

Audit & Risk Committee

Minutes | 7th December 2021

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SHIRE OF QUAIRADING

Audit & Risk Committee

The Quairading Audit & Risk Committee Minutes of the Meeting held on 7th December 2021 commencing at 5.00 pm.

ITEM 1 OPENING & ANNOUNCEMENTS

The Chairperson opened the Meeting at 5.00 pm.

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

The Chairperson welcomed Councillors Hayes and Cheang to their first meeting of the Audit & Risk Committee.

The Chairperson also welcomed new CEO Ms Nicole Gibbs to Council and to the Audit & Risk Committee Meeting.

ITEM 2 ATTENDANCE AND APOLOGIES

Councillors

Cr JN Haythornthwaite	Chairperson
Cr PD Smith	Shire President
Cr TJ Stacey	Deputy Shire President
Cr E Cheang	
Cr BR Cowcill	
Cr JC Hayes	(from 5.06 pm)
Cr JR Hippisley	
Cr B McGuinness	

Council Officers

Mr GA Fardon	Current Chief Executive Officer
Ms NJ Gibbs	New Chief Executive Officer
Mrs LM Horton	Executive Manager of Corporate Services

Observers/Visitor

Nil

Apologies

Mr RM Bleakley	Executive Manager Community, Projects and Strategy
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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 – 14th September 2021

RECOMMENDATION: AR6-21/22

MOVED Cr Cowcill SECONDED Cr Hippisley

That the Minutes of the Audit & Risk Committee Meeting held on the 14th September 2021 be confirmed as a true and accurate record.

CARRIED 7/0

5.2 Business Arising

Nil

5.3 Confirmation of Special Meeting Minutes – 25th November 2021

RECOMMENDATION: AR7-21/22

MOVED Cr Hippisley SECONDED Cr Stacey

That the Minutes of the Special Audit & Risk Committee Meeting held on the 25th November 2021 be confirmed as a true and accurate record.

CARRIED 7/0

5.4 Business Arising

Nil

ITEM 6 STANDING ITEMS – EXTERNAL AUDIT

Audit & Risk Committee - Terms of Reference 7.6

6.1 Audit Register – Progress Report

Meeting Date	7 th December 2021
Responsible Officer	CEO Graeme Fardon
Reporting Officer	EMCS Leah Horton
Attachments	(i) Audit Register – Progress Report Confidential
Owner/Applicant	Shire of Quairading
Disclosure of Interest	Nil

OFFICER RECOMMENDATION

RECOMMENDATION: AR8-21/22

MOVED Cr Smith SECONDED Cr Hippisley

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

1. Notes the progress recorded against each item within the Audit Register in Confidential Attachment (i); and
2. Approves the four (4) findings marked as Closed (100%) in the Audit Register, to be registered complete, removed from the register and no longer reported to the Committee.

CARRIED 8/0

IN BRIEF

- This report provides an update on the progress of actions included in the Audit Register.
- The Audit Register includes all open audit findings that have previously been accepted by the Audit and Risk Committee.
- Reporting through the Audit Register commenced in November 2021 and includes items from the 2020/21 Interim Audit, and all subsequent Audits.

MATTER FOR CONSIDERATION

Receipt of the Audit Register Progress Report to December 2021.

BACKGROUND

The External Audit, also known as Financial Audits or Audit of the Annual Financial Statements, focuses on providing an objective and independent examination of the Financial Statements prepared by the Shire, increasing the value and user confidence in the Financial Statements.

The *Local Government Amendment (Auditing) Act 2017* made legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General. This Act allows the Auditor General to contract out some or all of the financial audits, but all audits will be the responsibility of the Auditor General.

The changes also allow for the Auditor General to undertake performance audits that focus on the economy, efficiency and effectiveness of any aspect of local government operations. These performance audits are similar to that of an Internal Audit, therefore the Auditor General may undertake both External and Internal Audits.

The Audit Register lists findings from Audit Reports previously accepted by the Audit & Risk Committee. The Register describes the progress of implementing improvements and percentage completion. Progress on the actions are monitored by Management, this Committee and Council.

Reporting through the Audit Register commenced for the 7th December 2021 Audit and Risk Committee meeting, with the Register comprised of findings from the 2020/21 Interim Audit Report, as presented to the Audit & Risk Committee at the 14th September 2021 meeting.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Audit) Regulations 1996; Regulation 7

Local Government (Financial Management) Regulations 1996; Regulation 5

POLICY IMPLICATIONS

N/A.

FINANCIAL IMPLICATIONS

Council has a Budget Allocation of \$30,000 in the 2021/2022 Budget for the conduct of the External Audit function by the Office of the Auditor General, for the audit of the 2020/21 Annual Financial Statements. It is anticipated that a budget of a similar amount is to be adopted each year but will be the subject of an Annual Estimate of Audit Fees provided by the OAG. The cost of Officers' efforts to undertake the improvements and report on progress has not been estimated or reported.

STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 – 2031

5. GOVERNANCE AND LEADERSHIP

5.4 Implement systems and processes that meet legislative and audit obligations

COMMUNITY CONSULTATION

No Community 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 considered Low. Cost of the Annual Audit is included in the Budget. By regularly reviewing progress against audit findings, the risks associated to misconduct and error are significantly reduced.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low. Compliant with legislative requirements. Failure to complete the Findings from Audit Reports would lead to increased Reputational Risk.

Operation – Risk Matrix Rating is assessed as Low. Operational impact is minimal in reporting progress on Audit Findings. Operational impact of not closing findings would escalate.

Natural Environment – Risk Matrix Rating is assessed as Low.

COMMENT

The Audit Register **Confidential Attachment (i)** counts actions and totals by "Finding #". Each finding may have more than one "Recommendation" and associated "Agreed Management Action". Only when all Recommendations and Agreed Management Actions within a Finding are deemed complete will the Finding as a whole be totalled at 100% complete and recommended to be Closed.

The process for adding and removing Findings to the Audit Register is as follows:

1. An External Audit is completed and an Audit Report is finalised.
2. The Audit Report is presented to the Audit and Risk Committee.
3. The Audit and Risk Committee recommends to Council that it notes and accepts the Audit Report.
4. All Findings from the Audit Report are **added** to the Audit Register.
5. Progress is reported by Management with updates recorded quarterly in "Officer Comment / Action Taken".
6. Any Findings deemed as complete by Management are marked as "100% Complete" with the status of "Closed".
7. The Audit Register – Progress Report is submitted by Management to the Audit and Risk Committee.
8. The Audit and Risk Committee reviews the Audit Register and confirms completion of any 100% and Closed Findings.
9. The Audit and Risk Committee recommends to Council that it notes progress and approves the findings marked as complete to be registered as closed.
10. Closed Findings are **removed** from the Audit Register.

A summary of the Audit Register, included below, will illustrate the trend of actions that have been added, progressed and completed.

The blue row represents actions added by the Committee. New Audit Findings presented to the current meeting are included at the subsequent meeting, following acceptance.

The green row represents actions closed by the Committee and will always total 0 for the current meeting date. The closed actions from the current meeting will then be shown in the "Closed by the Audit & Risk Committee" total in the subsequent meeting's table summary.

Status of Actions	ARC - Meeting Date				Total
	7/12/2021	15/03/2022	14/06/2022	13/09/2022	
New actions added by A&R	7				7
Not Commenced ≤10%	1				
Progressed >11% to 99%	2				
Completed =100%	4				
Total (0% to 100%)	7	0	0	0	
Closed by A&R					0
Total cumulative Closed by A&R	0	0	0	0	

Open Actions	3	0	0	0	
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The Committee is requested to recommend to Council to note the progress and officer comments. In addition, it is recommended all four findings marked as Complete (100%) in the Audit Register be registered as closed. All closed items will not form part of the Audit Register report for future meetings. The closed items are available for the External Auditors and Committee/Council to review.

It is requested to note the Audit Register in **Confidential Attachment (i)**.

The EMCS provided Committee with an extensive update on the progress of the preparation of the Annual Financial Statements (AFS) and confirming that Council had complied with the requirement to have the Draft AFS with Council's Auditor by the 31st October 2021.

Subsequently Contract Auditors AMD had been onsite on the 23rd and 24th November 2021 and no issues were raised with Management at the Exit Meeting.

Further Variations to the AFS have been requested by the OAG to bring to account "new Fair Values" for a number of Council's Asset Classes with the additional work underway by Council's Contract Accountant and the EMCS.

The above variations and the requirement for the OAG to approve and sign off the Final AFS Audit will mean that the signed Annual Financial Statement, Audit Report and then Annual Report will need to be considered by Committee and Council early in 2022.

ITEM 7 STANDING ITEMS – INTERNAL AUDIT

Audit & Risk Committee - Terms of Reference 7.5

No Matters for Consideration

ITEM 8 STANDING ITEMS – FINANCIAL REPORTING

Audit & Risk Committee - Terms of Reference 7.2

8.1 Grant Funding Status Report

Meeting Date	7 th December 2021
Responsible Officer	CEO Graeme Fardon
Reporting Officer	EMCPS Richard Bleakley
Attachments	(i) Grants Register Status Report 1 (ii) Grants Register Status Report 2 (Summary Report)
Owner/Applicant	Shire of Quairading
Disclosure of Interest	Nil

OFFICER RECOMMENDATION

RECOMMENDATION: AR9-21/22

MOVED Cr McGuinness SECONDED Cr Cowcill

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

1. Council notes the Grants Status Reports dated December 2021.
2. Council supports the variations to the projects in Phase 2 and Phase 3 of the Local Roads and Community Infrastructure Program (LRCI)

LRCIP Phase 2 (Revised)		
#	Project	Cost
1	McLennan Street – Footpath	\$111,718
2	Doodenanning Mawson Road	\$176,774
Total		\$288,492

LRCIP Phase 3 (Revised)		
#	Project	Cost
1	McLennan Street – Footpath (Wood to Heal St)	\$73,920
2	Mt Stirling Road	\$136,857
3	Community Park Nature Playground	\$213,724
4	Shire Hall / Admin / Works Depot Carpark	\$362,193
Total		\$786,694

CARRIED BY ABSOLUTE MAJORITY 8/0

IN BRIEF

- This Report provides an update on the status of grants submitted and new grant opportunities and is provided for information and discussion.
- This Report includes Grants that are continuing / carried over from the 2020/2021 and are being acquitted in the current Financial Year.

- The Shire has been allocated Federal Grant Funding under the three phases of Local Roads and Community Infrastructure Program (LRCIP)
 - Phase 1 - \$393,347;
 - Phase 2 - \$288,492; and
 - Phase 3 - \$786,694.
- This report includes Grant Funded Projects that will also be delivered in 2021/22 and 2022/23.
- Report details current successful Grants (Competitive and Non-Competitive).
- No Grant Applications have been declined in 2021/2022.
- The application for the Community Park (Kwirrading Koort) was re-submitted in September 2021 to LotteryWest. Outcome is anticipated in December 2021.
- Further Grant Funding avenues being explored by the Grants Team are detailed.

MATTER FOR CONSIDERATION

Noting the Grants Status Report.

BACKGROUND

Council requires the Chief Executive Officer to report on the Eligible Grant Eligibility and Grant Activity during the 2021/2022 Year.

Report is to include Grant funding success rate i.e. number of applications, number achieved and value / timelines of received funding.

STATUTORY ENVIRONMENT

Nil

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

All Grants reported have been included in Council's Adopted Budget for the 2021/2022 Financial Year or will be included in Proposed Budget for the 2022/2023 Financial Year.

An application for the Community Park (Kwirrading Koort) has been re-submitted in September 2021 to LotteryWest after the application was withdrawn in 2020 due to LotteryWest redirecting it's grant program to COVID related Projects for eighteen months. An outcome is expected before the end of December 2021.

Council has received advice that the Federal Government has approved the nomination of the Hall Carpark Project under the Local Roads and Community Infrastructure Program Extension (COVID 19) – Phase 2 allocation of \$288,492 with Shire's contribution being \$39,508. Council's Grants Team is soon to submit Projects for Phase 3 as the Guidelines have been released.

However, following the conclusion of the WALGA E-Quotation process the Hall Carpark Project Pricing has come in at significantly above the Consultant's Cost Estimates and only 1 one Company responded to the RfQ. Management will retest the Market in coming months to ascertain if more competitive Pricing can be achieved.

The Management Team has workshopped the current Funding situation, along with Council's budgeted projects for 2021/2022 and into the 2022/2023 Year. Management is currently negotiating with the Federal Government Department on a Variation to Phase 2 with a number of road projects being

brought forward from Phase 3, and the Carpark being rescheduled to Phase 3 which will then mean a Project Completion before 30th June 2023.

Original Program

LRCIP Phase 2 (Current)

#	Project	Cost
1	Shire Hall / Admin / Works Depot Carpark	\$288,492
Total		\$288,492

LRCIP Phase 3 (Proposed)

#	Project	Cost
1	McLennan Street – Footpath	\$111,718
2	McLennan Street – Footpath (Wood to Heal St)	\$73,920
3	Doodenanning Mawson Road	\$176,774
4	Mt Stirling Road – Gravel Resheeting	\$136,857
5	Community Park Nature Playground	\$287,425
Total		\$786,694

Requested variations

LRCIP Phase 2 (Revised)

#	Project	Cost
1	McLennan Street – Footpath	\$111,718
2	Doodenanning Mawson Road	\$176,774
Total		\$288,492

LRCIP Phase 3 (Revised)

#	Project	Cost
1	McLennan Street – Footpath (Wood to Heal St)	\$73,920
2	Mt Stirling Road	\$136,857
3	Community Park Nature Playground	\$213,724
4	Shire Hall / Admin / Works Depot Carpark	\$362,193
Total		\$786,694

The CEO confirmed that the EMCPS had been in contact with the Federal Department managing the Funding Program who had agreed in principle to the proposed Variation, subject to the Variation being formally submitted and confirmation that the Phase 2 Projects will be definitely completed by the 30th June 2022.

Details of Council's Cash and In-Kind Contributions are listed in the Grants Register Status Report (Attachment No. 1).

STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 – 2031

5. GOVERNANCE AND LEADERSHIP

5.3 Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

5.4 Implement systems and processes that meet legislative and audit obligations

COMMUNITY CONSULTATION

No Community 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. All Grants approved have been included in the 2021/2022 Adopted Budget. The additional Grant Funding offered under the Local Roads and Community Infrastructure Program Extension (COVID-19) and the relevant Projects will be included in the 2022/2023 Draft Budget.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low. The Report provides transparency on the treatment and use of the Government Grant Funding and provides Committee with information to assess how Management is administering the various Grants.

Operation – Risk Matrix Rating is assessed as Low. Preparation and maintenance of the Grants Register is undertaken within Council’s existing Organisational Structure and resources.

Natural Environment – Risk Matrix Rating is assessed as Low.

Attachment 1 – Grants Register Report as at 29/11/2021 provides a summary of current project grant portfolio.

Attachment 2 – Grant Program Status Report details the Shire’s grant inventory status – competitive and non-competitive.

Grant Program Summary:

Status	Number	Grant Funding
Acquittal Period	3	\$1,176,637
Active	9	\$4,159,329
Applications	1	\$478,109
New research	8	\$55,500
Total	21	\$5,869,575

8.2 Write off Outstanding Sundry Debtors

Meeting Date	7 th December 2021
Responsible Officer	EMCS Leah Horton
Reporting Officer	SFO Jodie Yardley
Attachments	(i) Outstanding Sundry Debtors Report Confidential
Owner/Applicant	Shire of Quairading
Disclosure of Interest	Nil

OFFICER RECOMMENDATION

RECOMMENDATION: AR10-21/22

MOVED Cr Hippisley SECONDED Cr Cheang

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

Council writes off the amounts owing for Sundry Debtors 91065, 92482 and 94228, totalling \$465.87.

CARRIED 8/0

IN BRIEF

- Sundry Debtors with balances exceeding 90 days that have had multiple attempts for recovery are now deemed bad-debts.
- The amounts owing are too small to warrant collection and the cost of collection is likely to be disproportionate to the amount which is owed.
- The amounts have not been previously identified and provided for in the Provision for Doubtful Debts.
- The amounts are found to be uncollectable and are recommended for write-off, as per **Confidential Attachment (i)**.

MATTER FOR CONSIDERATION

Writing off the Sundry Debtor balances that have been outstanding for a number of years that are now considered unrecoverable.

BACKGROUND

Council currently has a number of Sundry Debtors with outstanding balances.

Sundry Debts are any amounts due to the Shire for an account other than Council Rates and Service Charges. Despite invoices being raised and sent to Debtors, sometimes balances remain outstanding after the due date for payment.

When the Shire has exhausted reasonable attempts at recovery commensurate with the size of the debt, a report is prepared for Council with recommendations to Council to write off debts owed to the Shire.

The attached Outstanding Sundry Debtors Report details balances of Sundry Debtors that exceed 90 days of ageing and have been outstanding for a number of years with no chance of recovery. Various

Council staff have made concerted efforts over many years to recover the debts with no funds being recovered.

STATUTORY ENVIRONMENT

Local Government Act 1995

6.12. Power to defer, grant discounts, waive or write off debts

- (1) Subject to subsection (2) and any other written law, a local government may:-
 - (a) when adopting the annual budget, grant* a discount or other incentive for the early payment of any amount of money; or
 - (b) waive or grant concessions in relation to any amount of money; or
 - (c) write off any amount of money, which is owed to the local government.

* Absolute majority required.

- (2) Subsection (1)(a) and (b) do not apply to an amount of money owing in respect of rates and service charges.
- (3) The grant of a concession under subsection (1)(b) may be subject to any conditions determined by the local government.
- (4) Regulations may prescribe circumstances in which a local government is not to exercise a power under subsection (1) or regulate the exercise of that power.

Local Government (Financial Management) Regulations 1996, Part 4

42. Discounts for early payment etc., information about in annual financial report

- (1) The annual financial report is to include for each discount or other incentive granted for early payment of any money and in respect of each waiver or concession in relation to any money –
 - (a) in respect of a discount –
 - (i) the amount of the discount, or the percentage discount, allowed; and
 - (ii) the circumstances in which the discount was granted; and
 - (b) in respect of an incentive other than a discount –
 - (i) a brief description of the incentive scheme; and
 - (ii) a statement of how that incentive was claimed; and
 - (c) in relation to a waiver or concession –
 - (i) a brief description of the waiver or concession; and
 - (ii) a statement of the circumstances in which it was granted; and
 - (iii) details of the persons or class of persons to whom it was available; and
 - (iv) the objects of, and reasons for, the waiver or concession.
- (2) The annual financial report is to include, separately in relation to all general rates, each specified area rate, each service charge and all fees and charges imposed under the Act or any other written law details of –
 - (a) the total amount of the discounts granted; and
 - (b) the total cost to the local government of each incentive scheme; and

(c) the total cost, or reduction of revenue, to the local government of the waiver or grant of a concession; and

(d) the total amount of money written off.

Aged debts will be reviewed regularly and accounted for in accordance with the relevant *Australian Accounting Standard, AASB 9 Financial Instruments* that deals with provisions for doubtful debts.

POLICY IMPLICATIONS

N/A.

FINANCIAL IMPLICATIONS

Council Sundry Debtors balance will be reduced by \$465.87, which will reduce Council's current predicted surplus for the 2021/22 Financial Year by the same amount. Officers' attempts to recover the debts has not been estimated on a cost-basis.

If Debt Recovery services were utilised or Legal Action was taken there would be further charges incurred without the guarantee of recovery of the initial debt. The cost of Legal Action to recover the debts would likely far exceed the amounts owing.

Council will not be expending funds and staff time on any further cost recovery efforts.

STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 – 2031

5. GOVERNANCE AND LEADERSHIP

5.3 Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

5.4 Implement systems and processes that meet legislative and audit obligations

COMMUNITY CONSULTATION

No Community 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 considered Low. Council revenue will be reduced and the loss is not recoverable, however the amount of \$465.87 is considered immaterial.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low. Consideration of writing off debts should not be taken lightly and is only recommended when all other avenues for collection have been exhausted to ensure that there is no damage to the Shire's reputation.

Operation – Risk Matrix Rating is assessed as Low. Operational impact is increased should the write-off not occur and further work required for recovery efforts.

Natural Environment – Risk Matrix Rating is assessed as Low.

COMMENT

The Shire aims to ensure that all payments are received by the due date for payment and, through close monitoring of aged accounts, the likelihood of sundry debts becoming unrecoverable is reduced. However sometimes sundry debts to the Shire remain outstanding after the due date for payment.

In attempts to obtain payment, the debtor will be contacted by all and any means necessary. Following the initial invoice, reminder notices will be sent and then overdue notices. Subsequent phone calls,

emails and letters will also ensue, often with multiple attempts. The Shire may engage a debt collection agency and/or legal representative to act on its behalf in taking debt recovery action, however the cost of this often exceeds the initial debt owed.

The attached details the Debtor, the Invoice details and the attempts made for recovery. In each circumstance the amounts owing are too small to warrant collection and the cost of collection is likely to be disproportionate to the amount which is owed. The amounts have not been previously identified and provided for in the Provision for Doubtful Debts and are ultimately found to be uncollectable.

The Committee is requested to recommend to Council to write-off the Sundry Debtor balances as per the **Confidential Attachment (i)**.

ITEM 9 STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

Audit & Risk Committee - Terms of Reference 7.3

9.1 Office of the Auditor General – Cyber Security in Local Government

Report 9: 2021 – 22 24th November 2021 (Attached)

The Auditor General has recently had her Report on Cyber Security in Local Government tabled in State Parliament.

15 local governments were audited for their procedures and performance in protecting against Cyber Threats.

The Auditor General has found significant weaknesses in Policy & Procedures across all the entities tested.

OAG Report including Findings and Recommendations to Local Governments is submitted to the Committee for Noting and Discussion.

Committee discussed the OAG's Recommendation including the following:-

IT Usage Policy

Training on Cyber Security Risks

Testing of IT Disaster Recovery Plan

Current Firewalls in place

ITEM 10 STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES

Audit & Risk Committee - Terms of Reference 7.1, 7.3

10.1 Report on Excess Annual Leave and Long Service Leave

Meeting Date	7 th December 2021
Responsible Officer	EMCS Leah Horton
Reporting Officer	SFO Jodie Yardley
Attachments	Nil
Owner/Applicant	Shire of Quairading
Disclosure of Interest	Nil

OFFICER RECOMMENDATION

RECOMMENDATION: AR11-21/22

MOVED Cr Stacey SECONDED Cr Cowcill

That the Audit and Risk Committee Recommend to Council that: -
Council receive the report on the Shire's Leave Liabilities.

CARRIED 8/0

IN BRIEF

- Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee.
- Not taking a reasonable amount of annual leave or long service leave may pose a threat to the health and safety of employees and represent a significant financial liability for the Shire, therefore there are steps in place to ensure that leave balances are monitored and are at appropriate levels.
- Employee entitlement movements during the year are due to many reasons, such as, leave taken during the period, increased accrued leave balances, increases in remuneration rates and changes in the underlying staff with leave balances transferred to and from the Shire.

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 Leave Management Policy defines "excess leave" as when the Employee has accrued more than eight weeks paid annual leave and provides Management with direction to effectively management the annual and long service leave entitlements of employees.

The Shire encourages employees to take leave by reinforcing the positive benefits of taking leave when it becomes due. Sometimes there are circumstances that prevent leave being able to be taken, such as; staff shortages, outside influences (COVID-19 travel restrictions), and work demands.

There will be movements in employee entitlements throughout the year. Balances will increase naturally as employees accrue leave entitlements and when leave balances are transferred from other Shires. Balances will decrease when employees take leave accrued and when leave balances are transferred to other Shires. This natural fluctuation is monitored by Management and through this report to ensure any excess is managed appropriately.

STATUTORY ENVIRONMENT

Local Government Industry Award 2020

23.6 Excessive leave accruals: general provision

(a) An employee has an **excessive leave accrual** if the employee has accrued more than 8 weeks' paid annual leave (or 10 weeks' paid annual leave for a shift worker, as defined by clause [23.2](#)).

(b) If an employee has an excessive leave accrual, the employer or the employee may seek to confer with the other and genuinely try to reach agreement on how to reduce or eliminate the excessive leave accrual.

Local Government Act 1995

Local Government (Long Service Leave Regulations)

Local Government (Financial Management) Regulations 1996

National Employment Standards

Fair Work Act 2009.

POLICY IMPLICATIONS

Current Policy: Leave Management Policy (ORG.2)

FINANCIAL IMPLICATIONS

Annual and Long Service Leave Reserve Fund Cash Balance as at 30th November 2021 is \$166,410.

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 30th November 2021) is calculated at \$228,723.

STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 – 2031

5. GOVERNANCE AND LEADERSHIP

5.3 Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

5.4 Implement systems and processes that meet legislative and audit obligations

COMMUNITY CONSULTATION

No Community 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 considered Low. Financial exposure and therefore Risk escalation occurs if Leave accruals are not monitored and managed. Adequate Reserve balances reduce the risk of financial exposure.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low.

Operation – Risk Matrix Rating is assessed as Low.

Natural Environment – Risk Matrix Rating is assessed as Low.

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.

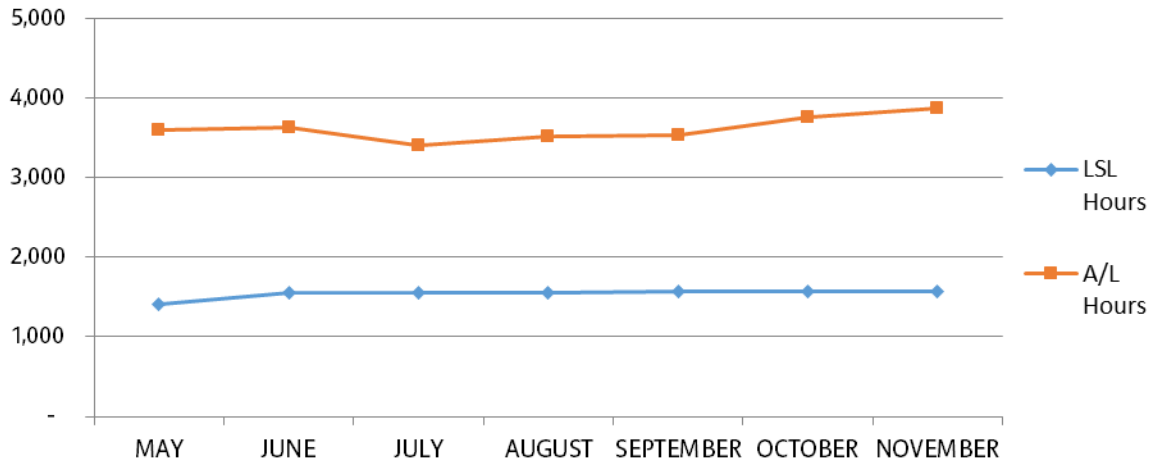
As at the 30th November 2021, two employees have separated, removing their annual leave entitlement upon pay-out, with another two currently not accruing leave as they are absent from work. Currently, there are four employees with excess annual leave, which will reduce during the coming Holiday Period.

Since June 2021, there has been an increase of 6% (in Dollar Value) in the Annual Leave Liability. Six employees have accrued leave balances, we have recruited 4 new employees and two employees have separated, the result exhibits a natural increase during this period where employees have generally taken less Leave to save for the Christmas Holiday Period.

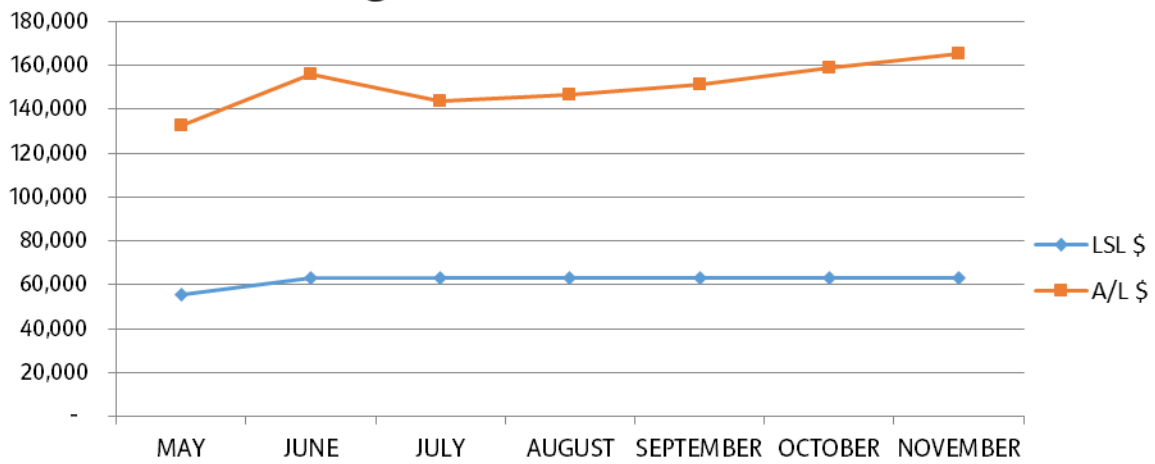
The Long Service Leave Liability has not increased since June 2021. During this period, no employee accrued long service leave.

	<i>LSL Hours*</i>	<i>LSL \$*</i>	<i>AL Hours</i>	<i>AL \$</i>
JUNE	1,555	63,101	3,625	156,032
JULY	1,555	63,101	3,409	144,028
AUGUST	1,555	63,101	3,517	146,512
SEPTEMBER	1,563	63,373	3,536	151,124
OCTOBER	1,563	63,373	3,751	158,754
NOVEMBER	1,563	63,373	3,869	165,350

Accumulated Hours of Leave



Outstanding Accumulated Dollar Value of Leave



ITEM 11 STANDING ITEMS – OTHER

Audit & Risk Committee - Terms of Reference 9.1, 9.2 & 9.5

11.1 Review of Committee Terms of Reference and Performance

Meeting Date	7 th December 2021
Responsible Officer	CEO Graeme Fardon
Reporting Officer	CEO Graeme Fardon
Attachments	(i) GOV.5 Audit & Risk Committee – Revised Terms of Reference
Owner/Applicant	Audit & Risk Committee
Disclosure of Interest	Nil

OFFICER RECOMMENDATION

RECOMMENDATION: AR12-21/22

MOVED Cr Hhipisley SECONDED Cr Cheang

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

1. Council adopt the revised Audit and Risk Committee Terms of Reference.
2. The CEO research and present Committee Performance Measurement options for future Committee consideration.

CARRIED 8/0

IN BRIEF

- This Report recommends that the Committee's Terms of Reference be reviewed to reflect the changing legislative requirements of the Audit and Risk Committee.
- Committee was established by Council in October 2017 for a 2-year term coinciding with the Election Cycle.
- Council has re-established the Committee on the 28th October 2021 with all Councillors being Members of the Committee.
- The Committee Presiding Member has been determined by an Election conducted by the Committee at its Special Meeting on the 25th November 2021.
- The CEO and the EO have reviewed the Terms of Reference and made suggested minor changes (Highlighted in Yellow) to the current Terms of Reference to be considered by Committee before Recommendation to Council.

MATTER FOR CONSIDERATION

The Review of the Audit & Risk Committee Terms of Reference.

BACKGROUND

The primary purpose of an Audit & Risk Committee is to provide oversight of the financial reporting processes, the audit process, the Shire's system of internal controls and compliance with legislation and regulations.

In 2017, amendments to the Local Government Act 1995 were passed by State Parliament enabling the Auditor General to audit local government finances and performance. This Amendment also provided more detail on the role and responsibilities of the Audit Committee.

The amendments to the Act have been supported by changes to the *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations 1996* which were gazetted on the 26th June 2018.

The State Government have not passed Legislation in regard to requiring an Independent Qualified person to also sit on the Audit Committee. However, this has been strongly put forward for discussion by the new Minister for Local Government in the Proposed Reforms of the Local Government Act.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Audit) Regulations 1996

Reg16. Functions of audit committee

An audit committee has the following functions –

- (a) to guide and assist the local government in carrying out –
 - (i) its functions under Part 6 of the Act; and
 - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to –
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under –
 - (i) regulation 17(1); and
 - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government –
 - (i) is required to take by section 7.12A(3); and
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);

- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]

POLICY IMPLICATIONS

In accordance with clause 9.5 of the Audit & Risk Committee Terms of Reference, the committee is required to, at least once a year, to review its own Performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

FINANCIAL IMPLICATIONS

Nil.

STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 - 2031

5. GOVERNANCE AND LEADERSHIP
5.3 Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community
5.4 Implement systems and processes that meet legislative and audit obligations

COMMUNITY CONSULTATION

Public consultation was not relevant to the development of this report.

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

Financial - Risk Matrix Rating is assessed as Low. Councillors Meeting Fees are provided for in Council's Budget. Auditor Fees are provided for in Council's Budget.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. Reputational Risk is mitigated with the effective operation of Council's Audit & Risk Committee and also sound Governance and Financial management in place.

Operation – Risk Matrix Rating is assessed as Low. The annual review process provides a mechanism to ensure good governance of Council's Audit & Risk Committee. The Review process and Committee Structure is part of Council's normal operations.

Natural Environment – Risk Matrix Rating is assessed as Low.

Cr Stacey

Timing of LG Reform given that the Minister has recently announced Submission deadline. WALGA has detailed the timeframe for Councils to provide Comments on each of the Reform Proposals.

The CEO advised that the Local Government Act Reform Summary Paper will be discussed at Council's December 2021 Council Meeting.

Cr McGuinness

Live streaming firmly on the Minister's Reform Agenda.

Cr Hayes

Community Concerns on the lack of battery backup time during the planned Power Outage.

Bank did not reopen due to lack of mobile phone coverage until the power was restored.

Cr Cowcill

Cr Cowcill enquired whether the Swimming Pool Opening Hours could be adjusted to accommodate families with young children with opening earlier mid morning.

CR Hayes provided examples of several Shires who provide morning opening times and then closed during the middle of the day and reopen mid afternoon.

The CEO provided details on Council's Contract with Contract Aquatic Services which states a 7 Hour Opening Period, six days a Week. Any additional hours would be at additional Cost to the Contract Price.

The CEO further explained that the Opening Times had been adjusted this Season by mutual agreement to be 11.30am to 6.30pm.

Cr Smith

Cr Smith reported on an email received from a recent visitor to the Caravan Park and poor experience at the Shire Administration. The EMCS provided additional background information on the Patron's stay at the Caravan Park and interaction at the Shire Administration Front Counter.

The CEO thanked Cr Smith for bringing forward the Patron's correspondence and that Management would ensure that Caravan Park visitors be provided with a high level of Customer Service

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 15th March 2022, commencing at 5.00 pm on at the Council Chambers, 10 Jennaberring Road, Quairading.

Before closing, the Chairperson acknowledged that this was the last Audit & Risk Committee Member for CEO Mr Fardon and thanked him for his valuable input to the Committee over many years.

ITEM 15 CLOSURE

There being no further business, the Chairman closed the Meeting at 6.12 pm.

I certify the Minutes of the Audit & Risk Committee Meeting held on 7th December 2021 were confirmed on 15th March 2022 as recorded on Resolution No. AR14 – 21/22.

Confirmed.......... 15/03/2022