



Audit & Risk Committee Meeting

Notice of Meeting | 12th September 2023

Dear Councillors

I respectfully advise that the AUDIT & RISK COMMITTEE MEETING will be held in the Council Chambers, 10 Jennaberring Road, Quairading, WA on 12th September 2023 commencing at 5.00pm

MEETING AGENDA ATTACHED

Nicole Gibbs

CHIEF EXECUTIVE OFFICER

Date: 08 September 2023

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.

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SHIRE OF QUAIRADING

Audit & Risk Committee Meeting

ITEM 1 OPENING & ANNOUNCEMENTS

The Chairperson opened the Meeting at _____ pm.

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

Council Officers

Ms NJ Gibbs	Chief Executive Officer
Ms SE Caporn	Executive Manager, Works & Services
Ms NJ Ness	Executive Manager, Economic Development
Ms M Haeusler	Executive Officer

Observer/Visitor

Nil

Apologies

Ms T Brown	Executive Manager, Corporate Services
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Leave of Absence Previously Granted

Nil

ITEM 3 DEPUTATIONS/PRESENTATIONS/SUBMISSIONS/PETITIONS

Nil

ITEM 4 DECLARATIONS OF INTEREST

Elected Members in accordance with section 5.61 and 5.65 of the Local Government Act 1995 and the *Local Government (Model Code of Conduct) Regulations 2021* Schedule 1 Division 4 regulation 22:

A member who has an interest in any matter to be discussed at a Council or Committee meeting that will be attended by the member must disclose the nature of the interest -

- a. in a written notice given to the CEO before the meeting; or
- b. at the meeting immediately before the matter is discussed.

Local Government employees in accordance with section 5.70 or 5.71 of the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996* Part 4A Division 2, regulation 19AD:

An employee who has an interest in any matter to be discussed at a council or committee meeting attended by the local government employee disclose the nature of the interest —

- a. in a written notice given to the CEO before the meeting; or
- b. at the meeting immediately before the matter is discussed.

ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING

5.1 Confirmation of Minutes: Audit & Risk Committee Meeting – 13 June 2023

OFFICER RECOMMENDATION

That the Minutes of the Audit & Risk Committee Meeting held on the 13 June 2023 be confirmed as a true and accurate record.

The minutes for the Audit & Risk Committee Meeting were provided to Council under separate cover. The minutes can be found out www.quairading.wa.gov.au.



BUSINESS ARISING

ITEM 6 STANDING ITEMS – EXTERNAL AUDIT**6.1 2022/2023 Financial Audit - Office of the Auditor General (OAG)**

Responsible Officer Nicole Gibbs, Chief Executive Officer

Reporting Officer Tricia Brown, Executive Manager, Corporate Services

Attachments

1. Attachment (i) Letter to Minister [↓](#) 
2. Attachment (ii) Audit Progress Register [↓](#) 

Voting Requirements Simple Majority

Disclosure of Interest Reporting Officer:

Responsible Officer:

OFFICER RECOMMENDATION

That the Audit & Risk Committee recommend to Council, that Council:

1. Notes the Letter to the Minister in respect to the Information Systems Audit – State Government 2021-22 informing of the Significant Finding from 2021-2022 Audit - Attachment (i),
2. Receives the Audit Register, for progress to be reported quarterly through the audit register – progress report Attachment (ii)
3. Notes that the Auditors commence the Final Audit for 2022-2023 on the 30th October 2023 to the 1st November 2023 onsite.

IN BRIEF

- AMD Chartered Accountants (AMD) have been contracted by the Office of the Auditor General (OAG) to perform the Shire's financial report audit on the OAG's behalf for a 3-year period, which commenced with the audit for the year ended 30 June 2021.
- The 2022/2023 pre-audit (entrance) Meeting was conducted with Tim Partridge, Director of AMD; Caitlin McGowan, OAG Representative Director; Jo Haythornthwaite, Audit & Risk Chairperson and Executive Staff on the 6th June 2023. This meeting was conducted via teams online meeting.
- The Interim Audit has been completed by AMD, through offsite work and an onsite audit visit from 1-3 May 2023. The interim management letter showing four new findings and recommendations was received from OAG on 8th June 2023.
- Management provided comments on the findings and recommendations which were incorporated into the interim management letter which was received from the OAG on 8th June 2023.
- Any matters raised in the interim management letter are to be addressed by management and reported to the Audit and Risk Committee through the audit register progress report.

MATTER FOR CONSIDERATION

The final Audit for 2022-2023 is to commence onsite on the 30th October 2023 to the 1st November 2023.

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 Office of the Auditor General (OAG) to contract out some or all 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.

AMD Chartered Accountants (AMD) have been contracted by the OAG to perform the Shire's financial report audit for a 3-year period, commencing with the audit for the year ended 30th June 2021 (prior year audit). The audit occurs in two steps; the first being an interim audit, with the second (final) stage being the audit work to attest the balances and notes that comprise the annual financial statements.

Bob Waddell and Associates have been engaged to complete the Shire's Annual Financial Statements for the year ended 30th June 2023 and is expected to be completed by the 30th September 2023.

The annual interim audit of Council's financials for the audit year ending 30th June 2023 was conducted in an onsite visit from 1-3 May 2023, with minimal offsite work completed by AMD for a week following the May visit. An entrance meeting via Teams was conducted on 6th June 2023. The draft Interim Management Letter was received by the Shire on 8th June 2023, with seven findings being listed in the attachment. One of these findings was discussed with AMD prior to the release of the interim letter and was subsequently removed.

On 8 May 2023 we received a letter from Department of Local Government, Sport and Cultural Industries pertaining to significant items in performance audit tabled in Parliament in the *Information Systems Audit – Local Government 2021-2022* and a Letter to the Minister has been provided addressing these issues (Attachment (i)). The Information Systems Audit does not indicate a specific area that the Shire of Quairading may have significant matters in, so The Shire of Quairading has addressed these items as a whole IT approach.

Staff have met this week with the IT Service Provider to ensure progress is being made to ensure all the recommendations are being met. Our response will be tabled at the next Audit & Risk meeting.

STATUTORY ENVIRONMENT

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

Australian Accounting Standards

International Financial Reporting Standards

POLICY IMPLICATIONS

Purchasing Policy

Delegation 1.1.13: Payments from the municipal or trust funds

Records Management Policy

Significant Accounting Policies

Delegations Register

FINANCIAL IMPLICATIONS

Council has a budget allocation of \$32,000 in the 2023/24 budget for the conduct of the external audit function by the Office of the Auditor General (OAG), for the audit of the 2022/23 annual financial statements. It is anticipated that a budget of similar amount is to be adopted each year but will be subject to an annual estimate of audit fees provided by the OAG. Officers' efforts to undertake the improvements and report on progress have not been estimated or reported.

ALIGNMENT WITH STRATEGIC PRIORITIES

- 5.3 Governance & Leadership:** Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community
- 5.4 Governance & Leadership:** Implement systems and processes that meet legislative and audit obligations

CONSULTATION

Nil.

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

Financial misconduct by (a) a Shire employee, and (b) an executive/office holder results in financial, legal and/or reputational damage.

Misconduct (non-financial) by a Shire employee results in financial, legal and/or reputational damage.

RISK ASSESSMENT

	Option 1
Financial	Low <i>Cost of the audit is included in the budget. The audit’s purpose is not to uncover any financial fraud, however having strong financial processes, as raised in the management report can reduce the risk of this occurring.</i>
Health	Low
Reputation	Low <i>Compliant with legislative requirements. Failure to complete the annual financial audit would lead to increased reputational risk and possible actions by the OAG.</i>
Operations	Low <i>Council’s Management and administration staff assist AMD by providing all information and documents requested. Operational impact is minimal in reporting progress on audit findings, however the operational impact of not closing findings would be significantly higher if conditions escalated.</i>
Natural Environment	Low

	Consequence				
Likelihood	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

COMMENT

The management comment provided by the CEO and EMCS notes the OAG finding and agrees to review this with Council and Executives for the financial year ended 30 June 2023. It is understood that this is a new focus of the OAG with multiple small, regional local governments having the same finding in their audit reports. As this finding is significant, Council will need to ensure that it is an area of focus whilst the economic conditions remain fluctuating.

The CEO and EMCS will continue to report on progress of audit findings through the Audit Progress Register that is submitted to the Audit and Risk Committee and recommended to Council.



Your Ref: Information Systems Audit – Local Government 2021-22

Our Ref: Audit 2021-2022

6th September 2023

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E: shire@quairading.wa.gov.au

Hon John Carey BA(Hons) MLA
Minister for Housing and Local Government
7th Floor, Dumas House,
2 Havelock Street,
WEST PERTH WA 6005
(Via: Minister.Carey@dpc.wa.gov.au)

Dear Hon Minister,

2021/22 Annual Audit – Reporting of Significant Matters

As required by Section 7.12A of the *Local Government Act 1995* (LGA) we wish to report to you the significant matter that has been tabled in Parliament on the Information Systems Audit – Local Government 2021-2022 which identified the Shire of Quairading as having significant system issues.

Finding

As raised in prior years, our observations, and enquiries in respect to the information technology environment at the Shire of Quairading confirmed the following:

- No formal signed agreement in place with the current external IT service providers;
- No specific employee IT Usage Policy is in place; and
- Although a disaster recovery plan is in place, a copy is not retained off site, and has not been tested

Rating: Significant

Implication

Risk of:

1. Lack of formal agreement in respect to critical services provided by external IT service provider;
2. Lack of documentation and guidance in respect to IT usage expectations; and
3. Business disruption in the event of unforeseen disaster.

Recommendation

We recommend:

1. A formal signed agreement outlining the services to be provided and costings be entered into with the current external IT service providers, we further recommend that

all agreements entered into with third parties include confidentiality clauses to ensure confidentiality of Shire records;

2. A formal IT Usage policy be developed for adoption by the Shire and communicated to all employees; and

Disaster recovery plan be retained off site, and periodically tested.

Management comment

Management acknowledges the recommendation.

1. The Shire and it's service provider have signed a formal ICT Managed Services Agreement for the provision of IT Services, effective 1st September 22 to 30th June 2026.

The Shire and it's service provider have also formally written an ICT Strategic Plan 2022-2025 which provides direction for addressing both short and long term requirements for cost-effective, practical technological Solutions. This outlines the current and future budget costings and expectations of the technical environment today and going forward. This document provides for Industry 'Best Practice' in various performance areas, eg Antivirus, Domain and Internet Gateways. This is currently in draft form and is expected to be adopted by Council at the September 2023 Ordinary Council Meeting.

Once adopted by Council this will be the Shire's informing document in relation to ICT Management and will also drive our Disaster Recovery Plan. Our Disaster Recovery Plan is expected to be reviewed once our ICT Strategic Plan has been adopted and dedicated testing of the Disaster Recovery Plan will be conducted.

2. Our IT service providers and the Shire will be providing continual Cyber Awareness Training in 23/24 for all employees. This training platform continually tests employees based on frequency rather than a once-off test. This will be an automated platform which will train employees at a comfortable pace appropriate to their risk profile. This Training Platform will also provide IT Usage guidelines to our employees.

Should you require further information or clarification on the above, please contact me via email, nicole.gibbs@quairading.wa.gov.au or call 08 9645 2400.

Yours sincerely,



Nicole Gibbs
CHIEF EXECUTIVE OFFICER

Audit Register Report for ARC (Shire of Quairading)

ARC Meeting 13 June 2023

Count	Finding	Audit Type	Report Date	ARC	Finding	Business Issue	Risk Rating	Risk Rating	Implication	Recommendation	Agreed Management Action	Responsible Officer	Completion Date (Due)	Officer Comment / Action Taken	Date of Comment	% Complete	Status	Closed Tally
1	FIND008	EA - Interim Audit	08/2022	13/09/22	Purchase Orders	During our sample testing of the procurement and payments testing, there were 8 instances out of a sample of 22 where purchase orders were raised after the supplier invoice was raised.	S	Significant	Where a purchase order is raised after the supplier invoice is received, there is no evidence that the ordering of goods or services was approved prior to ordering.	We recommend that the requirement for compliance with the Shire's purchasing policy is communicated to all staff and monitored by management to ensure purchase orders are raised and approved by the appropriate delegated authority prior to the purchases being made.	1. Noted. Prior to the commencement of the interim audit, the Shire of Quairading engaged a new executive management team, including a new Chief Executive Officer, new Executive Manager Corporate Services and new Executive Manager Works & Services. Upon recognising the flaw with regard to the raising of purchase orders, the new Executive Management Team enacted immediate training to all staff, including by reiterating the importance of purchase orders in terms of an audit trail. A review of the purchasing policy was completed in early 2022 with the revised policy adopted at the March Ordinary Council Meeting (OCM). Management continue to communicate to all relevant staff on the requirement for purchase orders to be raised and approved, prior to purchases being made by an authorised delegated officer, and the importance for purchases to be made in accordance with the adopted purchasing policy. In addition, the organisation is transitioning from SynergySoft to Altus modules, one of which being procurement. This module was scheduled for implementation during 2022/23 year however will now form part of the 2023/2024 financial year and will add a level of compliance for the raising of requisitions and purchase orders to comply with the Shire's purchasing policy.	Tricia Brown - Executive Manager Corporate Services	31/07/22	Significant turnover has continued since the date of the interim audit, and therefore the Shire is continuing to train new staff and new management on procurement practices. Onboarding on the Altus procurement module has been delayed to accommodate the more urgent onboarding of the Altus content and payroll modules. The Altus procurement module is expected to be operational in early 2023.	25/11/22	50%	Open	
														The Altus procurement module has been configured and is in the final steps of implementation with roll-out to staff through training and supplementary documentation. Finalisation of the module was expected in March 2023. This is now scheduled for the 23-24 FY	7/03/23	90%		
														This finding has been raised again in the 2022/23 interim findings. During the review 4 batch payments were tested and 10 instances identified where purchase orders were raised after the supplied invoice was raised. Staff have again been advised of the importance of raising the PO in a timely manner and our Creditors Team has now been tasked with ensuring significant checking in this area and alerting management to the persons responsible so staff can be managed individually if needed.	9/06/23	75%	Open	
														This is a continuing process. The SFO is responsible for ensuring PO's and invoices are correct prior to processing. Feedback from Councillor Haythornwaite is a noticed improvement	9/06/23	75%	Open	
2	FIND009	EA - Interim Audit	08/2022	13/09/22	Information Technology Environment	As raised in prior years, our observations and enquiries in respect to the information technology environment at the Shire of Quairading confirmed the following: 1. No formal signed agreement in place with the current external IT service providers; 2. No specific employee IT Usage Policy is in place; and 3. Although a disaster recovery plan is in place, a copy is not retained off site, and has not been tested.	S	Significant	Risk of: 1. Lack of formal agreement in respect to critical services provided by external IT service provider; 2. Lack of documentation and guidance in respect to IT usage expectations; and 3. Business disruption in the event of unforeseen disaster.	We recommend: 1. A formal signed agreement outlining the services to be provided and costings be entered into with the current external IT service providers, we further recommend that all agreements entered into with third parties include confidentiality clauses to ensure confidentiality of Shire records; 2. A formal IT Usage policy be developed for adoption by the Shire and communicated to all employees; and 3. Disaster recovery plan be retained off site, and periodically tested.	1. Noted. Prior to the commencement of the interim audit, the Shire of Quairading engaged a new executive management team, including a new Chief Executive Officer, new Executive Manager Corporate Services and new Executive Manager Works & Services. Upon recognising that an IT contract was not in place, a request for quote (RFQ) was sent to prospective service providers. The RFQ closed on July 2022, with four submissions being received. In early August 2022, the preferred provider was chosen to be Wallis Computer Solutions and a formal signed agreement will be finalised by 31 August 2022 2. Noted. A formal IT usage policy will be developed as a matter of priority in collaboration with Wallis Computer Solutions. This will be in place by 30 September 2022. 3. Noted. The current disaster recovery plan is retained off site, but had not yet been tested due to the lack of a formal service agreement with an ICT provider. This plan now requires an upgrade in response to the planned server upgrade. The new server is planned to go live by approximately 30 September 2022, the disaster recovery plan will then be updated, retained offsite and tested by 30 November 2022.	Tricia Brown - Executive Manager Corporate Services	30/11/22	1. A formal signed agreement with Wallis Computer Solutions has been finalised, with the date of 31 August 2022. 2. Onboarding of the new ICT provider, Wallis, has taken considerably more time than anticipated for various reasons, however in particular due to the need for a new server and the review of compliance around licences and OAG requirements. This has delayed the formal IT Usage policy in being developed. This will be looked at in early 2023. 3. Onboarding of the new ICT provider, Wallis, has taken considerably more time than anticipated for various reasons, however in particular due to the need for a new server and the review of compliance around licences and OAG requirements. This has delayed the review and testing of the disaster recovery plan. This will be looked at in early 2023.	25/11/22	40%	Open	

Audit Register Report for ARC (Shire of Quairading)

ARC Meeting 13 June 2023

Count	Finding	Audit Type	Report Date	ARC	Finding	Business Issue	Risk Rating	Risk Rating	Implication	Recommendation	Agreed Management Action	Responsible Officer	Completion Date (Due)	Officer Comment / Action Taken	Date of Comment	% Complete	Status	Closed Tally
								Moderate						1. Complete 2. Discussions with Wallis have commenced relating to the formal IT usage policy. Now that onboarding is complete, Wallis will start work on this. 3. Discussions with Wallis have commenced relating to the disaster recovery plan. Now that onboarding is complete, Wallis will start work on this.	7/03/23	50%		
								Moderate						1. ICT Strategic Plan is nearing completion, final changes are being completed by EMCS and Eallis with these expected to be finalised for Sept OCM. EMCS to follow up further and create an IT Usage Policy. Integrated Training on Cyber Security with Wallis to be implemented	6/09/23	85%		
3	FIND010	EA - Interim Audit	06/2021	14/09/21	Review of Business Plans	From our enquiries it was noted that the Corporate Business Plan and the Business Continuity Response Plan were both due for review in 2021, however at the time of our audit no review had been carried out.	M	Moderate	Risk of outdated business plans not reflecting current strategies implemented by the Shire.	We recommend these out of date Business Plans be reviewed and updated accordingly.	1. Noted. The current executive management team inherited many outdated strategies and plans and are making a concerted effort to ensure each is updated accordingly. The Corporate Business Plan and Business Continuity Plan will be reviewed as a matter of priority.	Nicole Gibbs - Chief Executive Officer	30/09/22	The Business Continuity Policy (with the Plan contained within) was reviewed, amended and adopted by Council at the July 2022 OCM. The Corporate Business Plan review is pending. Unfortunately, competing priorities within the small Shire mean the document is incomplete. However, our target date for completion is the February 2023 OCM.	29/11/22	100%	Closed	
														The Corporate Business Plan was adopted by Council at the March 2023 Ordinary Council Meeting (OCM).	7/03/23	95%		
4	FIND012	EA - Interim Audit	06/2021	14/09/21	Daily Banking Exceptions	Our observations identified the following in relation to the daily banking: - one instance from our sample selection of 20, of the Daily banking reconciliation not being signed by the preparer as evidence of completion of the reconciliation; and - three instances where the banking was carried out in excess of 1 day of receipt of the funds.	M	Moderate	Increased risk of fraud or error occurring in respect of daily banking.	We recommend: - Daily banking reconciliations be signed by the preparer prior to independent review; and - Daily banking be carried out within one business day of the receipt of funds.	1. Noted. There has been significant staff turnover in this area and the lapse has been due to a miscommunication during training. Management have again communicated to all relevant staff on the importance of dual signatures by preparer and approver. 2. Noted. There has been significant staff turnover in this area and the administration team has often been short-staffed. The Shire has a practice to ensure staff safety by not leaving any one staff member in the administration building alone during business hours, this has meant that sometimes the banking was unable to be completed within one business day. There was also a circumstance where the local branch was closed due to a power outage in town. Regardless, Management have communicated to relevant staff the importance of banking monies received within 1 day of receipt.	Tricia Brown - Executive Manager Corporate Services	31/07/22	Significant turnover has continued since the date of the interim audit, and therefore the Shire is continuing to train new staff on the practices relating to daily bankings.	25/11/22	50%	Open	
														No further findings on this matter have been found since the 2021/22 interim audit and all front counter staff have been retrained. It is expected that this finding is now closed.	7/03/23	50%		
														This finding has been raised again in the 2022/23 interim findings. One instance from a sample of 20, the daily banking reconciliation not being signed by the preparer and on additional instance from the sample of 20 where the daily banking reconciliation not being signed by the reviewer and four instances where banking was carried out in excess of 1 day of receipt of the funds. There has been significant changes in staff in the CSO role and further training will be completed for those staff. With the lack of staff there have been instances where the banking has not been able to be taken to the bank as it is not considered safe for 1 staff member to be left alone in the premises.	9/06/23	75%		
													Staff have been vigilant in EOD practices to ensure checking and signing off has been completed. EMCS has seen improvement with further training completed on the EOD procedures.	6/09/23	80%			

Audit Register Report for ARC (Shire of Quairading)

ARC Meeting 13 June 2023

Count	Finding	Audit Type	Report Date	ARC	Finding	Business Issue	Risk Rating	Risk Rating	Implication	Recommendation	Agreed Management Action	Responsible Officer	Completion Date (Due)	Officer Comment / Action Taken	Date of Comment	% Complete	Status	Closed Tally
		EA - Interim Audit	8/06/2023		General Journals	Our general journal testing of 8 general journals identified 8 instances (being 100% of the total tested) where general journals were not signed as evidence of independent review		Moderate	The absence of independent review of general journals increases the risk of error and omissions not being detected in a timely manner. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulation 1996.	We recommend: - that all general journals are signed as evidence of independent review	1. Noted. Where general journals are required to perform the functions of the EMCS position General Journals have both been created and finalised without further approval as being the head of the finance team. Where possible other staff members that can raise the journals they will with the EMCS signing the approval.	Tricia Brown - Executive Manager Corporate Services	30/06/23	In order to rectify the risk I propose that a monthly check by the CEO be performed for all journals raised within the respective month. This will form part of our End of Month Process and the record will be signed and retained for future Audit.	9/06/23	75%		
														EMCS Creating template for CEO sign off for all Journals to be viewed. Paperwork to be retained for Audit.	6/09/23	80%		
		EA - Interim Audit	8/06/2023		CEO - Missing Credit Card Invoices	During our review of 100% of the expenditure on the CEO credit card, we noted 3 occasions where no tax invoice was retained as support for purchases made on the CEO credit card, and one instance where a statutory declaration was completed, however no amount was included to support the purchase made on the CEO credit card.		Moderate	Lack of support for purchases made on the CEO credit card which could lead to misappropriation of Shire assets.	We recommend: - that all supporting tax invoices are retained to verify purchases made and should a statutory declaration be required for missing invoices, the amount of the purchase to be included on the form.	1. Noted. To ensure all receipts are retained and where not possible complete a Statutory Declaration for the missing receipt and should include the amount of the purchase on the declaration.	Chief Executive Officer - Executive Manager Corporate Services	30/06/23	Complete a Statutory Declaration where no invoice has been retained.	9/06/23	75%		
														Contunial Review - SFO to ensure all receipts are included for Reconciliation - Imprvment by CC Holders	9/06/23	75%		
		EA - Interim Audit	8/06/2023		Terminated Employee Checklist	We noted that a Termination checklist was not completed for the employee (Shannon Wruck) selected for testing from the list of employees terminated between July 2022 and March 2023.		Minor	Non-completion of the termination checklist may not provide an opportunity to the employees to discharge their obligation to the Shire (e.g. failure to return the Shire's assets and having their systems and network access disabled). This not being completed correctly or on a timely basis may also result in an overpayment of wages and superannuation that is not able to be recovered by the Shire.	We recommend: - the termination checklist is completed upon termination for all employees and signed off once completed.	1. Noted. We have been without a staff HR member for a number of months and Executive Management had to take the employment of employee on themselves. Items have been overlooked however this employee had been on maternity for over 12 months and had not been part of the staffing team within the office for that time.	Tricia Brown - Executive Manager Corporate Services	30/06/23	New HR employee is now sorting correct processes for onboarding and termination of employees and organising the correct paperwork to align with guidelines. All staff to be onboarded and terminated using the same paperwork.	9/06/23	75%		
		EA - Interim Audit	8/06/2023		Non-Compliance with the Local Government (Financial Management) Regulations 1996	We identified the following instance of non-compliance with the Local Government (Financial Management) Regulations 1996: -The 30 June 2023 Budget was adopted by Council on 25 August 2022 and submitted to the Department on 7 October 2022 (not submitted within 30 days).		Minor	Risk of non-compliance with reporting requirements and legislative requirements.	We recommend: - a compliance calendar be utilised to ensure all key reporting dates as per the Local Government Act and Regulations are complied with.	1. Noted. Compliance Calendar required to include all Reporting Dates for legislative requirements	Tricia Brown - Executive Manager Corporate Services	30/06/23	All keys dates to be added to the EMCS Calendar to ensure all legislative reporting requirements are made on time.	9/06/23	75%		

ITEM 7 STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES**7.1 Report on excess annual leave and long service leave entitlements**

Responsible Officer	Nicole Gibbs, Chief Executive Officer
Reporting Officer	Tricia Brown, Executive Manager, Corporate Services
Attachments	Nil
Voting Requirements	Simple Majority
Disclosure of Interest	Reporting Officer: Responsible Officer:

OFFICER RECOMMENDATION

That the Audit & Risk Committee recommends to Council that; Council receive the report on the Shire's leave liabilities.

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

Receipt of the 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

Fair Work Act 2009

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Work Health & Safety Act 2020

POLICY IMPLICATIONS

Leave Management Policy

FINANCIAL IMPLICATIONS

The Employee Entitlements (Annual and Long Service Leave) reserve fund cash balance as of 31 May 2023 is \$171,302.47

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 May 2023) is calculated at \$124,980.25.

There is currently surplus in the reserve account in comparison to the liability accrued of \$46,322. This will be reviewed through the finalisation of the 22/23 annual financial report, with a recommendation to keep the funds in surplus in this reserve for future leave liabilities as some employees' long service leave entitlements will start to accrue as they meet the legislative threshold.

ALIGNMENT WITH STRATEGIC PRIORITIES

- 5.3 Governance & Leadership:** Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community
- 5.4 Governance & Leadership:** Implement systems and processes that meet legislative and audit obligations

CONSULTATION

Nil.

RISK MANAGEMENT PRIORITIES

This report addresses the following identified Strategic Risk Management Priorities:

Non-compliance with work health and safety legislation increases the risk and potential liability to the public, staff and Councillors.

Work health and safety legislation increases liability of Councillors and Executive (personal wealth and assets) in the management of Bushfire and Volunteer Fire and Rescue Services Brigades.

Low employee retention increases recruitment costs, decreases employee morale and decreases Shire reputation.

RISK ASSESSMENT

	Option 1
Financial	Low <i>Financial exposure and therefore risk escalation occurs if Leave accruals are not monitored and managed. Adequate reserve balances reduce the risk of financial exposure.</i>
Health	Low
Reputation	Low
Operations	Low <i>Impact to operations where employees with excess leave are requested to take leave. This can be mitigated by agreement of mutually acceptable timeframes for taking leave that are not during heavy workload times.</i>
Natural Environment	Low

	Consequence				
Likelihood	Insignificant	Minor	Moderate	Major	Critical
Rare	LOW Accept the risk Routine management	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Unlikely	LOW Accept the risk Routine management	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review
Possible	LOW Accept the risk Routine management	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review
Likely	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	HIGH Quarterly senior management review	EXTREME Monthly senior management review
Almost certain	MEDIUM Specific responsibility and treatment	MEDIUM Specific responsibility and treatment	HIGH Quarterly senior management review	EXTREME Monthly senior management review	EXTREME Monthly senior management review

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 of 31 July 2023, there has been moderate change overall to the annual leave and significant change to long service leave liabilities, reflective of several employee movements (separations and additions) since the previous report 13 June 2023.

Annual Leave: Once employee has reduced his excess leave however will need monitoring over the coming months to ensure not going to into excess again.

There are currently no employees with excess annual leave. There are however 5 employees which will require monitoring in the next few months to reduce the risk of excess leave being accrued. Their manager will be advised of the impending excess.

There has been a decrease of 16% (dollar value) in the annual leave liability since May 2023.

Long Service Leave: There is a second employee now entitled to long service leave.

There has been an increase of 164% (dollar value) in the long service leave liability since May 2022.

The following table show the fluctuations in the accrued hours and dollar values of both annual leave and long service leave over the period of January 2022 to 31 July 2023.

Month	LSL Hours	LSL \$	A/L Hours	A/L \$
January 22	1,552	58,708	3,282	135,728
February 22	1,552	58,708	3,213	132,665
March 22	1,600	65,929	3,412	149,101
April 22	1,619	66,465	3,223	142,510
May 22	1,619	66,465	3,340	147,293
June 22	765	29,969	2,899	123,503
July 22	370	15,095	2,700	114,979
August 22	370	15,095	2,643	112,809
September 22	370	15,355	2,796	125,527
October 22	370	15,355	2,589	113,594
November 22	370	15,355	2,580	113,941
December 22	399	17,129	2,677	122,011
January 23	380	16,568	2,545	118,286
February 23	380	16,568	2,448	116,018
March 23	380	16,568	2,508	117,305
April 23	380	16,568	2,371	107,734
May 23	399	10,158	2,579	118,058
June/July	790	26,861	2386	98,119

ITEM 8 EMERGING ISSUES/LATE ITEMS

ITEM 9 NEXT MEETING DATE

The next Audit & Risk Committee Meeting is scheduled to take place on Tuesday 14 November 2023 commencing at 5.00pm in the Council Chambers, 10 Jennaberring Road, Quairading, WA.

ITEM 10 CLOSURE

There being no further business, the Chairperson closed the Meeting at _____ pm.