

Audit & Risk Committee

Minutes | 10th March 2020

Disclaimer

Members of the public should note that in any discussion regarding any planning or other application that any statement or intimation of approval made by any member or officer of the Shire of Quairading during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Quairading. No action should be taken on any item discussed at a Council meeting prior to written advice on the resolution of the Council being received.

Any plans or documents contained in this document may be subject to copyright law provisions (Copyright Act 1968, as amended) and the express permission of the copyright owner(s) should be sought prior to the reproduction.

CONTENTS

Agenda Item	Page
ITEM 1	OPENING & ANNOUNCEMENTS3
ITEM 2	ATTENDANCE AND APOLOGIES.....3
ITEM 3	DEPUTATIONS / PRESENTATIONS / SUBMISSIONS3
ITEM 4	DECLARATIONS OF INTEREST4
ITEM 5	CONFIRMATION OF MINUTES AND BUSINESS ARISING.....4
5.1	Confirmation of Minutes – 10 th December 2019.....4
5.2	Business Arising.....4
ITEM 6	STANDING ITEMS – EXTERNAL AUDIT.....5
6.1	Audit Entry Meeting with Auditor.....5
ITEM 7	STANDING ITEMS – INTERNAL AUDIT6
7.1	Statutory Compliance Audit Return - 20196
ITEM 8	STANDING ITEMS – FINANCIAL REPORTING.....9
ITEM 9	STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES.....10
9.1	Response to the Recommendations from the Office of the Auditor General10
9.2	Management Override Mitigation.....13
ITEM 10	STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES18
10.1	Report on Excess Annual Leave and Long Service Leave.....18
ITEM 11	STANDING ITEMS – OTHER.....21
ITEM 12	COUNCILLORS' EMERGING ISSUES..... 22
12.1	Emerging Issues 22
12.2	Chief Executive Officer's Annual Performance Review 22
ITEM 13	CONFIDENTIAL BUSINESS – AS PER LOCAL GOVERNMENT ACT S5.23 (2)23
ITEM 14	NEXT MEETING DATE.....23
ITEM 15	CLOSURE.....23

SHIRE OF QUAIRADING

The Quairading Audit & Risk Committee Minutes of the Meeting held on 10th March 2020 commencing at 5.50 pm.

ITEM 1 OPENING & ANNOUNCEMENTS

The Chairperson opened the Meeting at 5.50 pm.

"Before we start our Meeting, I would like to acknowledge that we are meeting on Noongar / Ballardong land and we pay respect to the original custodians...past, present and future and welcome you all here today for this Meeting".

ITEM 2 ATTENDANCE AND APOLOGIES

Councillors

Cr JN Haythornthwaite	Chairperson / Deputy Shire President
Cr WMF Davies	Shire President
Cr BR Cowcill	
Cr JR Hippiisley	
Cr B McGuinness	
Cr PD Smith	
Cr TJ Stacey	

Council Officers

Mr GA Fardon	Chief Executive Officer
Mr NL Gilfellon	Executive Manager of Corporate Services
Mr RM Bleakley	IPR & Strategic Projects Officer

Observers/Visitor

Apologies

Cr JW Haythornthwaite	
Mr A Rourke	Executive Manager of Works & Services

Approved Leave of Absence

Nil

ITEM 3 DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

Nil.

ITEM 4 DECLARATIONS OF INTEREST

Nil, at this time.

ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING

5.1 Confirmation of Minutes – 10th December 2019

Recommendation

That the Minutes of the Audit & Risk Committee Meeting held on the 10th December 2019 be confirmed as a true and accurate record with the following amendments as per the December 2019 Ordinary Council Meeting (Attached): -

- 1. That Item 9.1 Rates Collection Policy Recommendation should read "SECONDED Cr Jo Haythornthwaite"**
- 2. That Item 12 Councillors' Emerging Issues - Cr Smith narrative should read as follows**

Cr Smith requested a report on current Policies and Procedures on mitigation of "management override" plus the Chief Executive Officer's recommendations on additional procedures to achieve a higher standard" for the March 2020 Audit & Risk Committee Meeting.

RECOMMENDATION: AR14-19/20

MOVED Cr Hippisley SECONDED Cr Davies

That the Minutes of the Audit & Risk Committee Meeting held on the 10th December 2019 be confirmed as a true and accurate subject to the following amendments: -

- 1. That Item 9.1 Rates Collection Policy Recommendation to read "SECONDED Cr John Haythornthwaite"**
- 2. That Item 12 Councillors Emerging Issues - Cr Smith narrative should read as follows**

Cr Smith requested a report on current Policies and Procedures on mitigation of "management override" plus the Chief Executive Officer's recommendations on additional procedures to achieve a higher standard" for the March 2020 Audit & Risk Committee Meeting.

CARRIED 7/0

5.2 Business Arising

Nil.

ITEM 6 STANDING ITEMS – EXTERNAL AUDIT

Audit & Risk Committee - Terms of Reference 7.6

6.1 Audit Entry Meeting with Auditor

Noted.

Arrangements were made with Council's Auditor Mr Greg Godwin of Moore Stephens to participate in an Audit Entry Telephone Meeting prior to the commencement of the Audit & Risk Committee Meeting.

The telephone Meeting with the Auditor occurred from 5.00pm to 5.45pm.

The Audit & Risk Committee last met with Council's auditor on 4th December 2019 following the completion of the Annual Audit for the 2018/2019 Year.

The "Audit Strategy Memorandum Year Ending 30 June 2020" document was forwarded to Committee Members under separate cover.

Statutory Requirements

Local Government Act 1995

7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to:
 - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and
 - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must:
 - (a) examine an audit report received by the local government; and
 - (b) determine if any matters raised by the audit report, require action to be taken by the local government; and
 - (c) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must:
 - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

Council Delegation of Authority

Delegation F.1 – Audit Committee: Meeting with Auditor

Council delegates authority and power to the Audit & Risk Committee to meet with the Local Government's Auditor at least once per year.

*Audit & Risk Committee - Terms of Reference 7.5***7.1 Statutory Compliance Audit Return - 2019**

Meeting Date	10 th March 2020
Responsible Officer	CEO Graeme Fardon
Reporting Officer	CEO Graeme Fardon
Attachments	Compliance Audit Return 2019
Owner/Applicant	Shire of Quairading
Disclosure of Interest	NIL

OFFICER RECOMMENDATION**RECOMMENDATION: AR15-19/20****MOVED Cr McGuinness SECONDED Cr Stacey**

That the Audit and Risk Committee recommend to Council that: -

The Statutory Compliance Audit Return for the period 1st January 2019 to 31st December 2019 be Adopted by Council.

CARRIED 7/0**IN BRIEF**

- High Level of Compliance achieved.
- N/A Responses indicate that the particular Compliance Requirement was not actioned or required during the Year under Review.
- All Audit and Financial Management Compliance was completed within the Statutory timeframes.
- Question 4 of the Integrated Planning Section highlighted that a Minor Review of the Strategic Community Plan was undertaken in 2019.
- Question 5 of the Integrated Planning Section - Comments highlight that work was progressing in 2019 and into 2020 to review all Asset Plans.

MATTER FOR CONSIDERATION

Consideration of the Statutory Compliance Audit Return for the year ended 31st December 2019.

BACKGROUND

Council is required to undertake a Compliance Audit, via the Statutory Compliance Return provided by the Department of Local Government each year.

The CEO has reviewed the organisation's Procedures, Processes and Actions for the 2019 Calendar Year and prepared the Draft Statutory Compliance Return for consideration by the Audit & Risk Committee and Recommendation to Council.

Compliance Return comprises of Questions in the following Areas of Activity: -

- Commercial Enterprises by Local Governments
- Delegation of Power/Duty
- Disclosure of Interest
- Disposal of Property
- Elections
- Finance
- Integrated Planning and Reporting
- Local Government Employees
- Official Conduct
- Optional Questions – All Answered
- Tenders for Providing Good & Services

The Statutory Compliance Return is to be presented to Audit & Risk Committee and then Report by Recommendation to Council at the March 2020 Ordinary Council Meeting.

Council is required to submit the Signed (Shire President and CEO) Statutory Compliance Return and relevant Council Minutes to the Director General of the Department of Local Government by the 31st March 2020.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996

14. Compliance audits by local governments

- (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 subregulation (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.

15. Compliance audit return, certified copy of etc. to be given to Executive Director

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with –
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Executive Director by 31st March next following the period to which the return relates.
- (2) In this regulation –

certified in relation to a compliance audit return means signed by –

 - (a) the mayor or president; and
 - (b) the CEO.

POLICY IMPLICATIONS

N/A.

FINANCIAL IMPLICATIONS

Nil Financial Implications in 2019/20 as Statutory Compliance Return has been completed internally and online by the CEO following a review of Council's Processes and Practices for the 2019 Calendar Year.

STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

Governance Objective: Strong governance and community engagement

ITEM	OUTCOMES AND STRATEGIES
G1	Robust Integrated Planning and Reporting (IPR)
G1.1	Continual improvement in IPR, transparency and accountability
G4	Sound Organisation
G4.1	Maintain sustainability ratios at or above basic level
G4.2	Increase non-rates revenue generation
G4.3	Ensure optimum organisational capacity and efficiency

COMMUNITY CONSULTATION

N/A

RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is assessed as Low. Risk is mitigated through ongoing review and monitoring of Council's Management & Compliance Procedures and Processes. The Compliance Audit Return is separate to Council's External Audit.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. High level Compliance achieved mitigates the reputational risk that may occur from non-compliance.

Operation – Risk Matrix Rating is assessed as Low. Compliance undertaken as part of Council's day to day operations.

Natural Environment – Risk Matrix Rating is assessed as Low.

ITEM 8 STANDING ITEMS – FINANCIAL REPORTING

Audit & Risk Committee - Terms of Reference 7.2

No matters for consideration.

ITEM 9 STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

Audit & Risk Committee - Terms of Reference 7.3

9.1 Response to the Recommendations from the Office of the Auditor General

Meeting Date	10 th March 2019
Responsible Officer	CEO Graeme Fardon
Reporting Officer	CEO Graeme Fardon
Attachments	i) OAG Recommendations Report
Owner/Applicant	Shire of Quairading
Disclosure of Interest	Nil

OFFICER RECOMMENDATION

RECOMMENDATION: AR16-19/20

MOVED Cr McGuinness SECONDED Cr Hippisley

That the Audit and Risk Committee Recommend to Council that: -

Council receive the CEO's Report on the Office of the Auditor General's Recommendations.

CARRIED 7/0

IN BRIEF

- The Auditor General was given the mandate to Audit West Australian Local Governments in October 2017.
- During this period the Auditor General has undertaken Performance Audits on several West Australian Local Governments and published the results and recommendations.
- The Management Team and relevant Staff have reviewed these OAG reports and have summarised our responses to the recommendations, stating what is currently undertaken or what will be introduced.

MATTER FOR CONSIDERATION

Council is to note the recommendations made by the Auditor General and the CEO's responses to the matters raised.

BACKGROUND

On 28 October 2017, the Local Government Amendment (Auditing) Act 2017 was proclaimed, giving the Auditor General the mandate to audit Western Australia's 139 local governments and 9 regional councils.

The Act allowed the Auditor General to conduct performance audits of local government entities from 28 October 2017. They will take on responsibility for the annual financial audits of local government entities as their existing audit contracts expire. By the financial year 2020-21, all local government entities will be audited by the Auditor General.

During the period the Auditor General has published the following reports:

- 09 May 2018 – Control over Corporate Credit Card
- 13 June 2018 – Timely Payment of Suppliers
- 11 October 2018 Local Government Procurement
- 07 March 2019 – Management of Supplier Master Files
- 09 April 2019 - Records Management in local Government
- 19 January 2019 - Verifying Employee Identity and Credentials
- 26 June 2019 – Local Government Building Approvals
- 15 August 2019 Fraud Prevention in Local Government

STATUTORY ENVIRONMENT

N/A

POLICY IMPLICATIONS

Existing Finance and Procurement Policies are reviewed regularly by the Chief Executive Officer for relevance and appropriateness to achieve transparency and good Governance.

Council formally reviews and adopts the Policies on a biennial basis.

FINANCIAL IMPLICATIONS

Nil.

STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

Governance Objective: Strong governance and community engagement

ITEM	OUTCOMES AND STRATEGIES
G4	Sound Organisation
G4.3	Ensure optimum organisational capacity and efficiency

COMMUNITY CONSULTATION

No consultation was required or undertaken in relation to this report.

RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is assessed as Low. The actions being undertaken or proposed have the objective of reducing the risk of financial loss resulting from an act of fraud or poor procedure.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. The review and implementation resulting from the Auditor General recommendations should reduce the risk of reputational loss through better HR, Building and Financial processes.

Operation – Risk Matrix Rating is assessed as Low. Implementing any new processes will involve a level of staff time, however this will be conducted within this year's current work flow.

Natural Environment – Risk Matrix Rating is assessed as Low.

COMMENT

The Administration has used the reports and resulting recommendations from the Auditor General as benchmarks to set the level for compliance and governance within the Shire of Quairading.

Each recommendation varies in its complexity and time involved in implementing and timeframes for implementation have been outlined within the report.

The recommendations from the reports are used as one tool for the improvement of compliance and governance within the Shire, and these reports will continue to be observed and reviewing when published by the Auditor General.

9.2 Management Override Mitigation

Meeting Date	10 th March 2020
Responsible Officer	CEO Graeme Fardon
Reporting Officer	CEO Graeme Fardon
Attachments	i) Extracts of Recommendations and Observations from Inquiry / Investigation Reports
Owner/Applicant	N/A
Disclosure of Interest	Nil

OFFICER RECOMMENDATION

That the Audit & Risk Committee recommend to Council: -

1. That Council receive and note the CEO's Report on the Mitigation of Management Override.
2. As part of the Draft Budget deliberations, Council consider the funding of the engagement of independent Contractors for the conduct of Internal Audits and the preparation of the Statutory Compliance Return.

RECOMMENDATION: AR17-19/20

MOVED Cr Smith SECONDED Cr Hippisley

That the Audit & Risk Committee recommend to Council: -

1. That Council receive and note the CEO's Report on the Mitigation of Management Override.
2. As part of the Draft Budget deliberations, Council consider the funding of the engagement of independent Contractors for the conduct of Internal Audits and the preparation of the Statutory Compliance Return.
3. That a scope of Internal Audit be prepared and utilised for Budget Estimate purposes.

CARRIED 7/0

Reason for Variation from the Officer's Recommendation

Committee considered that a Scope of Internal Audit work needs to be prepared to enable a Cost Estimate to be obtained for Draft Budget purposes.

IN BRIEF

- Council's Auditor advised Council in his Concluding Audit Memorandum that "based on Audit Work undertaken, we are satisfied that the risk from management override has been reduced to an acceptable level.
- At the December 2019 Audit & Risk Meeting, Cr Smith requested a report be prepared on current Policies and Procedures on mitigation of "management override" plus the Chief Executive Officer's recommendations on additional procedures to achieve a higher standard" for the March 2020 Audit & Risk Committee Meeting.

MATTER FOR CONSIDERATION

Officer's Report on Management Override Mitigation Measures

BACKGROUND

The CEO has subsequently consulted with Council's Auditor on the Management Override Statement and sought recommendations on the preparation of the Report requested at the December 2019 Audit & Risk Committee meeting.

Mr Godwin recommended that Council's Management undertake a review of the Findings and Conclusions from recent Inquiries and Investigations into individual Regional Councils and to assess the Findings against Council's Current Policies and Procedures with the aim of further improvement to increasing mitigation measures against management override.

I report to the Committee that the following Inquiry and Investigation Reports have been reviewed for Key issues and Recommendations in regard to: -

- Shire of Dowerin – October 2016
- Shire of Exmouth – May 2017
- Shire of Halls Creek – August 2018
- Shire of Perenjori – July 2019

Areas of Governance examined included: -

- Segregation of Duties
- Procurement
- Declaration of Interest

To prevent management overrides, it is essential that a culture is fostered that encourages honesty and supports employees who speak up when they suspect something is wrong.

Independent External and Internal audits are recommended to review their financial information. These audits are objective views on how the Council's accounting policy is being used in the accounting workflow and to minimise the risk of fraudulent activities and transactions.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government Regulations 1996 (Various)

POLICY IMPLICATIONS

Council has a number of Accounting / Financial Policies in place.

The Policies are regularly reviewed for relevance and appropriateness.

Council reviews all Policies on a biennial basis.

Further interim reviews or proposing of new policies are undertaken when it is determined by the CEO and Council, to be prudent for sound governance.

FINANCIAL IMPLICATIONS

There are additional financial costs associated with the engagement of independent Contractors (Refer to the Recommendations Section).

STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

Governance Objective: Strong governance and community engagement

ITEM	OUTCOMES AND STRATEGIES
G1	Robust Integrated Planning and Reporting (IPR)
G1.1	Continual improvement in IPR, transparency and accountability
G4	Sound Organisation
G4.1	Maintain sustainability ratios at or above basic level
G4.2	Increase non-rates revenue generation
G4.3	Ensure optimum organisational capacity and efficiency

COMMUNITY CONSULTATION

No consultation was required or undertaken in relation to this report.

RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is assessed as Low. The Financial Risk could escalate if current and proposed Policies and Procedures are not adhered to or are able to be overridden.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. Further Risk is mitigated through these improvements to Council's processes. As shown in the Councils reviewed (see attachment), significant reputational risk is possible if strong processes and ongoing internal review by Council and Management is not maintained.

Operation – Risk Matrix Rating is assessed as Low. Current Processes and Policies are incorporated into Council's everyday Operations and Resources.

Natural Environment – Risk Matrix Rating is assessed as Low.

COMMENT

The following is currently in place to reduce the risk of Management Override in regards to the key areas:

Segregation of Duties:

General Journals – All general journals require two signatures (Creator and Authoriser). An overview report is created each month by the SFO and is checked and signed by the EMCS and CEO.

Payroll – Payroll is setup by two separate officers, checked by the EMCS and a final review before payment is conducted by the EMCS and CEO. An Audit report showing all variations from the previous Pay, is produced every pay run. This is checked and signed off by the CEO and EMCS.

Creditors – All Suppliers Details are verified with the Supplier and double checked when being inputted into the Creditors System and in the Westpac online Banking.

Invoices and PO's are required to be checked and signed by two separate officers. The invoices are then batched by the FO and checked by the EMCS. The payments are then submitted to the Bank and checked by two separate officers.

All Payments are reviewed by the Chair of the Audit & Risk Committee.

Credit Card – The Credit Card is reviewed by the EMCS and signed off by both the CEO and Chair of the Audit and Risk Committee. A copy of payments is provided to each Council meeting to be approved by the Council.

Bank – All bank transactions need to be approved by two separate officers. All passwords and logins are kept private and only officers know their own login.

Bank Reconciliations - All bank reconciliations are prepared by the SFO and are then reviewed by the EMCS.

Monthly Financial Statements – All monthly statements are currently prepared by the EMCS and reviewed by the CEO prior to their publication and submission to Council for adoption.

Procurement

Purchases – A new purchase order system was implemented in January. Only Authorised Officers now have access to authorising Purchase Orders. Any Purchase Order over \$5,000 now requires a Purchase Request Form. This is to be signed by two separate officers, including the CEO if the amount is over \$25,000. If the amount is over \$150,000 three separate signatures are needed. These forms are checked by the SFO and the EMCS.

Tenders

The EMT list all budgeted major procurements for their Meetings to discuss the procurement requirements of the Local Government Act and Council's Purchasing Policy. Major Procurements do not proceed without this being first undertaken.

Tender documentation is referred to another member of the Executive Management Team for review and then formal approval is received from the CEO before any documentation is made available for the Call for Tender Process.

Each Tender includes a Tender Panel. This means each tender is scored by separate individuals who agree to the preferred tenderer.

The Shire has recently performed formal procurement training, with procurement training provided internally by the EMCS in line with the new Purchase Order System.

Declaration of Interest

The Shire has a strong expectation that the officers declare any Conflicts of Interest. Any Officer with a conflict is expected to remove themselves from the evaluation process and decision making process.

This 'removal' has been conducted within the last twelve months on several occasions where current employees have removed themselves from Recruitment and Procurement activities. Senior staff are also required to submit a related party transactions return.

Recommendations

Independent Internal Audit – An Internal Auditor works with the Audit Committee to test the internal controls of the Local Government. The Independence of this Auditor should reduce the risk of misconduct from the Administration, however will come at a financial cost.

Independent Preparation of the Compliance Audit Return – That Council consider budgeting for the engagement of a suitably experienced Consultant to undertake the independent preparation of the Annual Statutory Compliance Audit Return.

Training – Training has been recently provided both formally and internally. Further training is made available to all relevant staff and in particular for new Staff as part of their early Training.

Culture – The Executive Management Team is continually working to improve the Culture of the Organisation. This is by increasing understanding, awareness, bringing other staff into the process of auditing work and allowing staff to question current processes and to challenge and report any transactions that are seen to be irregular. This progression will be through our regular Staff Meetings.

Tenders and Recruitment – A Panel Member Declaration Form be developed and completed by each Member before a Procurement or Recruitment Process commences, to ensure that Panel Members do not participate in the process if they have a direct or indirect Interest in the Matter.

This process will strengthen the culture that any Undeclared Interest is not acceptable to the organisation and that Transparency and Fairness are Key Principles to be upheld by Management and Staff at all times.

Audit & Risk Committee - Terms of Reference 7.1, 7.3

10.1 Report on Excess Annual Leave and Long Service Leave

Meeting Date	10 th March 2020
Responsible Officer	EMCS Nathan Gilfellon
Reporting Officer	SFO Jodie Yardley
Attachments	Nil
Owner/Applicant	Shire of Quairading
Disclosure of Interest	Nil

OFFICER RECOMMENDATION

RECOMMENDATION: AR18-19/20
MOVED Cr Hippisley SECONDED Cr Davies
 That the Audit and Risk Committee Recommend to Council that: -
 Council receive the report on the Shire’s Leave Liabilities.

CARRIED 7/0

IN BRIEF

- Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee
- Council receive the report on the Shire’s Leave Liabilities.

MATTER FOR CONSIDERATION

Report on Excess Annual Leave and Long Service Leave Entitlements and Leave Liabilities.

BACKGROUND

Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee.

The current policy defines excess leave as when the Employee has accrued more than eight weeks paid annual leave.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Long Service Leave Regulations)

Local Government Industry Award 2010

The Industry Award defines Excess Leave as -

*“An Employee has an **excess leave accrual** if the employee has accrued more than eight weeks paid annual leave”*

POLICY IMPLICATIONS

Current Policy: Leave Management Policy (ORG.2)

FINANCIAL IMPLICATIONS

Annual and Long Service Leave Reserve Fund Cash Balance as at 29th February 2020 is \$204,568. The Projected Closing Balance as at the 30th June 2020 of \$205,468.

The Annual Budget treats Current Leave as Accruals.

The Annual and Long Service Leave Reserve funds any prior year Leave entitlements taken by Staff or paid out.

The current Liability for both types of Leave (if all Claimed on 29th February 2020) is calculated at \$238,750.

STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

Governance Objective: Strong governance and community engagement

ITEM	OUTCOMES AND STRATEGIES
G1	Robust Integrated Planning and Reporting (IPR)
G1.1	Continual improvement in IPR, transparency and accountability

COMMUNITY CONSULTATION

N/A

RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial – Risk Matrix Rating is considered as Medium Risk. Financial exposure and therefor Risk escalation, if Leave accruals are not monitored and managed.

Health – Risk Matrix Rating is considered as Low Risk

Reputation – Risk Matrix Rating is considered as Low Risk

Operation – Risk Matrix Rating considered Low Risk

Natural Environment – Risk Matrix Rating is considered as Low Risk

COMMENT

This report has been prepared to inform the Audit and Risk Committee of the current leave liabilities and of any employees who have excess leave and the steps taken to reduce these liabilities.

As at the 29th February 2020, there are no employees with excess annual leave.

The CEO has approved of One Employee's Plan to take their Long Service Leave in three instalments. The first of which has now been taken.

One Employee has Long Service Leave Liabilities as at the 6th September 2019. This has been approved to commence in March 2020.

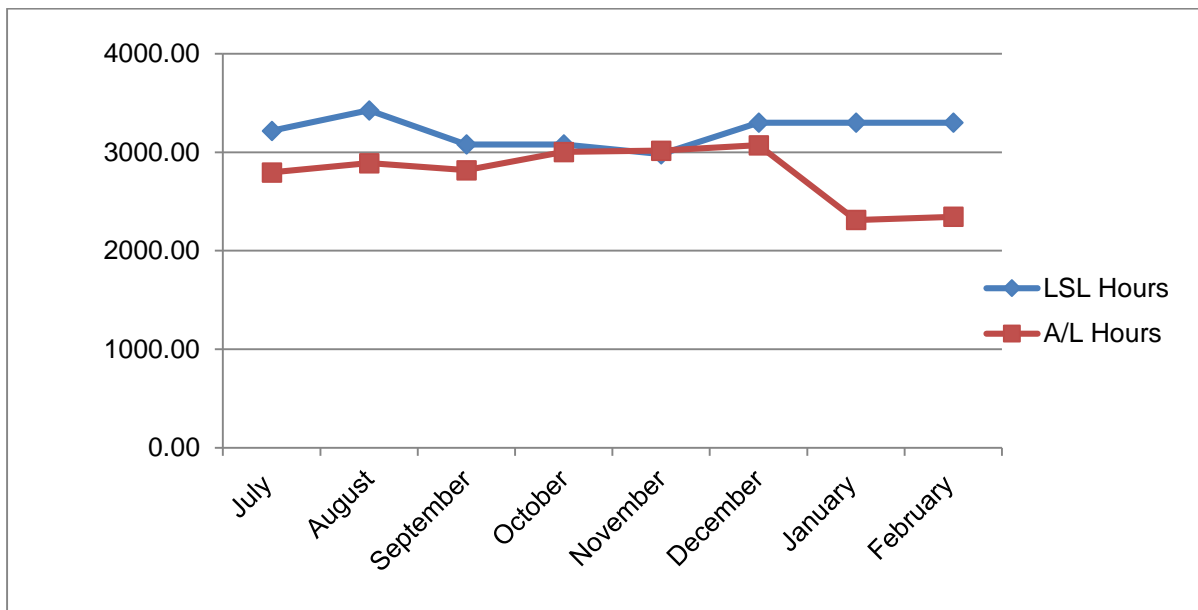
Since the commencement of the 2019/20 financial year, there has had a considerable decrease of 19.3% (in Dollar Value) in the Annual Leave Liability through a combination of Separations and current staff taking accrued Annual Leave during the main holiday period.

The Long Service Leave Liability has risen slightly by 0.8% (in Dollar Value) since June 2019. The stability can be attributed to payouts following the separation of employees with Long Service Leave

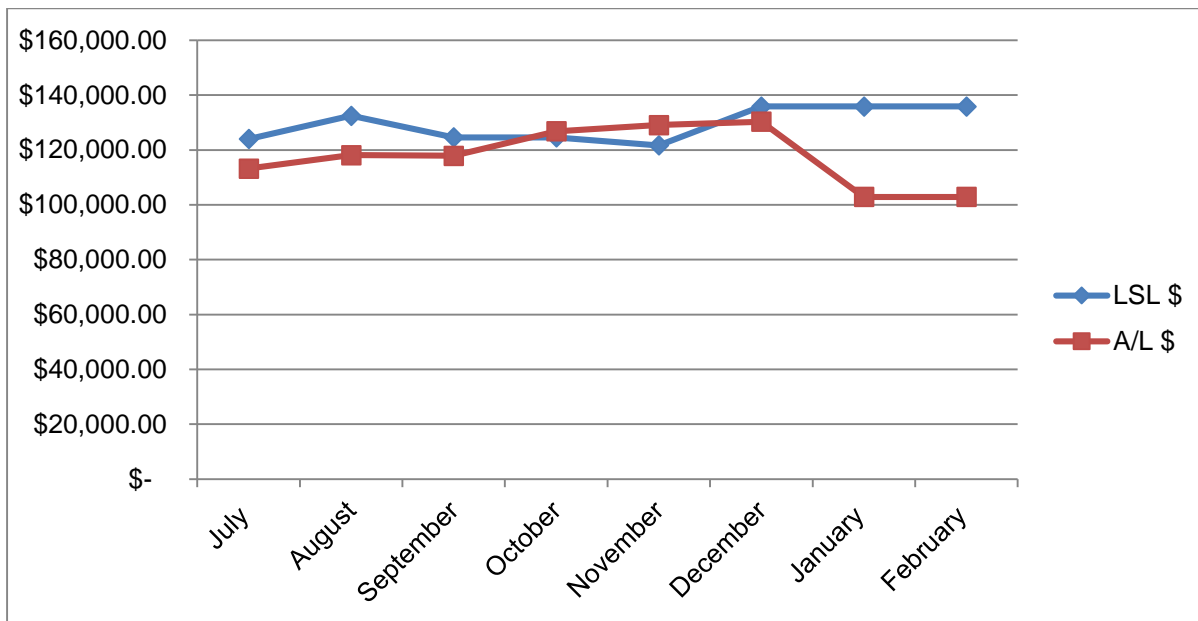
Entitlements, two employees redeeming a portion of their Long Service Leave and two employees becoming eligible.

	LSL Hours	LSL \$	AL Hours	AL \$
June	3,507	134,820	3,056	127,501
July	3,218	124,006	2,795	113,180
August	3,426	132,468	2,890	118,114
September	3,080	124,610	2,817	117,850
October	3,080	124,610	3,003	126,828
November	2,981	121,657	3,016	129,068
December	3,300	135,877	3,071	130,333
January	3,300	135,877	2,312	102,902
February	3,300	135,877	2,344	102,873

Accumulated Hours of Leave



Outstanding Accumulated Dollar Value of Leave



ITEM 11 STANDING ITEMS – OTHER

Audit & Risk Committee - Terms of Reference 9.2

10th December 2019 Audit & Risk Committee

Cr Smith

Requested that the Performance Review of the Audit & Risk Committee be listed for the June 2020 Committee Meeting.

12.1 Emerging Issues

Cr Stacey

Nil

Cr Davies

Nil

Cr McGuinness

Nil

Cr Hippisley

Cr Hippisley raised the matter of "Going Concern" as discussed with Council's Auditor and highlighted Council's heavy reliance upon Grant Funding to fund Operations and Capital Projects and that any reduction in the Grant Funding could challenge the organisation as a "Going Concern".

Cr Hippisley suggested that this issue be regularly reviewed by Council.

Cr McGuinness and the CEO highlighted Council's Long Term Financial Plan, 4 Year Corporate Business Plan provides for the regular review of Funding assumptions, and finally the Annual Budget process which enable Council and Management to verify Grant Funding to be received for the Year ahead before Council adopts the Budget.

Cr Cowcill

Nil

Cr Smith

Nil

Cr Jo Haythornthwaite

The Chairperson highlighted to the Committee, Clause 7.7 of the Committee's Terms of Reference, in which Council has granted responsibility to this Committee to facilitate and arrange the Chief Executive Officer's Performance Review Process.

The Chief Executive Officer provided the Meeting with a brief overview of the legislative requirements and recent history of the Performance Review Process and the effectiveness of utilising an Independent HR Consultant.

12.2 Chief Executive Officer's Annual Performance Review

RECOMMENDATION: AR19-19/20

MOVED Cr McGuinness SECONDED Cr Smith

That the Audit and Risk Committee Recommend to Council that: -

Council engage a suitable Independent HR Consultant to facilitate the Chief Executive Officer's Annual Performance Review.

CARRIED 7/0

ITEM 13 CONFIDENTIAL BUSINESS – AS PER LOCAL GOVERNMENT ACT S5.23 (2)

No matters for consideration.

ITEM 14 NEXT MEETING DATE

The next Audit & Risk Committee Meeting is scheduled to take place on Tuesday 9th June 2020, commencing at 5.00 pm on at the Council Chambers, 10 Jennaberring Road, Quairading.

ITEM 15 CLOSURE

There being no further business, the Chairman closed the Meeting at 6.43 pm.

I certify the Minutes of the Audit & Risk Committee Meeting held on 10th March 2020 were confirmed on 9th June 2020 as recorded on Resolution No. _____-19/20.

Confirmed..... 09/06/2020