

AUDIT COMMITTEE MEETING

MINUTES



For the Audit Committee Meeting held

14 December 2022

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MINUTES

1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairperson, Cr Slater declared the meeting open at 1.31pm. The Chairperson alerted 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	Cr PW (Peter) Slater
Councillors	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	Ms LA (Linda) Gray
Manager of Finance & Administration	Mrs DE (Diana) Marsh
Manager of Works	Mr JE (Jeff) Alderton
Minute Taker	Ms JL (Jo) Scott
Members of the Public	Nil

2.2 APOLOGIES

Nil

2.3 APPROVED LEAVE OF ABSENCE

Nil

3. PUBLIC QUESTION TIME

3.1 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil

3.2 PUBLIC QUESTIONS

Nil

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

4.1 AUDIT COMMITTEE MEETING – 19 October 2022

Moved Cr Egerton-Warburton, seconded Cr Quick that the minutes from the Audit Committee Meeting held on 19 October 2022, be confirmed as a true and correct record.

Carried 9/0

5. GENERAL BUSINESS

5.1	POLICY 1.18 – CHIEF EXECUTIVE OFFICER PERFORMANCE REVIEW
RESPONSIBLE OFFICER:	Linda Gray – Chief Executive Officer
REPORT AUTHOR:	Linda Gray – Chief Executive Officer
FILE REFERENCE:	GO17
APPLICANT:	Nil
DATE OF REPORT:	6 December 2022
ATTACHMENTS:	Draft Policy 1.18 – Chief Executive Officer Performance Review

Purpose

The purpose of this report is for the Audit and Risk Committee to consider the adoption of the new Policy 1.18 Governance – Chief Executive Officer Performance Review which will provide a consistent, transparent and accountable performance review process for the Chief Executive Officer (CEO) of the Shire of Cranbrook.

Background

A CEO performance review must be conducted at least once a year. How each review is conducted is determined under the provisions in –

- (1) Each local government’s adopted standards for CEO performance reviews (which cannot be inconsistent with the model standards in the *Local Government (Administration) Regulations 1996*, Schedule 2 (Model Standards); and
- (2) The CEO’s employment contract (which should be consistent with the adopted standards). Among the requirements of the Model Standards are that (in broad terms) –
 - 1) The Council and the CEO must agree on the review process,
 - 2) The review process must be evidence based;
 - 3) The review must be endorsed by the Council; and
 - 4) The CEO must be informed in writing of the results of the review. There are now express requirements that:
 1. Each performance review must be ‘carried out in an impartial and transparent manner’;
 2. Evidence relating to performance criteria must be collected ‘in a thorough and comprehensive manner’; and
 3. The CEO’s performance must be reviewed, against the performance criteria, ‘based on that evidence’.

As a result, a CEO’s performance must now be assessed, by reference to each of the performance criteria, on the basis of thoroughly and comprehensively collected evidence (including data and factual information) – rather than subjective opinions, feelings or instincts. Whether the performance review is conducted by the Council itself, by a Panel or Committee or by a consultant, the Model Standards require that the Council must, by resolution of an absolute majority, endorse the review.

Officer’s Comment

The recommendation under the above Model Standards for reviewing the CEO’s performance is to adopt a policy that reflects the values as set out under the Model Standards. The Council decided to draw on the expertise of Cr Perin Mulcahy and Cr Peter Slater to work with the current Chief Executive Officer, Linda Gray, in setting up the process going forward. This will facilitate future Performance Reviews based on the criteria set out in the Model Standards under the *Local Government (Administration) Regulations 1996, Schedule 2 (Model Standards) CEO Performance Review*.

The policy states that the panel will consist of three Councillors inclusive of the Shire President.

Statutory Environment

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

The Council is to determine the Local Government's policies.

Local Government (Administration) Regulations 1996, Schedule 2 (Model Standards) CEO Performance Review.

Policy Applicable – Implications

This report proposes adoption of the new Policy 1.18 – Chief Executive Officer Performance Review.

Financial Implications

There are no financial implications from this policy except for the option to employ a consultant should the Council feel that it would improve the process or it is requested by the CEO.

Risk Implications

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

- Failure to fulfil Statutory, Regulatory or Compliance Requirements
- Inadequate Engagement Practices
- Ineffective Employment Practices

The **impact** of the risk is People, Non-Compliance, Reputational.

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

The **likelihood** is Unlikely

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

Risk mitigation includes:

- Councillors having a clear understanding of the Shire's policies,
- The successful execution of all policies by the Executive Management Team and staff.

Strategic Community Plan Reference

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

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 Cr Perin Mulcahy and Cr Peter Slater.

Voting Requirements

Absolute Majority

OFFICER'S RECOMMENDATION/COMMITTEE DECISION

Moved Cr Horrocks, seconded Cr Egerton-Warburton that Council adopt Policy 1.18 Governance – Chief Executive Officer Performance Review, as attached.

Carried 9/0
By Absolute Majority

5.2	POLICY 2.12 HOUSING – EMPLOYEES – REVIEW
RESPONSIBLE OFFICER:	Linda Gray – Chief Executive Officer
REPORT AUTHOR:	Linda Gray – Chief Executive Officer
FILE REFERENCE:	GO17
APPLICANT:	Nil
DATE OF REPORT:	6 December 2022
ATTACHMENTS:	Policy 2.12 Workforce Housing - Employees

Purpose

The purpose of this report is for the Audit and Risk Committee to consider the adoption of the revised Policy 2.12 Workforce Housing – Employees, which has two amendments.

Background

Under Section 2.7(2b) of the Local Government Act 1995, the Council is to determine the Local Government's policies. Each year the Policy Manual is presented to Council for review with minor amendments. Where amendments are significant, or the policy is new then the policy will be included as an individual agenda item. These policies will guide the decision-making and actions of the Council, Executive Management Team (EMT), and staff throughout the year.

Officer's Comment

As we are aware there have been increasing external pressures on the cost of living within Australia through the rising rate of inflation which is strongly influenced by the cost of fuel. The Shire of Cranbrook draws its staff from within and outside the other regional Shires in the Great Southern and is fortunate in not suffering the staffing shortages besieging other Shires. It was recommended by the Executive Management Team and Chief Executive Officer that the price of fuel and the travel costs should be recognised when the fuel excise tax is reinstated by the Australian Government through a Cost of Living Allowance of \$10 per fortnight. This was brought in as Cost of Living Allowance but it would be more appropriately managed as a simple increase in the Shire's Housing Policy which would increase from \$40 a week to \$45 a week, being \$90 per fortnight. This would be more equitable.

In addition, there is little clarity as to the priorities set by the Shire regarding eligibility of staff for staff housing, except that they must be permanent and preferably fulltime, although after discussion with the Executive Management Team (EMT) the allocation of Shire houses and units is ultimately at the Chief Executive Officer's discretion. As Shire housing is rapidly becoming a valuable tool in employing the best person for the job, there is a need to allow for decisions strategically based.

The amendment to include this new guideline will be under:

PRINCIPLES

Guidelines for Shire owned housing for employees

- Whilst properties will be rented to permanent employees, it is at the discretion of the Chief Executive Officer in consultation with the EMT, that the Shire's houses and units will be allocated.

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 proposes adoption of the revised Policy 2.12 Workforce Housing - Employees that includes two amendments to the current policy.

Financial Implications

There is a financial implication from this report, which will be considered as part of the yearly budget process, although the policy does state that the allowance is subject to there being adequate provision in the Shire's budget each financial year. Funding for the increase in Housing Allowance is balanced with the cessation of the Shire's Covid Leave due to the lifting of the State Government's State of Emergency re the pandemic. The cost will be approximately \$5,000 per annum.

Risk Implications

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

- Failure to fulfil Statutory, Regulatory or Compliance Requirements
- Inadequate Engagement Practices
- Ineffective Employment Practices

The **impact** of the risk is People, Non-Compliance, Reputational.

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

The **likelihood** is Unlikely

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

Risk mitigation includes:

- Councillors having a clear understanding of the Shire's policies,
- The successful execution of all policies by the Executive Management Team and staff.

Strategic Community Plan Reference

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

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

Voting Requirements

Absolute Majority

OFFICER'S RECOMMENDATION/COMMITTEE DECISION

Moved Cr Mulcahy, seconded Cr Quick that Council adopt the revised Policy 2.12 Workforce Housing - Employees, as attached, with the amendments being:

- a. A \$10 increase per fortnight in the Shire's housing policy, and
- b. Under PRINCIPLES – Guidelines for Shire owned housing for employees:
 - It is at the discretion of the Chief Executive Officer in consultation with Senior Management, that the Shire's houses and units be allocated.

Carried 9/0
By Absolute Majority

5.3 ANNUAL REPORT 2021/2022

RESPONSIBLE OFFICER:	Diana Marsh – Manager of Finance and Administration
REPORT AUTHOR:	Diana Marsh – Manager of Finance and Administration
FILE REFERENCE:	AD4/GO4
APPLICANT:	n/a
DATE OF REPORT:	7 December 2022
ATTACHMENTS:	1. Report to Audit Committee 2. 2021/2022 Annual Report

Purpose

The purpose of this report is for the Audit Committee to consider the adoption of the 2021/2022 Shire of Cranbrook Annual Report and to set a date for the Annual Electors Meeting.

Background

The Annual Report has been prepared in accordance with the Local Government Act 1995, associated regulations, and is attached to this report.

Officer's Comment

The final audited financial statements have been received from the auditor and the formal audit exit meeting was held on 1 December 2022. In attendance at this meeting (via virtual meeting) was:

- Ms Katie MacLachlan, Assistant Director Financial Audit, Office of the Auditor General;
- Mr Chris Martain, Auditor, Lincolns;
- Mr Thomas Warner, Auditor, Lincolns;
- Cr Peter Slater Chair of the Audit Committee;
- Ms Linda Gray, Chief Executive Officer;
- Mrs Diana Marsh, Manager Finance and Administration; and
- Mr Jeff Alderton, Manager of Works.

During this meeting, Mr Martain discussed the report to the audit committee for the year ended 30 June 2022, which included:

- Audit Report – the audit report had an unqualified opinion.
- Management Letter Findings – there were three findings in the management letter:
 1. Fair Value of Infrastructure Assets – rated significant. A formal assessment of fair value was not documented meaning it may not have been assessed adequately in compliance with *AASB 13 Fair Value Measurement*, and Regulation 17A(4)(b) of the *Local Government (Financial Management) Regulations*.
 2. Review of monthly reconciliations – rated moderate. Three monthly creditors reconciliations were missed. These occurred during a period of a number of new employees to the organisation. Staff have received training, are now more confident in their roles and are following procedure.
 3. General computer controls – rated moderate. While Council had approved the upgrades to our IT system in 2021/2022, due to the time taken to consult our IT Provider, receive quotation, and upgrade our server, they were not fully implemented at the time of audit. This was completed in September 2022.

- Uncorrected Audit Misstatements – immaterial and did not require correction:
 1. Receivables for Employee Related Provisions – allocation between current and non-current receivable.
 2. Amortisation expense for Waste Facility Closure – annual amortisation expense for waste facility closure costs.
- Corrected Audit Misstatements – Nil
- Issues for next year’s audit:
 1. New accounting standards to be aware of; and
 2. Frequency of Revaluation – management to consider assessing whether there are trigger events that would initiate a revaluation outside of the 5 years in Regulation 17A(4)(b) of the *Local Government (Financial Management) Regulations 1996*.

Following the formal audit exit meeting, the Office of the Auditor General released the independent auditors’ reports (included in the Annual Report document).

When considering the timing requirements to hold the annual electors’ meeting described below in Statutory Environment, the meeting needs to be held between 29 December 2022 and 8 February 2023.

Statutory Environment

The *Local Government Act 1995* requires the Council to accept the Annual Report by 31 December each year unless the audit report is not available. If unable to be accepted by 31 December in any given year, then Council must accept the report within two (2) months of the audit report becoming available. The annual meeting of electors must then be held within fifty-six (56) days of Council accepting the Annual Report. A minimum of fourteen days local public notice is required of the date, time, place, and purpose of the meeting.

Policy Applicable – Implications

Council Policy 1.1 ‘Electors Meeting’ states:

‘The Annual Electors’ meeting will be held within 56 days of receiving the Annual Financial Report. The annual electors’ meeting venue will alternate between the Cranbrook and Frankland River town-sites as follows;

2022/2023	Frankland River
2023/2024	Cranbrook
2024/2025	Frankland River
2025/2026	Cranbrook’

The previous annual electors’ meeting was held on 7 February 2022 in Frankland River.

Electors are required to provide the Chief Executive Officer with their questions in writing no later than one week prior to the Annual Electors Meeting to enable staff to research the matter if required.

Financial Implications

There are no financial implications for this report. The Annual Report contains the annual financial statements for 2021/2022, illustrating the Council’s financial performance for this period.

Risk Implications

The risks associated with matters in this report are:

- Misconduct
- Errors, Omissions and Delays
- Failure of IT and or Communication Systems and Infrastructure
- Failure to fulfil Statutory, Regulatory or Compliance Requirements
- Inadequate Document Management Processes
- Ineffective Employment Practices

The **impacts** of the risk are: Financial, Reputational.

The **consequences** of these risks are considered to be: Extreme.

The **likelihood** is: Unlikely

Hence the **risk rating** for this report is: High.

Risk mitigation includes ensuring staff have appropriate skills, training and security access levels for financial transactions, and by implementing recommendations from the auditor.

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 was not required for this report.

Cr Slater commended Manager of Finance and Administration and Shire staff for their work on the 2021/2022 Annual Report.

Voting Requirements

Absolute Majority

OFFICER'S RECOMMENDATION/COMMITTEE DECISION

Moved Cr Horrocks, seconded Cr Mulcahy that the Audit Committee recommends to the Council that:

1. The attached 2021/2022 Shire of Cranbrook Annual Report be accepted; and
2. The annual meeting of Electors be held on Monday 6 February 2023 at 5pm in Cranbrook.

Carried 9/0
By Absolute Majority

6. CLOSURE OF MEETING

There being no further business to discuss the Chairperson, Cr Slater declared the meeting closed at 1.38pm.