council Policy 2.1.8 (Financial Governance) and the Author is recommending a slight amendment to that policy as follows:

### CURRENT POLICY WORDING:

- **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.'

**PROPOSED POLICY WORDING:**

- **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 for staff for staff with seven (7) years or more service.

This funding goal is to be implemented over several financial years up to 2021/2022 to manage the financial impact.'

**FINANCIAL IMPLICATIONS**

The liability exposure of staff entitlements has a significant impact on the Shire's financial position. This policy aims to ensure a practical cash provision is made that balances both responsible financial management with reducing locking funds away unnecessarily

**RISK MANAGEMENT IMPLICATIONS**

This process of assessing the provision adequacy of the leave liability each year is a primary tool in minimizing financial risk exposure for this category of liability.

**ASSET MANAGEMENT IMPLICATIONS**

Nil.

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

Nil

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER RECOMMENDATION/COMMITTEE DECISION**

Moved Cr J Benn, seconded Cr J Warland that:

- 1 The Officer's report on leave provision adequacy be received; and
- 2 It be recommended to the Council that Council Policy 2.1.8 (Financial Governance) be amended as follows:

Delete the following paragraph:

- "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."

And replacing it with the following:

- "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 for staff for staff with seven (7) years or more service.

This funding goal is to be implemented over several financial years up to 2021/2022 to manage the financial impact.'

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

**12.1    WA Auditor General's Report – Audit Results Report**

The above report is attached to this agenda for the information of the Committee. The report summarises the issues raised in the 42 local government audits completed by the Office of the Auditor General (OAG) during this transitional phase.

The OAG will be undertaking the Shire of Kojonup's Audit from 2018/2019 onwards.

This report was also emailed to all Committee members on 18 March 2019.

**12.2    Vehicle Log Book – KO.1 – Shire President**

In accordance with Council Policy 3.20 (Motor Vehicle Use – Shire President), the Shire's finance staff are 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 details included in the Shire Presidents log book is for 19,930km travelled between 13 August 2018 and 8 April 2019. The private usage cannot be provided as no indication has been given on the specifics of the private use component in the log book.

A copy of the log book is attached as Attachment 12.2.1.

**COMMITTEE DECISION**

Moved Cr J Warland, seconded G Hobbs that the Shire Presidents log book be completed in its entirety for all business usage. Including odometer reading for the start and finish for each journey.

**CARRIED 5/0**

**13     NEXT MEETING**

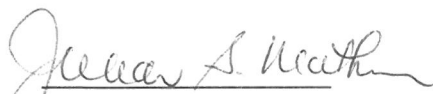
The next ordinary meeting is scheduled for Tuesday, 6 August 2019 at 9:00am.

**14     CLOSURE**

There being no further business to discuss, the Chairman Cr Jill Mathwin thanked members for their attendance and declared the meeting closed at 10:40 am.

**15     ATTACHMENTS (SEPARATE)**

- 6.1        Audit & Risk Committee Minutes 19 February 2019
- 8.1        Ten (10) Year Road Program
- 10.1.3    Risk Management Dashboard Report
- 11.1.1    Business Continuity and Disaster Recovery Plan showing changes
- 11.1.2    Draft Business Continuity and Disaster Recovery Plan May 2019
- 11.2.1    Proposed Policy 2.3.5 – Risk Management (showing changes to existing Policy & based on LGIS Policy)
- 11.2.2    Draft reviewed Policy 2.3.5 – Risk Management
- 11.2.3    LGIS Risk Management Policy template
- 11.3.1    Existing Risk Management Plan March 2017
- 11.3.2    New Risk Management Framework May 2019 showing modifications to suit the Shire of Kojonup
- 11.3.3    Risk Profile sample: Safety and Security Practices
- 11.3.4    Existing Measures of Consequence and Matrix tables
- 11.3.5    New Measures of Consequence, Risk Matrix and other tables
- 11.4.1    2019/2020 DRAFT List of Fees and Charges
- 12.1.1    WA Auditor General's Report – Audit Results 2017/2018 Report
- 12.2.1    Shire President's Vehicle log book.

  
Presiding Member

6 AUGUST 2019  
Date