



AUDIT COMMITTEE MEETING

AGENDA

20 June 2019

**14 White Street
Brookton, WA 6306**

2.00	pm	COMMENCEMENT OF MEETING
3.00	pm	CLOSURE OF MEETING



NOTICE OF MEETING

AUDIT COMMITTEE MEETING

20 June 2019

**14 White Street
Brookton, WA 6306**

Dear Councillor, Resident or Ratepayer,

Notice is hereby given that the Audit Committee Meeting of the Brookton Shire Council will be held on 20 June 2019 in the Council Chambers at the Shire Administration Centre commencing at 2.00 pm.

The business to be transacted is shown in the Agenda.

Ian D'Arcy
CHIEF EXECUTIVE OFFICER
17/06/2019

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1.06.19 DECLARATION OF OPENING / ATTENDANCE

2.06.19 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

3.06.19 PUBLIC QUESTION TIME

4.06.19 CONFIRMATION OF PREVIOUS MINUTES

That the minutes of the Audit Committee meeting held in the Shire of Brookton Council Chambers, on 21 February 2019 be confirmed as a true and correct record of the proceedings.

5.06.19 DECLARATIONS BY MEMBERS AND OFFICERS

Members and Officers to declare Financial, Proximity or Impartiality Interests & submit forms to the Chief Executive Officer at the commencement of the meeting and also prior to the item.

Disclosure of Financial & Proximity Interests

- Members must disclose the nature of their interest in matters to be considered at the meeting. (Sections 5.60B and 5.65 of the *Local Government Act 1995*).
- Employees must disclose the nature of their interest in reports or advice when giving the report or advice to the meeting. (Sections 5.70 and 5.71 of the *Local Government Act 1995*).

Disclosure of Interest Affecting Impartiality

- Members and staff must disclose their interest in matters to be considered at the meeting in respect of which the member or employee has given or will give advice.

6.06.19 REVIEW OF ORGANISATIONAL STRUCTURE

File No:	N/A
Date of Meeting:	20/06/2019
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Ian D'Arcy – Chief Executive Officer
Authorising Officer	As above
Declaration of Interest:	The author has an interest in this item being responsible for the operations of the Shire
Voting Requirements:	Simple majority
Previous Reports:	Nil

Summary of Item:

This item relates to a review of the Organisational Structure, and takes into account the needs of the organisation from a workforce perspective to deliver on the service and regulatory compliance functions projecting forward for the next 12 months.

For reference, a copy of the Organisational Structure - May 2018 is presented as **Attachment 6.06.19A**, while the revised Organisational Structure - June 2019 is presented at **Attachment 6.06.19B**.

The most prominent change in the revised Organisational Structure is the proposed creation of a new position, being a proposed 'Process Compliance Officer', and an increase in hours for the 'Community Liaison Officer' position.

It is promoted that both positions operate on a full time basis to meet increasing demands and achieve relative performance and efficiency measures moving forward.

Description of Proposal:

As above.

Background:

In May 2018 the Council considered and adopted an Organisational Structure that promoted a number of changes. This included:

- A full time Manager for Infrastructure and Regulatory Services 5 days per week (new position);
- A full time Projects and Grants Officer position for IPR 5 days per week increased from a part time Project Officer role 2 days per week (existing position);
- A fulltime Manager of Community Services at 5 days per week being changed to a part time Community Liaison Officer for 3 days per week on understanding the position may increase in hours based on its effectiveness (existing position).

The Council accepted the above changes, but when considering further 2018/19 budget it was requested one fulltime General Hand (Gardner) position be waived. This culminated in the position and existing employee at the time being made redundant. In all, the effect was a reduced Full Time Employee (FTE) count of 22, inclusive of two part-time positions making up 1.0 FTE and General Hand (Gardening) position being removed.

Since this time there has been:

- Further change-over of staff, with adjustment in remuneration and benefits;
- The need to default to casual employment in some areas; and

- A reduction in salary and wages expenses for the 2018/19 financial year, with an actual expenditure of approximately \$1.55m, down some \$300,000 from the budget allocation of \$1.84m for the year;
- A concerted effort to curb expenditure due to an under allocation of operational funding for Kalkarni of approximate \$450,000 to avoid a significant deficit at the end of this financial year.

However, over the past year there has been a change to the auditing regime under the Office of the Auditor General (AOG), now responsible for detailed oversight of the organisation's functions performance. This has yielded 17 recommendations in relation to operational performance and compliance, and an emphasis on Council through the Audit Committee being more integral its oversight on organisational performance, compliance and continuous improvement.

In summary, the predominant areas of focus from the auditing in year one has been:

- Financial performance and accountability;
- Risk management and cyber security;
- Operational contingency and preparedness for disruption;
- Process controls and procedural documentation to address accountability, efficiency and theft/fraud;
- Major capital projects and contractual arrangements (ie Kalkarni).

As mentioned, this has identified multiple areas for improvement, as recommended by the OAG and accepted by Council and the CEO, with responsibility placed on the Audit Committee for oversight of progress in implementing the recommendations.

As for the second (current) year, the focus of auditing has subsequently shifted to:

- Employee leave entitlements (including provision of annual and long service leave);
- Fair value and impairment of Shire assets (mainly plant and equipment as of 2018/19);
- Recruitment of management positions (includes recruitment processes, qualifications against stated roles and related delegations);
- Kalkarni Aged Care Operations (includes accounting treatment and disclosures by Baptistcare and KPMG);
- Management of Rates (with emphasis on review the pensioner deferrals certification).

In light of this increase in auditing and acceptance of improvement there is now an increase in administrative work load, there is a need to further review the Organisational Structure with the view to enhancing administrative capacity.

Consultation:

Consultation has occurred with various officers regarding adjustment to the Organisational Structure to elevate the hours for the Community Liaison Officer Position, and create a new Process Compliance Officer position.

Statutory Environment:

This item aligns to the municipal budget and more particularly the allocation of salaries and wages as part of this process under Section 6.2 (1) of the *Local Government Act, 1995*.

Relevant Plans and Policy:

This matter aligns to:

- The Shire of Brookton Workforce Plan 2015 which is pending review; and
- Council Policy 2.32 – Employee Remuneration. Since this Policy was introduced there has been

adjustment to employee remuneration to generally align all positions to Local Government Industry pay scales and conditions as positions become vacant and are filled.

Financial Implications:

As part of the budget preparation to accommodate the revised Organisational Structure, there is a projected increase in the Salaries and Wages allocation from \$1,837,681 in 2018/19 to \$1,905,291 in 2019/20 draft budget, representing an increase in the coming financial year of \$67,610.

This increase is accommodating of:

- One new position being the proposed Process Compliance Officer position;
- Increase in hours for the Community Liaison Officer position from 3 to 5 days per week;
- Allowance of 2.3% CPI across the staff wages (except Senior Employees on a specific employment contracts); and
- Allocation for casual hours to cover various leave requirements.

Risk Assessment:

There is a significant risk if the Organisational Structure is not aligned to contemporary needs and requirements across service delivery and statutory compliance. With additional burden continuing to be imposed by the State Government (including accountability and transparency measures), and enhanced expectation from the local community for the Shire to do more, there is a need for Council to invest in and adjust its human resource capacity to effectively meet these needs.

Community & Strategic Objectives:

There are no specific implications relevant to the Strategic Community Plan 2027 or the Corporate Business Plan 2021.

Comment

Importantly, part of the budget deliberations is for Council to consider improving performance and responding to demands placed on the Shire.

More recently, these demands have come from:

- A higher level of auditing and performance requirements;
- Present deficiency and back log in fulfilling a range of tasks; and
- The need for continuous organizational improvement to drive higher efficiency, productivity and accountability as promoted by the AOG.
- An improved level of engagement with the Community through the IPR/Innovations Pathway processes with a pressing need to offer a greater level of support and advice to community groups and organisations.

This has given rise to the need for a Process Compliance Officer position being created to perform the following functions:

- Design administrative systems and internal procedures - This applies to all organisational areas involving collaboration with key staff and contractors, and includes collation of procedures and process manual for ease of reference.
- Perform an internal audit functions - This is at the discretion of the CEO and/or the Audit Committee to review performance on statutory and other functions against regulatory and policy requirements, which is to include a reporting and accountability framework to ensure compliance requirements are being addressed to a satisfactory standard.

- Monitor and report on licenced functions – This involves monitoring of performance and completion of statutory returns lodged with government agencies, such as the Department of Water and Environmental Regulation and Department in relation matters like sewerage and general waste.
- Oversee and facilitate Occupational Health and Safety – This includes review of policy, procedures and reporting arrangements as required by legislation, as well as measures of education and training in collaboration with LGIS.
- Assist in other matters – This includes management of risk and associated compliance measures, effective preparation of grant acquittals, and performing project administration at a local or regional level as directed within the scope of the position and employee’s ability.
- Assist in the performance of future responsibilities – This refers to new functions to be imposed on Local Government, such as the Local Health Plan and Container Deposit Scheme, where there will be a need to prepare, implement and report on these additional responsibilities of compliance.

Similarly, in continuing the works performed by the Community Liaison Officer (including future initiatives and projects coming through the Innovations Pathway) and need for Council to have a suitability trained and competent Emergency Recovery Co-ordinator, as required by the *Emergency Management Act 2005*, the view held is that the emergency recovery function be included in the Community Liaison Officer Position Description (PD) to compliment the part time Emergency Management Officer position. This would ensure, in the interest of preparedness, both positions are designated to perform certain tasks across emergency management, and the respective employees in these positions are adequately skilled and co-ordinated to respond to a major/catastrophic event.

OFFICER’S RECOMMENDATION

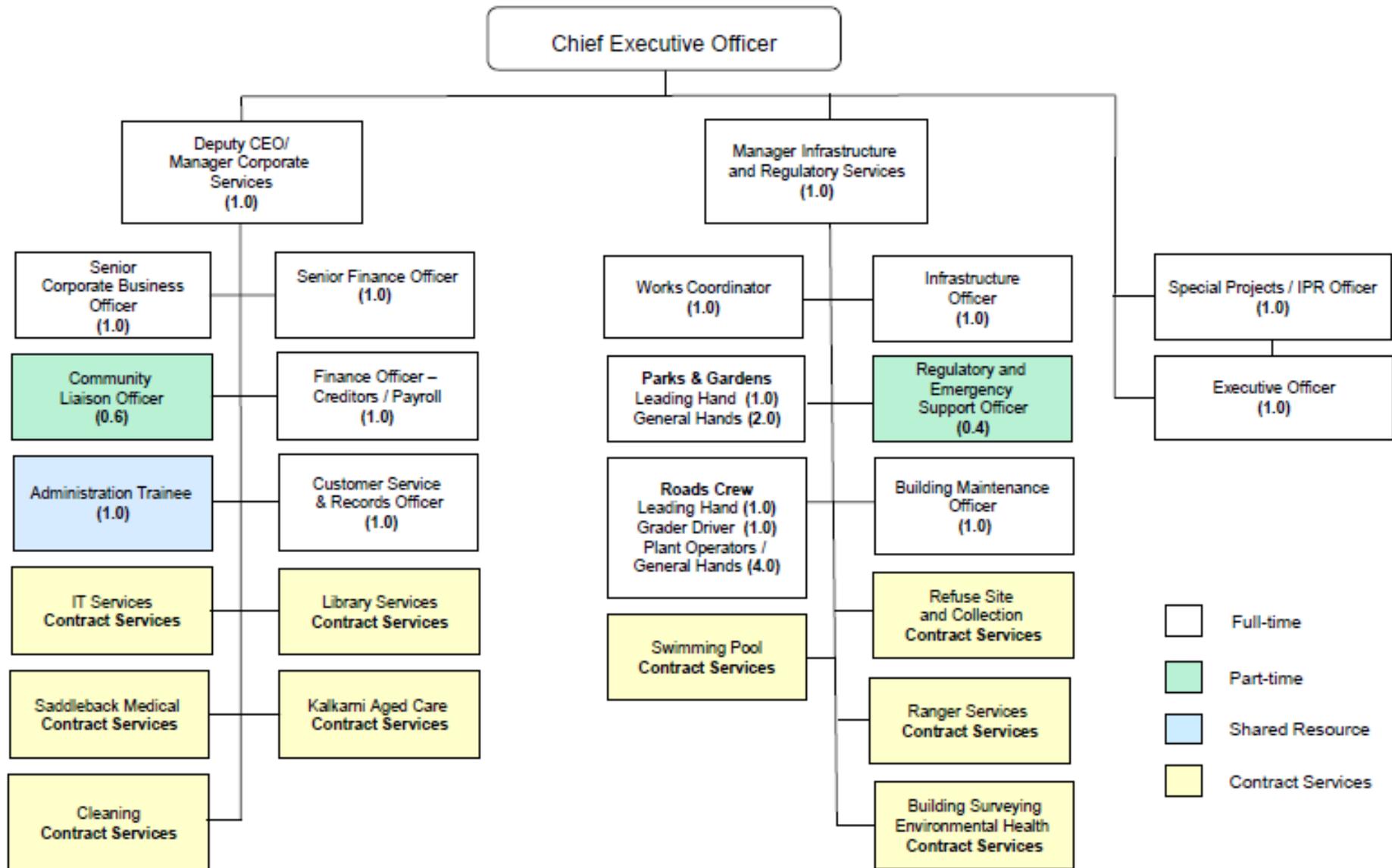
That the Audit and Risk Committee endorse the revised Organisational Structure - June 2019, as presented in Attachment 6.06.19B to this report, inclusive of a new Process Compliance Officer position and an increase in hours for the Community Liaison Officer position, with the Salary and Wages allocation in the draft 2019/20 Budget to reflect these changes.

Attachments

Attachment 06.06.19A

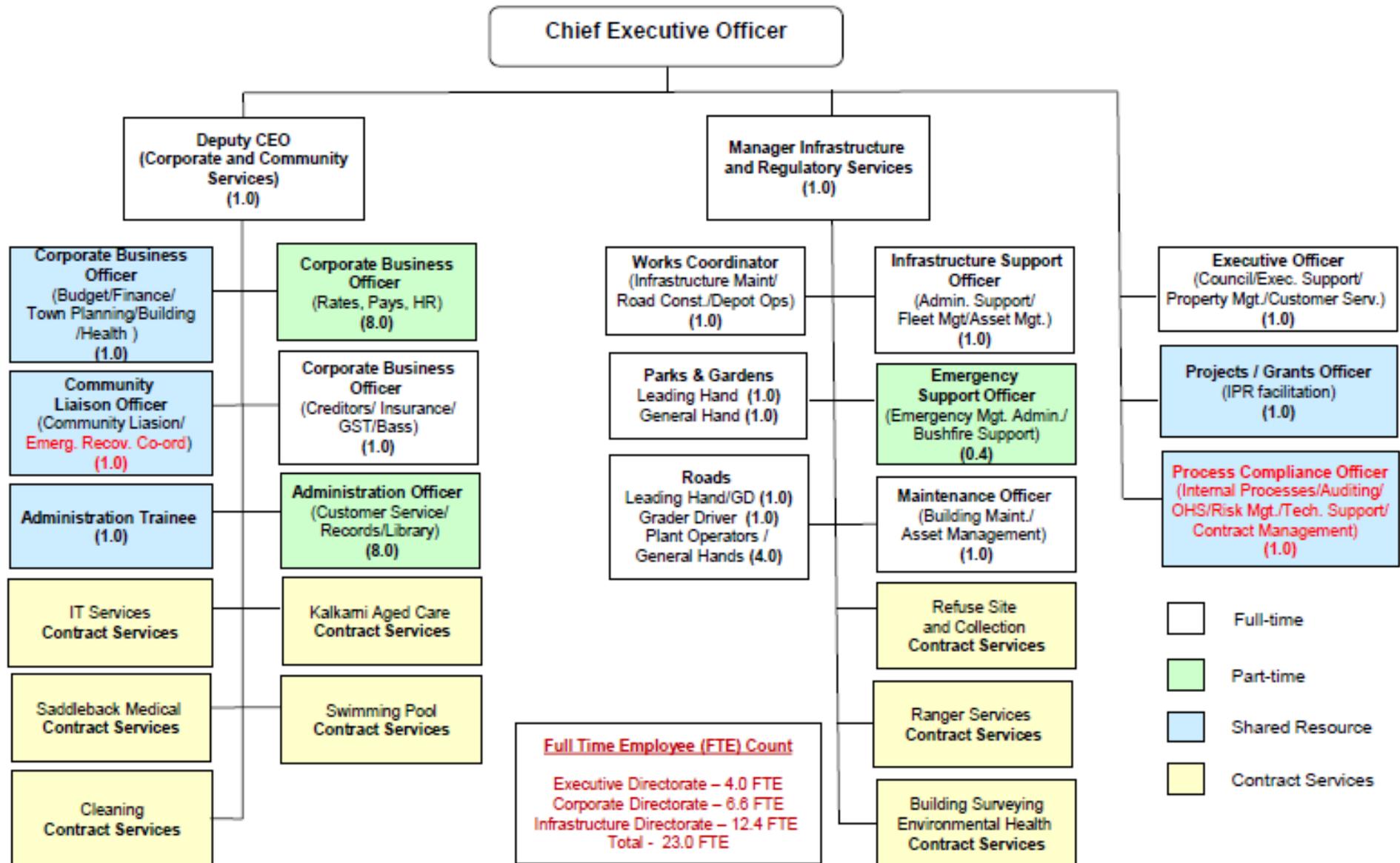
Attachment 06.06.19B

Organisational Structure May 2018



Organisational Structure

(June 2019)



7.06.19	UPDATE – STATUS REPORT – OFFICE OF AUDITOR GENERAL ITEMS
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File No:	N/A
Date of Meeting:	20/06/2019
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Vicki Morris – Deputy Chief Executive Officer
Authorising Officer:	Ian D’Arcy – Chief Executive Officer
Declaration of Interest:	The author & authorising officer have no interest in this matter.
Voting Requirements:	Simple Majority
Previous Report:	N/A

Summary of Item:

This item is to update Elected Members on the actions and status of items following the recent visit by the Shire’s Auditors (OAG).

The Shire Auditors have recently been in the office (May 2019) and have been reviewing their last report and have been looking at the final figures for the 2018/2019 financial year. To date, the Shire has not received the latest management letter of their findings. However, verbally the OAG have advised that they are noting the progress made to date and are raising two new issues relating to contracts. The Shire has yet to see the details.

The Auditors will return in late September to early October 2019 to complete the 2018/2019 financial year assessment and highlight any outstanding actions and any new initiatives.

Description of Proposal:

This report is to inform Elected Members of the recommendations and suggested improvements as highlighted by the OAG. This report was presented to Council in May 2019 at CBF and this is now presented to the Audit Committee to ensure that there is a formal record of the actions and items for the public.

Background:

The OAG provide the Shire with a listing of recommended actions and suggested proposed treatments for improving the way in which the Shire complies with legislation and recommendations from various regulations and standards (e.g. Australian Accounting Standards).

Consultation:

Consultation has been conducted with Finance staff across the organisation.

Statutory Environment:

- Local Government Act 1995*
- Local Government (Financial Management) Regulations 1996*

Relevant Plans and Policy:

There is no applicable policy for this matter.

Financial Implications:

The intent of this information is to provide elected members with updates on progress and clarity around how the Shire manages the recommendations as provided from the OAG.

Risk Assessment:

Whilst Shire staff endeavour to complete the items and issues on the OAG list, there is a recognition that due to the size of the Shire and limited capacity to complete some projects in-house, the OAG do understand that the Shire cannot necessarily complete projects in accordance with timeframes. However, this does not negate the fact that the Shire must improve its compliance in areas that have been identified.

Community & Strategic Objectives:

This proposal generally aligns with the Shire of Brookton Corporate Compendium – Auditing and Financial Management.

Comment

This report is to highlight to elected members the status of the actions as identified by the OAG.

OFFICER'S RECOMMENDATION

That the Audit & Risk Committee notes the Status Report as presented in Attachment 7.06.19 to this report.

Attachments

Attachment 7.06.19

STATUS UPDATE @ 17/6/2019.

FINDINGS	ACTION TAKEN	EXPECTED TIMEFRAME	STATUS	IMPLEMENTATION
Purchasing polices & procedures (delegations)	Register of delegations updated and approvals authorised	Completed as a result of the new purchasing policy adopted by Council in November 2018	Completed	Completed
Purchase Orders	Written quotes and completion of the PO's procedures tightened. Open PO's now included as a part of the Responsible Officers reports.	Completed.	Completed.	Completed.
Maintenance of the Supplier Master file	List was reviewed and amended. New procedures now introduced to authorise new suppliers. Review required every 2 years.	Completed	Completed	Completed
User Access Management	Shared access software accounts (except for the front counter) reviewed.	Ongoing	Ongoing	Completed (and updated as staff change over in accordance with procedure)
Unsupported Software	Part of the IT RFQ	By June 2019	In progress	Expected by 30 June 2019. Waiting on Telstra NBN connection and implementation.
Information Technology Security Policy	Policy developed and adopted by Council 16 August 2018 – part of IT RFQ	See above	See above	Relates to IT Management (Tender)
Management of Third Party IT services	See above	See above	In progress	Tender to go out and result by 30 June 2019. However current estimates suggest a shortfall of \$ in this year's budget.
Business Continuity Management	See above	See above	See above	See above. Will also be part of the Records Management portfolio.

Server Security	RFQ – for server upgrade	In progress (note that this is not the management of the IT systems tender).	By 30 June 2019 – cost estimates	In progress
Management of Issued infringements	Register of Infringements is to be developed.	Ongoing	In progress	Not yet completed
Cash & Cheque Collections	Process for cash collection & checking has been amended.	Completed	Completed	Completed
Physical Security of Cash	Process has been amended and keys and float now secured with a new safe and access restricted.	Completed.	Completed.	Completed.
Review of Risk Register	Risk register requires review but not yet completed. Discussions have taken place (LGIS etc.) but register not yet updated.	By 30 June 2019	Ongoing	Not yet completed – ongoing. Infrastructure has commenced documentation.
Review of Financial Management Systems	Not yet commenced.	By 30 June 2019	Ongoing	Not yet completed – relates to Risk Management Plan for the Shire.
Finance Procedures and process updated – Debtors & Creditors	Documented financial procedures and processes completed and updated	Completed	Completed	Completed.
Other – Finance Process's to be review include payroll etc.	To be completed	By 30 June 2019	Ongoing	Not all process completed as yet – Payroll and Rates are the last.

8.06.19 ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

9.06.19 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING

10.06.19 NEXT MEETING & CLOSURE