

AUDIT COMMITTEE MEETING

AGENDA



For the Audit Committee Meeting to be held on

19 October 2022

Dear Audit Committee Member,

The next Audit Committee Meeting of the Shire of Cranbrook will be held on Wednesday 19 October 2022 at the Cranbrook Council Chambers commencing at 12.30pm.



Linda Gray
Chief Executive Officer

DISCLAIMER

This agenda has yet to be dealt with by the Audit Committee. The recommendations shown at the foot of each item have yet to be considered by the Audit Committee and are not to be interpreted as being the position of the Audit Committee. The minutes of the meeting held to discuss this agenda should be read to ascertain the decision of the Audit Committee.

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Scope of Audit Committee

Regulation 16 of the Local Government (Audit) Regulations 1996 define the functions of the audit committee as follows:

“An audit committee –

- (a) is to provide guidance and assistance to the local government –
 - (i) as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
 - (ii) as to the development of a process to be used to select and appoint a person to be an auditor; and
- (b) may provide guidance and assistance to the local government as to –
 - (i) matters to be audited;
 - (ii) the scope of audits;
 - (iii) its functions under Part 6 of the Act; and
 - (iv) the carrying out of its functions relating to other audits and other matters related to financial management.”
- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to –
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council.”

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AGENDA

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairperson, Cr Slater will declare the meeting open at _____pm. The Chairperson will alert the meeting to the procedures for emergencies including evacuation, designated exits and muster points.

2. ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

2.1 ATTENDANCE

Chairperson
Councillors

Cr PW (Peter) Slater
Cr PM (Peter) Beech
Cr RW (Robert) Johnson
Cr JA (Jen) Quick
Cr LM (Lee) Casson
Cr P (Perin) Mulcahy
Cr DM (Daisy) Egerton-Warburton
Cr PL (Phil) Horrocks
Cr G (George) Pollard

Chief Executive Officer
Manager of Works

Ms LA (Linda) Gray
Mr JE (Jeff) Alderton

Members of the Public

2.2 APOLOGIES

Manager of Finance & Administration

Mrs DE (Diana) Marsh

2.3 APPROVED LEAVE OF ABSENCE

3. PUBLIC QUESTION TIME

3.1 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

3.2 PUBLIC QUESTIONS

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

4.1 AUDIT COMMITTEE MEETING – 17 August 2022

That the minutes from the Audit Committee Meeting held on 17 August 2022, be confirmed as a true and correct record.

5. GENERAL BUSINESS

5.1	POLICY 4.3 – CAPITALISATION AND DEPRECIATION OF NON-CURRENT ASSETS
RESPONSIBLE OFFICER:	Diana Marsh – Manager of Finance and Administration
REPORT AUTHOR:	Diana Marsh – Manager of Finance and Administration
FILE REFERENCE:	GO17
APPLICANT:	N/A
DATE OF REPORT:	6 October 2022
ATTACHMENTS:	Draft Policy 4.3 – Capitalisation and Depreciation of Non-Current Assets

Purpose

The purpose of this report is for the Audit and Risk Committee to consider the proposed changes to the Policy 4.3 Finance - Capitalisation and Depreciation of Non-Current Assets.

Background

Under Section 2.7(2b) of the Local Government Act 1995, Council is to determine the Local Governments' policies and ensure that policies are current and relevant.

Officer's Comment

Each year the Policy Manual is presented to Council for review with amendments as required. Since the last review held at the Council Meeting on 7 April 2022, there have been a couple of changes that affect financial reporting in the 2022/2023 financial year, one being the recognition of landfill sites as assets.

With landfill sites there comes an obligation for local governments to restore the land at the end of its useful life. Under AASB116 Property Plant & Equipment para 16c, the cost of an item of Property, Plant and Equipment includes the initial estimated cost of dismantling, removing and restoring an item where the obligation was incurred either at acquisition or as part of the use of that asset.

The Shire of Cranbrook landfill sites are on reserve land under the control of the shire. In accordance with AASB16 this land is not held as an asset, however, the cost of rehabilitation (make good costs) is to be recognised. As such, the Shire has recognised assets for the Cranbrook and Frankland River landfill sites at 30 June 2022, which will be depreciated over each site's remaining useful life.

Another change that needs to be included in Policy 4.3 Finance – Capitalisation and Depreciation of Non-Current Assets is the Local Government (Financial Management) Regulations 1996 17A(2b) changed valuation requirements for plant and equipment type assets from 1 July 2020. Prior to the change, all non-financial assets were required to be recognised at fair valuation, whereas now, plant and equipment are to be recognised at cost, and all other non-financial assets at fair valuation.

The current policy therefore needs to be amended to address the changes discussed above and includes depreciation parameters for the landfill sites assets.

Statutory Environment

Section 2.7(2b) of the Local Government Act 1995, states that:

The Council is to determine the Local Government's policies

Policy Applicable – Implications

This report is recommending the updating of Council Policy 4.3 Finance - Capitalisation and Depreciation of Non-Current Assets

Financial Implications

There are no financial implications for this report except for increased depreciation.

Risk Implications

The risks associated with matters in this report are:

- Errors, Omissions and Delays
- Failure to fulfil Statutory, Regulatory or Compliance Requirements

The **impacts** of the risk are: Non-Compliance, Reputational

The **consequences** of these risks are considered to be: Minor

The **likelihood** is: Unlikely

Hence the **risk rating** for this report is: Low

Risk mitigation includes regular reconciliations of the Shire's asset register and monitoring of compliance to policy and statutory requirements.

Strategic Community Plan Reference

The 2021-2031 Shire of Cranbrook, Strategic Community Plan states that:

Key Pillar: Connect

Outcome 16 – High Performing Shire: An accountable and respected Shire, investing in its people and structures.

Deliverable 16.1: A Shire and supporting entities are well-governed with delineated roles and accountabilities.

Consultation

Consultation for this report included the Executive Management Team

Voting Requirements

Absolute Majority

OFFICER'S RECOMMENDATION

The Audit and Risk Committee recommends that Council adopt the following changes to Policy 4.3 Finance – Capitalisation and Depreciation of Non-Current Assets:

1. **Landfill Sites**
 - **Make good costs** 7 – 30 years
2. **Valuation of Assets**
 - **Assets are to be recognised in accordance with AASB 116 and the *Local Government (Financial Management) Regulations 1996* and will be recorded at fair value in accordance with AASB 13. Assets not required to be recognised at fair value are to be recorded at historical cost, or where previously recognised at fair value prior to changes in the regulatory environment are to be recognised under the previous valuation method, until disposed of.**

5.2	POLICY 4.13 – CHANGES TO CORPORATE CREDIT CARD
RESPONSIBLE OFFICER:	Diana Marsh – Manager of Finance and Administration
REPORT AUTHOR:	Diana Marsh – Manager of Finance and Administration
FILE REFERENCE:	GO17
APPLICANT:	N/A
DATE OF REPORT:	7 October 2022
ATTACHMENTS:	Nil

Purpose

The purpose of this report is for the Audit and Risk Committee to consider the changes to the credit card facilities held by the Chief Executive Officer and the Manager of Finance and Administration, and to further split the two credit cards held by these two employees into separate accounts.

Background

The proper use of credit cards has experienced great scrutiny over recent years. The Department of Local Government, Sport and Cultural Industries released an operational guideline for local governments *Use of Corporate Credit Cards* and the Office of the Auditor General released a report *Controls Over Corporates Credit Cards*. These reports acknowledge that corporate credit cards are a beneficial part of any purchasing system. When properly managed, they allow for streamlined business processes and can reduce costs. They are typically used in local governments for purchasing items such as computing and other equipment, general consumables, training, and travel and represent a small portion of overall payments.

An effectively managed credit card can reduce administrative costs, the number of payments made each month, the need to carry petty cash on the premises, and provide an effective audit trail of expenditure. It can speed up delivery times and cost savings can be achieved by being able to take advantage of sales and discounted offers.

Officer’s Comment

Under the Shire’s current Policy 4.13 Finance – Corporate Credit Cards, the Administration Credit Card account has a limit of \$5,000 which is shared by the Chief Executive Officer and the Manager of Finance and Administration through a single bank account. This structure is affecting operations, slowing down the purchasing cycle and recently “top-up” payments have been required to book training, accommodation, and travel. It is recommended that this amount is increased to \$15,000 but instead of one joint account which causes problems in reconciling, be changed to two accounts which will give greater accountability.

The current situation is as below:

Position	Limit
Chief Executive Officer/Manager of Finance and Administration	\$5,000
Community Emergency Services Officer	\$2,000

The proposed changes are:

Position	Limit
Chief Executive Officer	\$5,000
Manager of Finance and Administration	\$10,000
Community Emergency Services Officer	\$2,000

Statutory Environment

Local Government Act 1995:

- Section 2.7(2)(a) and (b) – Council to oversee the allocation of the local government’s finances and resources and to determine the policies of the local government.
- Section 6.5(a) – the Chief Executive Officer to ensure that proper accounts and records of the transactions and affairs of the local government are kept in accordance with regulations.

Local Government (Financial Management) Regulations 1996:

- Local government to develop procedures for the authorisation and payment of accounts to ensure that there is effective security and appropriate authorisations in place for the use of credit cards.

Policy Applicable – Implications

This report is recommending the updating of Council Policy 4.13 Finance – Corporate Credit Cards with the increase in facility level and the split of the “administration credit card” into two separate accounts for each credit card holder.

Financial Implications

Increase to the credit card facility level from \$7,000 to \$17,000.

Risk Implications

The risks associated with matters in this report are:

- Misconduct
- External Theft and Fraud
- Errors, Omissions and Delays
- Failure to fulfil Statutory, Regulatory or Compliance Requirements
- Inadequate Document Management Processes

The **impacts** of the risk are: Financial, Non-Compliance, Reputational

The **consequences** of these risks are considered to be: Minor

The **likelihood** is: Possible

Hence the **risk rating** for this report is: Moderate

Risk mitigation includes assessment and selection of corporate credit card facilities suitable to the operational requirements of the Shire, authorisation and appointment of suitable cardholders, well documented cardholder duties and responsibilities, cardholder training, and regular monitoring and auditing of credit card use

Strategic Community Plan Reference

The 2021-2031 Shire of Cranbrook, Strategic Community Plan states that:

Key Pillar: Connect

Outcome 16 – High Performing Shire: An accountable and respected Shire, investing in its people and structures.

Deliverable 16.1: A Shire and supporting entities are well-governed with delineated roles and accountabilities.

Consultation

Consultation for this report included the Executive Management Team.

Voting Requirements

Absolute Majority

OFFICER'S RECOMMENDATION

The Audit and Risk Committee recommends that Council approve the increase in facility level from \$7,000 to \$17,000 and the establishment of separate bank accounts for each credit cardholder at the Shire of Cranbrook, and update Policy 4.13 Finance – Corporate Credit Cards accordingly.

5.3	POLICY 6.0 EMERGENCY SERVICES BUSHFIRE CONTROL
RESPONSIBLE OFFICER:	Linda Gray – Chief Executive Officer
REPORT AUTHOR:	Linda Gray – Chief Executive Officer
FILE REFERENCE:	GO17
APPLICANT:	Nil
DATE OF REPORT:	11 October 2022
ATTACHMENTS:	Policy 6.0 Emergency Services – Bushfire Control

Purpose

The purpose of this report is for the Audit and Risk Committee to approve an addition to the basic training benchmark for its volunteers.

Background

The Work Health and Safety Act 2020 (WA) (the Act) passed through the Legislative Assembly on **3 November 2020**. The Act replaces the existing Occupational Safety and Health Act 1984 (WA) and imposes a primary duty of care requiring persons conducting a business or undertaking to reasonably ensure the health and safety of workers. The new Act recognises volunteers as workers, and that local governments needed to ensure that these are adequately trained as members of the bushfire brigades.

Officer's Comment

After research and a better understanding of the level of skill and experience in the Shire of Cranbrook in firefighting, and most importantly, considering the number of fire trucks manned by the Shire's volunteers, it was decided in 2021 to set the following as the minimum standard of training:

- Bushfire Safety Awareness (2 days)
- Bushfire Fighting Skills (2 days)

These are the Department of Fire and Emergency Services' (DFES) approved courses and could be taught within the Shire as DFES is a Registered Training Organisation. In addition, there was the opportunity to RPL some of the very experienced firefighters, which took out some of the impact on volunteers having to be off farm for four days. The level of training was set to ensure that those on the fire trucks was adequately trained to manage the equipment and to operate the safety mechanisms if necessary.

In 2022 there was a review of the training as it was noted that neighbouring Shires had set Rural Fire Fighting as their minimum standard. The Rural Fire Fighting training is a day only course and it equips volunteers to be safe but does not have a focus on actual bushfire fighting skills. It was therefore, recommended to the Bushfire Advisory Committee in September 2022 that we classify the required level of training more explicitly and amend to the following:

- Volunteers with no fire fighting experience at all should complete the Bushfire Safety Awareness Course and the Bushfire Fighting Skills Course.
- Farm workers that are itinerant must attend a Rural Fire Fighting Course.
- Where a volunteer does not intend to operate a fire truck and/or is a current employee of a local business, the minimum standard of training accepted will be the rural fire fighting course.

These changes will require an amendment to the current Policy 6.0 Emergency Services – Bushfire Control.

Statutory Environment

Local Government Act 1995

Work Health and Safety Act 2020 (WA)

Bush Fires Act 1954

Policy Applicable – Implications

This report proposes an amendment to Policy 6.0 Emergency Services – Bushfire Control.

Financial Implications

There are various financial implications from this report. Training is paid for and supported by the Department of Fires and Emergency Services.

Risk Implications

The risks associated with matters in this report are varied and include:

- Business and Community Disruption
- Errors, Omissions and Delays
- Failure of IT and or Communication Systems and Infrastructure
- Failure to fulfil Statutory, Regulatory or Compliance Requirements
- Inadequate Safety and Security Practices
- Ineffective Employment Practices

The **impact** of the risk is People, Financial, Service Interruption, Non-Compliance, Reputational, Property and Natural Environment

The **consequences** of these risks are considered to be Medium

The **likelihood** is Likely

Hence the **risk rating** for this item is High

Risk mitigation includes:

- Councillors having a clear understanding of the content of the policies in the attached policy manual; and
- The successful execution of the policies, delegations and authorisations by the Executive Management Team and staff.
- Ensuring the level of training is adequate under the *Work Place & Safety Act 2020*.

Strategic Community Plan Reference

The 2017-2027 Shire of Cranbrook, Strategic Community Plan states that:

Objective 4: Leadership - Demonstrate strong governance, leadership and organisational growth

Outcome 4.1: Excellence in governance, compliance, regulation and reporting

Strategy 4.1.1: Maintain a high level of corporate governance, responsibility and accountability

Consultation

Consultation for this report included the Executive Management Team, Bushfire Advisory Committee, Chief Bush Fire Control Officer.

Voting Requirements

Absolute Majority

AUDIT COMMITTEE RECOMMENDATION

The Audit and Risk Committee recommends that Council approve the amendment to the basic training benchmark for our volunteers' level of training set in 2021 by the Shire of Cranbrook for the bushfire brigades as listed below,

- Bush Fire Safety Awareness
- Bush Fire Fighting Skills

To be amended to include the following additional training based on the criteria detailed below:

- Where a volunteer does not intend to operate a fire truck and/or is a current itinerant employee of a local business, or an experienced firefighter without any previous formal training, then the minimum standard of training accepted will be the following course:
 - Rural Fire Fighting

6. CLOSURE OF MEETING

There being no further business to discuss the Chairperson, Cr Slater will declare the meeting closed at _____pm.