



# Shire of Quairading

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*Audit and Risk Committee Meeting Minutes*

10<sup>th</sup> September 2019

# Disclaimer

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## **Disclaimer**

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# SHIRE OF QUAIRADING

The Quairading Audit and Risk Committee Minutes of the Meeting held on 10<sup>th</sup> September 2019 commencing at 5.08 pm.

## ITEM 1 OPENING & ANNOUNCEMENTS

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The Chairperson opened the Meeting at 5.08 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”.

## ITEM 2 ATTENDANCE AND APOLOGIES

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### Councillors

Cr JN Haythornthwaite	Chairperson
Cr WMF Davies	Shire President
Cr B McGuinness	Deputy Shire President
Cr LR Brown	
Cr TJ Stacey	
Cr PD Smith	

### Council Officers

Mr GA Fardon	Chief Executive Officer
Mr NL Gilfellon	Executive Manager of Corporate Services
Mr A Rourke	Executive Manager of Works & Services
Ms Jodie Yardley	Senior Finance Officer

### Observers/Visitors

Nil.

### Apologies

Cr J McRae	
Mr RM Bleakley	IPR/ Strategic Projects Officer

### Approved Leave of Absence

## ITEM 3 DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

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Nil.

## ITEM 4 DECLARATIONS OF INTEREST

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Councillors to use pro forma declaration of interest handed to Chief Executive Officer prior to meeting or verbal declaration of interest.

Nil.

## ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING

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### 5.1 Confirmation of Minutes – 11<sup>th</sup> June 2019

**RECOMMENDATION: AR01-19/20**

**MOVED Cr McGuinness SECONDED Cr Davies**

That the Minutes of the Audit & Risk Committee Meeting held on the 11<sup>th</sup> June 2019 be confirmed as a true and accurate record of the meeting.

**CARRIED 6/0**

### 5.2 Business Arising

Nil.

ITEM 6      STANDING ITEMS – EXTERNAL AUDIT

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*Audit & Risk Committee - Terms of Reference 7.6*

*Nil to report.*

## ITEM 7      STANDING ITEMS – INTERNAL AUDIT

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*Audit & Risk Committee - Terms of Reference 7.5*

### **7.1 Internal Audit Toolkit Checklist and 2019 OAG Reports**

<b>Meeting Date</b>	10 <sup>th</sup> September 2019
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	EMCS Nathan Gilfellon
<b>Attachments</b>	7.1a Internal Audit Toolkit
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### **RECOMMENDATION: AR02-19/20**

#### **MOVED Cr Stacey SECONDED Cr McGuinness**

That the Audit & Risk Committee recommend to Council:

That Council note the Update Report on the Interim Audit Toolkit Checklist and 2019 Office of the Auditor General Reports.

**CARRIED 6/0**

#### **IN BRIEF**

- The Internal Audit Toolkit Checklist (Checklist) was introduced to assist with the Internal Audit Function and to be undertaken by Council Administration.
- The checklist has been reviewed by Management with responses provided.
- Office of Auditor General (OAG) Reports have been listed with their Recommendations and the Administration's responses.

#### **MATTER FOR CONSIDERATION**

To note the updates on the Internal Audit Toolkit Checklist and OAG Reports.

#### **BACKGROUND**

The Committee's Terms of Reference provides for the following: -

##### 7.1 Internal Audit

- (a) The Audit and Risk Committee shall monitor and review the effectiveness of Council's internal audit function in the context of the Council's overall risk management system. The Audit and Risk Committee shall consider and make recommendations on the program and the adequacy of resources accordance with the relevant professional and legislative requirements and standards.
- (b) The Audit and Risk Committee shall receive executive summary reports on all internal audits and shall review and monitor managements responsiveness to the findings and recommendations of any such internal audit.
- (c) The Audit and Risk Committee shall meet with Management and any internal auditors at least twice per year to discuss any issue arising from any internal audits carried out.
- (d) The Audit and Risk Committee shall monitor and review the selection process for the External Auditor and any Internal Auditor (if appointed). Appointment of any internal auditor is the responsibility of management.

Audit & Risk Committee discussion at its meeting held on the 12<sup>th</sup> June 2018 –

“Executive Staff to provide a Scope for the Internal Audit to the next Meeting of the Audit and Risk Committee.”

## STATUTORY ENVIRONMENT

*Local Government Act 1995*

Local Government (Financial Management) Regulations 1996

Terms of Reference – Audit & Risk Committee (2017)

Local Government (Audit) Regulations 1996

Amendments to the Local Government (Audit) Regulations 1996 came into effect on 8 February 2013 and introduced the following provision

Regulation 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 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.
- (3) The CEO is to report to the audit committee the results of that review.”

## POLICY IMPLICATIONS

Nil.

## FINANCIAL IMPLICATIONS

The review of the Internal Audit Toolkit Checklist and OAG Reports are reviewed and implemented internally and therefore at no extra cost.

If the Shire was to implement an Internal Auditor, there will be a financial cost dependent on the scope of the Audit.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

### Social Objective: Active, healthy, safe and inclusive community

ITEM	OUTCOMES AND STRATEGIES
S2	Healthy community
S2.1	Advocate on behalf of the community for improved access to health
S2.2	Promote public health

### 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

Nil

## **RISK ASSESSMENT**

Financial – Risk Matrix Rating is considered Low. Review and implementation of the Checklist and OAG Reports will allow the Shire to decrease risks associated to financial fraud.

Health – Risk Matrix Rating is considered as Low.

Reputation – Risk Matrix Rating is considered as Low. Reduction in risks that reduce reputation loss including fraud risk and operational risk leading to reputation loss are addressed in the Checklist.

Operation – Risk Matrix Rating considered as Low. Plans mentioned in the Checklist including the Continuity Plan and Disaster Recovery Plan decrease risks of extended interruptions in the operations of the Shire.

Natural Environment – Risk Matrix Rating is considered as Low.

## **COMMENT**

The attached checklist has been implemented as an internal auditing tool. The list has been reviewed by management and will be reviewed on an ongoing basis. The checklist helps management identify areas of weakness and where further work is needed.

This process is not able to replace a normal Internal Audit, as there is no independence from management during the process.

Council has requested to provide a snapshot on actions from reports by the OAG. Listed below are reports received from the OAG during 2019:

### Records Management in Local Government

The report had 4 recommendations.

1. Implement regular and thorough records training
2. Regular reviews of staff recordkeeping practices
3. Timely disposal of records
4. Adequate protection over digital records.

The Shire is currently undertaking improvements with record keeping. Last year with support from Consultant Kim Boulton the Shire implemented a new record keeping system. Following on from this change, in the current year the administration is focusing on the disposal of records. This will begin with staff training in disposal of records in October and will lead to the disposing of non-permanent records. Following this will be improvements in the Shire records keeping process.

Council's Record Keeping Plan is being reviewed and a Revised Record Keeping Plan (including Digital Information) is required to be submitted to the State Records Office by the 28<sup>th</sup> February 2020.

The Shire has also budgeted in the 2019/2020 year for the creation of an IT Strategy, which will also include the method of improving digital records protections.

### Local Government Building Approvals

Recommendations specific to local governments audited.

The CEO and Manager of Health and Building Services are to review the AGO Report to identify if the report's findings are relevant to the Shire of Quairading.

### Verifying Employee Identity and Credentials

The report has 7 recommendations:

1. Have approved policies and procedures for verifying employee identity and credentials which cover:

- using a 100-point identity check
  - criminal background checks, based on the risks associated with the position
  - periodic monitoring of existing employees
2. Assess the positions which may require a criminal background or working with children check and ensure that these requirements are clearly documented in position description forms
  3. For high risk positions, or positions where there is an ongoing requirement to hold a license or professional qualification, obtain regular declarations from employees that there is no significant change in their circumstances
  4. Ensure that sufficient documentary evidence is obtained prior to appointment which supports an employee's:-
    - identification and right to work in Australia;
    - professional qualifications and memberships;
    - criminal background or capacity to work with children (where necessary);
  5. Perform appropriate referee checks for all potential employees and ensure that all employees' reference checks are retained in their employee or recruitment file;
  6. Develop a procedure for monitoring the expiry dates of licenses, certificates or working with children checks so that they can be followed up with the employee close to expiry date; and
  7. Perform periodic criminal background checks for positions which require it.

In 2018 the Shire has implemented a 'new employee' checklist that incorporates many of the recommendations above. The checklist has been used for several new employees. The recommendations above and lessons learnt from the employee's inducted through the new system will be used to conduct a review. The areas noted to be improved are 100 point identity checks, "Right to Work in Australia" checks and the creation of a new periodic checklist to regularly check licenses, professional qualifications, working with children checks and criminal background checks.

#### Fraud Prevention in Local Government

This report has 7 recommendations.

1. Should assess fraud risks across their business
2. Develop a Fraud and Corruption Control Plan and review it at least once every 2 years,
3. Develop and implement a periodic fraud awareness training program for all staff
4. Ensure that all conflicts of interest are recorded
5. Assessed and appropriate management plans are in place
6. Have policies and procedures in place to verify the identity and integrity of employees and suppliers
7. Document clear internal processes and systems to report any potential fraud, that include anonymous reporting and collect and analyze information received about potential fraud to identify any trends or emerging issues

The Shire has already implemented systems to assess changes to suppliers in order to detect fraud. Managers have also discussed the risks of fraud with their staff. The other recommendations from the report are currently being reviewed.

#### Management of Supplier Master Files

This report has 8 recommendations.

1. Have policies and procedures that include comprehensive guidance for employees to effectively manage supplier master files
2. Ensure that all additions or amendments to supplier master files are subject to a formal independent review to confirm validity and correctness
3. Regularly review employees' access to create or amend supplier master files to prevent any unauthorised access, and ensure adequate segregation of duties between those amending the master files and those approving payments
4. Ensure all key information is input at the time of creating a new supplier record
5. Apply consistent naming conventions for supplier records, to avoid suppliers being registered under multiple names
6. Ensure that documentary evidence is retained for all additions and amendments to supplier master files and there is a record of the reason for amending the supplier record
7. Include a requirement for a formal and periodic internal review to identify incomplete, incorrect, duplicate or redundant supplier records
8. Ensure any actual, potential or perceived conflicts of interest are declared and effectively managed, and that relevant employees are not involved in the procurement from, or management of supplier records in respect of their related suppliers.

The Shire has a checking system when entering new or changed banking details that includes a segregation of duties. Bank details are checked for each supplier before any payment is made. Administration has incorporated an increased process to identify all changes of bank details which involves a secondary check to confirm details. Administration is underway with the improvement of supplier details held and the process to enter supplier details.

## ITEM 8      STANDING ITEMS – FINANCIAL REPORTING

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### **8.1      WANDRRA**

The Report on the Outstanding WANDRRA Claims as at the 31<sup>st</sup> August 2019 was noted.

## ITEM 9 STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

*Audit & Risk Committee - Terms of Reference 7.2*

### 9.1 Audit Regulation 17 – Review Report 2019

<b>Meeting Date</b>	10 <sup>th</sup> September 2019
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	CEO Graeme Fardon
<b>Attachments</b>	9.1a Risk Dashboard Report – July 2019
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil.

#### **RECOMMENDATION: AR03-19/20**

#### **MOVED Cr McGuinness SECONDED Cr Brown**

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

1. Note the results of the Chief Executive Officer's review on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance; and
2. Note that the implementation of the improvements outlined within the report will be prioritised and implemented in a staged approach.

**CARRIED 6/0**

#### **IN BRIEF**

For the Audit and Risk Committee to review the Chief Executive Officer's report on the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance and to report to the Committee the results of the review.

#### **BACKGROUND**

The Local Government (Audit) Regulations 1996, Regulation 17, requires the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance.

#### **STATUTORY ENVIRONMENT**

##### ***Local Government Act 1995***

7.13. Regulations as to audits<sup>29</sup>

- (1) Regulations may make provision as follows —
  - (aa) as to the functions of a CEO in relation to —
    - (i) a local government audit; and
    - (ii) a report (an **action report**) prepared by a local government under section 7.12A(4)(a); and
    - (iii) an audit report; and
    - (iv) a report on an audit conducted by a local government under this Act or any other written law;
  - (ab) as to the functions of an audit committee, including in relation to —

- (i) the selection and recommendation of an auditor under Division 2; and
  - (ii) a local government audit; and
  - (iii) an action report; and
  - (iv) an audit report; and
  - (v) a report on an audit conducted by a local government under this Act or any other written law;
- (ac) as to the procedure to be followed in selecting an auditor under Division 2;
- [(ad) deleted]*
- (ae) as to monitoring action taken in respect of any matters raised in an audit report;
- (a) with respect to matters to be included in an agreement in writing (**agreement**) made under section 7.8(1);
  - (b) for notifications and reports to be given in relation to an agreement, including any variations to, or termination of an agreement;
- (ba) as to a copy of an agreement being provided to the Department;
- (c) as to the manner in which an application may be made to the Minister for approval as an auditor under section 7.5;
- (d) in relation to approved auditors, for the following —
- (i) reviews of, and reports on, the quality of audits conducted;
  - (ii) the withdrawal by the Minister of approval as an auditor;
  - (iii) applications to the State Administrative Tribunal for the review of decisions to withdraw approval;
- (e) for the exercise or performance by auditors of their powers and duties under this Part;
- (f) as to the matters to be addressed in an audit report;
- (g) requiring an auditor (other than the Auditor General) to provide the Minister with prescribed information as to an audit conducted by the auditor;
- (h) prescribing the circumstances in which an auditor (other than the Auditor General) is to be considered to have a conflict of interest and requiring an auditor (other than the Auditor General) to disclose in an audit report such information as to a possible conflict of interest as is prescribed;
- (i) requiring local governments to carry out, in the prescribed manner and in a form approved by the Minister, an audit of compliance with such statutory requirements as are prescribed whether those requirements are —
- (i) of a financial nature or not; or
  - (ii) under this Act or another written law.
- (2) Regulations may also make any provision about audit committees that may be made under section 5.25 in relation to committees.

## **Regulation 17 of the 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**

Organisational Risk Management and Committee Terms of Reference apply.

## **FINANCIAL IMPLICATIONS**

This review was performed internally and therefore there has been no direct cost. However, there has been an indirect cost due to the time taken to complete the review by the CEO and relevant Staff.

## **STRATEGIC IMPLICATIONS**

Strategic Community Plan 2017 – 2027 applies  
Long Term Financial Plan applies  
Corporate Business Plan 2017-2021 applies.

## **COMMUNITY CONSULTATION**

N/A

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

**Financial** – Risk Matrix Rating determined as Low

**Health** – Risk Matrix Rating determined as Low.

**Reputation** – Risk Matrix Rating is determined as Low. Reputational Risk level is mitigated through the Periodic Testing and Reviews of Council's Compliance, Risk Management and Internal Controls of Procedures and Processes.

**Operation** – Risk Matrix Rating determined as Low. Review completed "in house" with existing Resources.

**Natural Environment** – Risk Matrix Rating determined as Low.

## **REVIEW REPORT**

### **Risk Management**

The Risk Management functions of the local government should manage the creation and protection of value within the Shire of Quairading. Effective risk management improves performance, encourages innovation and supports the achievement of objectives.

Internal control and risk management systems and programs are a key expression of a local government's attitude to effective controls.

Good audit committee practices in monitoring internal control and risk management programs typically include:

- Reviewing whether the local government has an effective risk management system and that material operating risks to the local government are appropriately considered;
- Reviewing whether the local government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;

- Assessing the internal processes for determining and managing material operating risks in accordance with the local government's identified tolerance for risk, particularly in the following areas;
  - potential non-compliance with legislation, regulations and standards and local government's policies;
  - important accounting judgements or estimates that prove to be wrong;
  - litigation and claims;
  - misconduct, fraud and theft;
  - significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Obtaining regular risk reports, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Reviewing the effectiveness of the local government's internal control system with management and the internal and external auditors;
- Assessing whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- Assessing the local government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Should the need arise, meeting periodically with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertaining whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented, communicated; and
- Monitored and there is regular reporting and ongoing management of fraud and misconduct risks.

Council reviewed and adopted its Risk Management Policy on the 20<sup>th</sup> December 2018.

Council's Executive Management Team, with support from the Technical Services Officer and relevant key staff have conducted an extensive review of Council's Risk Management System and Risk Dashboard which was initially developed in conjunction with the LGIS Risk Management Team in 2017.

The latest Review was conducted over 2 Workshop Sessions held on the 10<sup>th</sup> July 2019 and the 23<sup>rd</sup> July 2019. The Workshops assessed the Risks and Mitigating Actions and also Results / Outcomes since the last Desktop Review in 2017.

The following areas were assessed: -

- Asset Sustainability Practices
- Business & Continuity Disruption
- Failure to fulfil Compliance Requirements
- Document Management Processes
- Employment Practices
- Engagement Practices
- Environment management
- Errors, Omissions and Delays

- Management of Facilities/Venues /Events
- External Theft and Fraud (inc Cyber)
- Misconduct
- Project / Change Management
- IT or Communications Systems and Infrastructure
- Supplier / Contract management
- Safety and Security Matters

Please refer to the attached "Risk Dashboard Report – July 2019" for a Risk Assessment Overview and Action Plan for each of the above stated Risk Areas.

### **Internal Control**

Is the systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organisation to; conduct its business in an orderly and efficient manner, safeguard its assets and resources, deter and detect errors, fraud, and theft, ensure accuracy and completeness of its accounting data, produce reliable and timely financial and management information, and ensure adherence to its policies and plans. Internal control is a key component of a sound governance framework, which uses instruments such as policies, delegations, authorisations, audit practices, information systems and security, management and operation techniques and human resource practice to create a network of control mitigation to maintain appropriate levels of risk.

An effective and transparent internal control environment is built on the following key areas:

- **Integrity and Ethics**

Council's Code of Conduct was last reviewed and Adopted on 26<sup>th</sup> July 2018. All Councillor's and Staff have received copies of the revised 'Code of Conduct and were required to sign that they had read and acknowledged the Code of Conduct.

- **Policies**

Council's Policy Framework and Policy Review work was undertaken in 2 Stages with Council adopting the Framework in December 2018.

New and Reviewed Policies were considered and adopted by Council at Meetings held on 27<sup>th</sup> September 2018 and 20<sup>th</sup> December 2018.

- **Levels of Responsibilities and Authorities - Delegated Authority**

Council conducts an Annual Review of the Delegated Authorities granted to the CEO and Council Committees. The Delegations were last reviewed and adopted by Council in February 2019. All Delegations and Sub Delegations are in writing and are reviewed at least annually.

- **Audit Practices**

Council's Auditor's UHY Moore Stephens are engaged for a three (3) Year Term concluding with the Annual Financial Statements for the Year ended 30<sup>th</sup> June 2020. Audit methodology and Memorandum for the Audit is provided by the Auditor prior to each year's Interim and Final Audit.

### **External**

The Shire has undertaken interim and final external Audits with no significant issues being identified within the previous 3 years.

### **Internal**

Administration utilises an internal audit checklist to improve processes in the Shire. The Audit and Risk Committee have deemed this process acceptable over a normal Internal Audit process.

The following are examples of controls reviewed by the CEO and the Executive Management Team:-

**Separation of roles and functions, processing and authorisation;**

Separation of Duties have been implemented in the processing of Invoices with a 2 out of 3 process for the raising of purchase orders and the receiving and authorising of Invoices. All manual financial transactions involve a separate Approver, other than the creator of the financial transaction.

**Limit of direct physical access to assets and records. Control of computer applications and information system standards;**

Access is limited to Shire Staff. It is recommended to improve access by only allowing access to staff in specific areas that are deemed necessary.

**Regular maintenance and review of financial control accounts and trial balances;**

Reconciliations are conducted monthly with a review by a supervising officer. This has been extended to general journals and fuel allocations in the past year.

Through the EMCS and the CEO, there have been continued improvements since October 2018 in the Control and Review Processes undertaken during the Month and also at Month End.

**Comparison and analysis of financial results with budgeted amounts;**

Analysis and explanations are provided in Monthly Reports. Both the CEO and EMCS review the variations.

**Arithmetical accuracy and content of records;**

All reporting is checked by a Supervisor before being entered into and processed in the accounting system.

**Comparison of the result of physical cash and inventory counts with accounting records.**

Cash is reconciled daily and checked by a separate person. Inventories are reconciled monthly with two checks on the physical inventory conducted and a final check being conducted on the reconciliation of the physical and financial amounts.

**Overview**

The Financial Management Review was undertaken by Council's Consultant Moore Stephens in April/May 2018. The Report was reviewed by the Audit & Risk Committee on the 12th June 2018 and formally received by Council on the 28th June 2018.

Council's Monthly Financial Statements are presented to and received by Council at each Ordinary Council Meeting.

The Chairperson of the Audit & Risk Committee independently reviews the List for Payments and Supporting Documentation prior to each Council Meeting.

In the 2018/19 Year Council conducted Budget Reviews in November 2018 and February/March 2019 to ensure that the Budget was reflective of Council's Programmes and Projects for the Year ended 30th June 2019.

Significant improvements have been made to the format and presentation of the Monthly Financial Statements since October 2018, which provides a clearer representation of Trends and Progress of Actuals to Budgets (both in Operating and Capital Areas).

## **Legislative Compliance**

Involves monitoring compliance with legislation and regulations, reviewing the annual Compliance Audit Return, staying informed about how management is monitoring the effectiveness of its compliance, reviewing procedures which handle complaints, monitoring the local governments compliance framework, obtaining assurances against adverse trends, reviewing statutory and financial returns and other evaluating, monitoring and problem solving against significant compliance issues.

The compliance programs of a local government are a strong indication of attitude towards meeting legislative requirements. Audit committee practices in regard to monitoring compliance programs typically include:

### Monitoring compliance with legislation and regulations:

Reviewing the Annual Compliance Audit Return and reporting to Council the results of that review:

The Annual Compliance Audit Returns have been completed and considered each year by the Audit & Risk Committee and Council in accordance with the Local Government Act and Regulations.

The Annual Compliance Return for the period 1st January 2018 to the 31st December 2018 was completed by the CEO and submitted on the 12<sup>th</sup> March 2019 Audit & Risk Committee Meeting with recommendation made to the Council Meeting on the 28th March 2019.

In accordance with the Act the Statutory Compliance Audit Return was submitted to the DLGSC on the 29<sup>th</sup> March 2019.

Council and the Audit Committee noted Compliance with the exception of the Undertaking and Reporting by the CEO on Regulation 17 of the Local Government (Audit) Regulations.

### Complaint Processes

Reviewing whether the local government has procedures for it to receive, retain and treat complaints, including confidential and anonymous employee complaints;

Council has a Policy on Complaints and Grievances which is available to all Councillors and Staff. Council's Policies will also be published on Council's Website.

The Policy was adopted by Council on 29th June 2017 and was reviewed on 20th December 2018. The CEO considers that the Policy remains current and effective.

### Management disclosures in financial reports of the effect of significant compliance issues

All Reports to Council include both Statutory and Financial Implication Sections and any identified impacts / risks to Council's Financial Position and in particular, impact upon the Current Operating Surplus Ratio.

## **Report Conclusion**

The CEO has reviewed the Shire's systems in relation to risk management, internal controls and legislative compliance and has deemed that the processes are appropriate and effective however some process are deemed to require continued improvement and review and have been identified in the Risk Dashboard and the Internal Audit Checklist provided.

## 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

<b>Meeting Date</b>	10 <sup>th</sup> September 2019
<b>Responsible Officer</b>	EMCS Nathan Giffellon
<b>Reporting Officer</b>	SFO Jodie Yardley
<b>Attachments</b>	Nil
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### **RECOMMENDATION: AR04-19/20**

#### **MOVED Cr Davies SECONDED Cr Stacey**

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

Council receive the report on the Shire's Annual Leave and Long Service Leave Liabilities as at the 31<sup>st</sup> August 2019.

**CARRIED 6/0**

#### **IN BRIEF**

- Information shows the current Annual and Long Service Leave for the 2019/20 Financial Year by Month.
- There are no Employees with Excess Leave entitlements.

#### **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 8 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 8 week’s 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 31<sup>st</sup> August 2019 is \$202,830. The Projected Closing Balance as at the 30<sup>th</sup> June 2020 of \$205,721.

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 31/08/2019) is calculated at \$250,582.

## 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 31<sup>st</sup> August 2019, 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 new Employee will have Long Service Leave Liabilities as at the 6<sup>th</sup> September 2019. Council will write to this Employee and requires a response by the 6<sup>th</sup> November 2019.

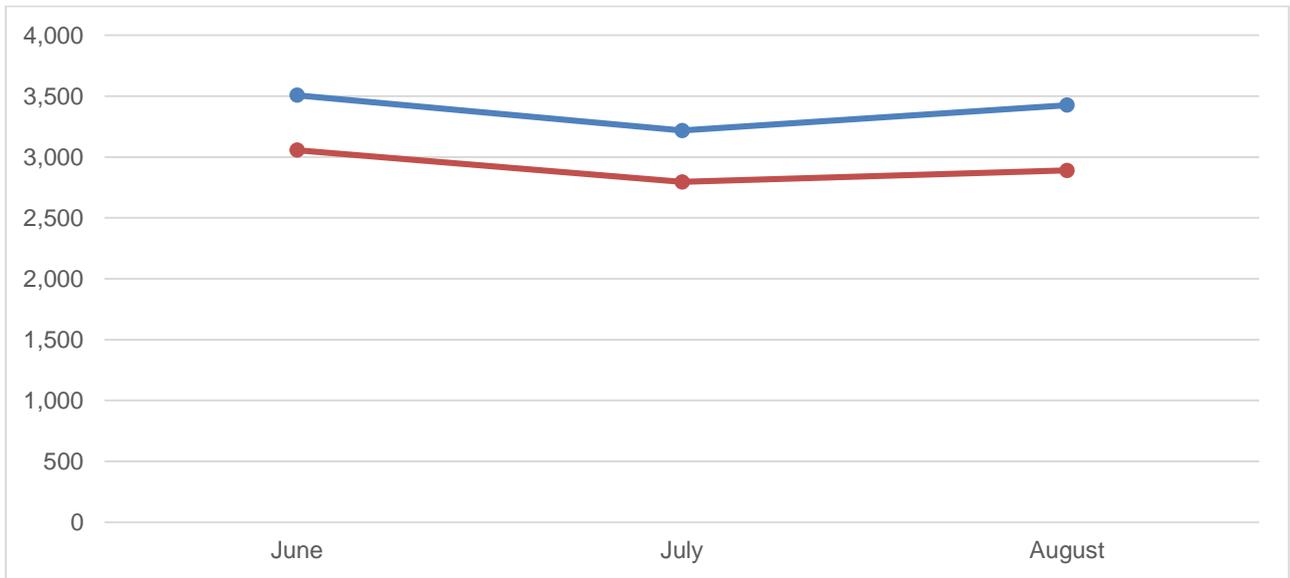
Since the commencement of the 2019/20 financial year, there has been a significant reduction of 7.95% (in Dollar Value) in the Annual Leave Liability through a combination of Separations and current staff taking accrued Annual Leave.

The Long Service Leave Liability has reduced by 1.77% (in Dollar Value) since June 2019.

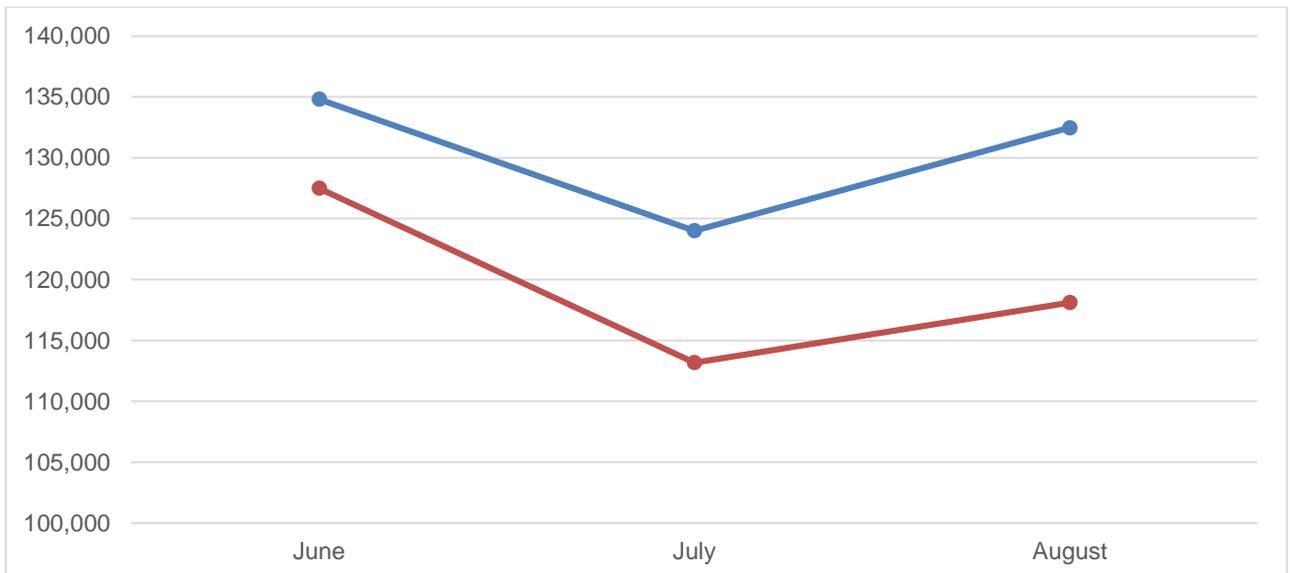
The decrease in July is due to payouts following the separation of two employees with Leave Entitlements. August Leave increased when an Employee returned to work from leave.

	<b>LSL Hours</b>	<b>LSL \$</b>	<b>AL Hours</b>	<b>AL \$</b>
<b>June</b>	3,507	134,820	3,056	127,501
<b>July</b>	3,218	124,006	2,795	113,180
<b>August</b>	3,426	132,468	2,890	118,114

### ACCUMULATED HOURS OF LEAVE



### ACCUMULATED DOLLAR VALUE OF LEAVE



## ITEM 11 STANDING ITEMS – OTHER

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### *Audit & Risk Committee - Terms of Reference 9.2*

#### **11.1 Medical Practice Comparison Report**

<b>Meeting Date</b>	10 <sup>th</sup> September 2019
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	EMCS Nathan Gilfellon
<b>Attachments</b>	11.1a Medical Practice Long Term Financial and Patient Number Comparison
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil.

#### **RECOMMENDATION: AR05-19/20**

#### **MOVED Cr Brown SECONDED Cr McGuinness**

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

The Medical Practice Financial Statements and Patient Visitation Data (with historical data and trends) be received.

**CARRIED 6/0**

#### **IN BRIEF**

- Council owns and operates the Quairading Medical Practice.
- GP Clinical Services are provided under a Contract Arrangement.
- Council provides an Annual Budget Provision for the operation of the Medical Practice.
- Council receives all revenue associated with the Medical Practice. This will change once the new Private Practice Model begins.
- The six (6) monthly reviews by the Audit and Risk Committee will ensure an additional level of scrutiny and a process to monitor trends. Due to the change to a Private Practice Model this review will no longer be possible.
- Financial and Patient Visitation Information beyond the last 5 years have been added to provide greater context to the trends.
- The patient's figures have been included to add additional information.

#### **MATTER FOR CONSIDERATION**

Medical Practice Financial and Patient Visitation Number Comparisons for the last five (5) financial years including the full 2018/19 year.

#### **BACKGROUND**

At the February 2018 Ordinary Meeting, Council directed that the Deputy Chief Executive Officer provide the Audit and Risk Committee with detailed financial records on the Medical Practice income and expenditure on a six (6) monthly basis for the last 3 years.

The analysis is designed to identify any noticeable trends for the Medical Practice and strategies that could be utilised to reduce Council's financial exposure and risk in this Activity Area.

In the December 2018 Audit and Risk Meeting, the dates of reporting have been shifted to the closest Committee meeting after the end of each six-month period.

## STATUTORY ENVIRONMENT

Nil.

## POLICY IMPLICATIONS

Nil.

## FINANCIAL IMPLICATIONS

Council had an original budget of an Operating Shortfall of \$165,000. The budget review changed this amount to \$199,000.

The Operating Shortfall as at as at 30<sup>th</sup> June 2019 is \$198,774. This is in line with the budget review however is over the original budget. Due to the size of the operational deficit the shortfall of the Medical Centre has a large impact on the Operating Surplus Ratio.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2017 - 2027

### Social Objective: Active, healthy, safe and inclusive community

ITEM	OUTCOMES AND STRATEGIES
S2	Healthy community
S2.1	Advocate on behalf of the community for improved access to health
S2.2	Promote public health

### 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

The Medical Practice and Health Services in general was identified as a High Priority in Council's Community Engagement Process (March 2017).

## RISK ASSESSMENT

Financial – Risk Matrix Rating is considered as Medium Risk. Risk level assessed due to the withdrawal of various Grant / Subsidy Programs previously included in the Practice Income and the ongoing trend of an increasing Operating Shortfall.

Health – Risk Matrix Rating is considered as Low Risk. Public Health Risk will escalate for the Community if the Medical Practice (with GP's) is not operating in a sustainable and effective manner.

Reputation – Risk Matrix Rating is considered as Low Risk. Heightened risk identified as Community expectation of a continuing Medical Service in the District is High. Reputational Risk if Medical Practice / GP availability is not maintained.

Operation – Risk Matrix Rating considered Low Risk. Operation of the Medical Practice and GP Contractor Model is incorporated into Council's operations and budgets. Further Monitoring and Liaising role through Council's Medical Executive Committee.

Natural Environment – Risk Matrix Rating is considered as Low Risk.

## COMMENT

The attached patient's analysis shows the full year and shows a decrease in the level of patients and the income received (income achieved includes Consultation fees and Government Grants and Subsidies for operation).

Operating Expenditure has been closely monitored by the Practice Manager/s during the past year and is within Operating Budget except for higher employment costs from the payout of staff entitlements. This is expected to be reduced by between \$9,000 and \$10,000 following end of year provision calculations and bring employment costs to around \$8,000 to \$9,000 over budget.

Practice Nurse has been on Parental Leave for the year to date and correspondingly Practice Nurse Incentive Program (PNIP) income has largely not been received.

Also included with this Report is the Patient/Income Analysis on a Monthly basis from July 2018 to June 2019. This reflects that the average number of Patients seen per month is 412 Billable Patients (both at the Surgery and the Hospital). The 12-year Average for Patients seen per Month is 476 Patients and 4-year Average is 450 Patients per Month.

Over the 12 years there has been a steady overall population (est.1020 Persons) but with an increasingly Ageing Community and a community with many on Welfare / Pension Benefits.

Note that the Practice Nurse Incentive Program (PNIP) and the GP Rural Incentives Program (GPRIP) will be transitioned to the Workforce Incentive Program effective 1<sup>st</sup> July 2019. The Medical Practice is already registered for the PNIP Stream of this Funding.

Over the past few months the Shire has been working to develop a new model for the Medical Practice. In the new model the GP is contracted to provide services and will collect all income from the practice other than grants from the employment of a Practice Nurse. Due to this the Shire will not have access to Patient and Income figures and therefore no further report on Patients numbers or income will be able to be provided.

### **12.1 Roe Tourism Association**

*Refer to attachment provided by the Quairading CRC.*

The meeting was provided with the background to Council's previous withdrawal from the Roe Tourism Association given that it was considered by Council that the Association did not have clear direction or strategy.

The meeting noted that there had been significant work undertaken at a local and regional level on Tourism Strategies and supported the CEO preparing a Report to September 2019 Council Meeting on the proposal to re-join the Roe Tourism Association.

### **12.2 Audit and Risk Committee Meeting Terms of Reference Review**

The meeting noted that the Review of the Terms of Reference Review item of the Audit and Risk Committee is scheduled for the next Meeting on 10<sup>th</sup> December 2019.

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 10<sup>th</sup> December 2019, commencing at 5.00pm at the Council Chambers, 10 Jennaberring Road, Quairading.

The Chairperson thanked the Councillors and the Staff for their attendance and participation during the last two years of the Committee.

ITEM 15 CLOSURE

There being no further business, the Chairman closed the Meeting at 5.46 pm.

I certify the Minutes of the Audit & Risk Committee Meeting held on 10<sup>th</sup> September 2019 were confirmed on 10<sup>th</sup> December 2019 as recorded on Resolution No. \_\_\_\_\_-19/20.

Confirmed..... 10/12/2019