



## **CONFIRMED MINUTES**

# **AUDIT AND RISK COMMITTEE MEETING**

**15 MAY 2018**

I certify that the minutes of the meeting of the Audit and Risk Committee held on Tuesday, 15 May 2018 were confirmed on Tuesday, 21 August 2018.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Presiding Person



**CONFIRMED MINUTES  
AUDIT AND RISK COMMITTEE MEETING  
15 MAY 2018**

**ATTENTION/DISCLAIMER**

The purpose of this Committee Meeting is to discuss and make recommendations to Council about items appearing on the agenda and other matters for which the Committee is responsible. The Committee has no power to make any decisions which are binding on the Council or the Shire of Mundaring unless specific delegation of authority has been granted by Council. No person should rely on or act on the basis of any advice or information provided by a Member or Employee, or on the content of any discussion occurring, during the course of the Committee Meeting.

The Shire of Mundaring expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any advice or information provided by a Member or Employee, or the content of any discussion occurring during the course of the Committee Meeting.

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**AUDIT AND RISK COMMITTEE  
COMMITTEE ROOM, 7000 GREAT EASTERN HIGHWAY, MUNDARING**

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**1.0 OPENING PROCEDURES**

*The Presiding Person declared the meeting open at 5.30pm.*

**1.1 Announcement of Visitors**

*Nil*

**1.2 Attendance/Apologies**

<b>Members</b>	<i>Cr Tony Brennan (Presiding Person)</i>	<i>West Ward</i>
	<i>Cr John Daw</i>	<i>East Ward</i>
	<i>Cr Stephen Fox</i>	<i>East Ward</i>
	<i>Cr Darrell Jones (Deputy Presiding Person)</i>	<i>South Ward</i>
	<i>Mr Craig Wilkinson (External Member)</i>	

<b>Staff</b>	<i>Jonathan Throssell</i>	<i>Chief Executive Officer</i>
	<i>Paul O'Connor</i>	<i>Director Corporate Services</i>
	<i>Stan Kocian</i>	<i>Manager Finance &amp; Governance</i>
	<i>Andrea Douglas</i>	<i>Minute Secretary</i>

<b>Apologies</b>	<i>Cr James Martin</i>	<i>South Ward</i>
	<i>Danielle Courtin</i>	<i>Governance Co-ordinator</i>

**Absent** *Nil*

<b>Leave of Absence</b>	<i>Cr Lynn Fisher</i>	<i>Central Ward</i>
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**Guests** *Nil*

**Members of  
the Public** *Nil*

**Members of  
the Press** *Nil*

**2.0 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION**

*Nil*

### 3.0 DECLARATION OF INTEREST

#### 3.1 Declaration of Financial Interest and Proximity Interests

Elected Members must disclose the nature of their interest in matters to be discussed at the meeting (*Part 5 Division 6 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*).

*Nil*

#### 3.2 Declaration of Interest Affecting Impartiality

An Elected Member or an employee who has an interest in a matter to be discussed at the meeting must disclose that interest (*Shire of Mundaring Code of Conduct, Local Government (Admin) Reg. 34C*).

*Nil*

### 4.0 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

*Nil*

### 5.0 PUBLIC QUESTION TIME

Procedures for asking and responding to questions are determined by the Presiding Person and in accordance with the Shire's Meeting Procedures Local Law 2015. Questions must relate to a function of the Committee.

*Nil*

### 6.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

<b>COMMITTEE DECISION RECOMMENDATION</b>	<b>ARC1.05.18</b>
Moved by                      Cr Fox	Seconded by                      Mr Wilkinson

That the Minutes of the Audit and Risk Committee Meeting held 20 February 2018 be confirmed.

**CARRIED 5/0**

**For:**            Cr Daw, Cr Fox, Cr Brennan, Cr Jones and Mr Wilkinson

**Against:** Nil

### 7.0 PRESENTATIONS

#### 7.1 Deputations

Nil

**7.2 Petitions**

Nil

**7.3 Presentations**

Nil

## 8.0 REPORTS OF EMPLOYEES

### 8.1 Financial Management Review

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<b>File Code</b>	FI.AUD 1718
<b>Author</b>	Stan Kocian, Manager Finance and Governance
<b>Senior Employee</b>	Paul O'Connor, Director Corporate Services
<b>Disclosure of Any Interest</b>	Nil
<b>Attachments</b>	1. Financial Management Review Report <a href="#">↓</a>

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#### SUMMARY

A Financial Management Review (FMR) has been completed and the results of the review are required to be reported to Council in accordance with Regulation 5(2) (c) the *Local Government (Financial Management) Regulations 1996*.

#### BACKGROUND

The *Local Government (Financial Management) Regulations 1996* require the Chief Executive Officer to undertake a review of the appropriateness and effectiveness of the Shire's financial management systems and procedures. This review is to be undertaken no less than once in every four financial years, with the outcome of the review to be reported to Council.

To comply with this requirement, the Shire engaged Moore Stephens (the Shire's appointed auditor) to undertake the review as part of their annual interim audit process for 2018. The Shire's previous FMR was undertaken in 2014.

#### STATUTORY / LEGAL IMPLICATIONS

Regulation 5(2)(c) the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every four years) and report to the local government the results of those reviews.

#### POLICY IMPLICATIONS

Nil

#### FINANCIAL IMPLICATIONS

Nil

#### STRATEGIC IMPLICATIONS

Mundaring 2026 Strategic Community Plan  
Priority 1 - Governance

Objective 1.1 – A fiscally responsible Shire that prioritises spending appropriately  
 Strategy 1.1.4 – Practice effective governance and financial risk management

**SUSTAINABILITY IMPLICATIONS**

Nil

**RISK IMPLICATIONS**

<b>Risk:</b> Compliance – The CEO not undertaking a FMR and reporting the results to Council at least once every four years would result in non-compliance with Regulation 5(2)(c) the <i>Local Government (Financial Management) Regulations 1996</i> .		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Unlikely	Minor	Low
<b>Action / Strategy</b>		
The FMR is undertaken and reported to Council as required.		

**EXTERNAL CONSULTATION**

Nil

**COMMENT**

The FMR covered the following financial management systems and procedures of the Shire for the period 1 July 2017 to 31 March 2018:

- Purchases, Payments and Payables (including Purchase Orders)
- Receipts/Receivables
- Payroll
- Rates
- Bank Reconciliations
- Trust Fund
- Fees and Charges
- Cost Allocations
- Administration Allocations
- Minutes and Meetings
- Financial Reports
- Budget
- Plan for the Future (Strategic Community Plan and Corporate Business Plan)
- Fixed Assets (including acquisitions, disposals and depreciation)
- Delegations



- Registers (including Annual and Primary returns)
- Audit Committee
- Insurance
- Storage of Documents/Record Keeping
- Credit Card Procedures
- General Compliance and other matters.

The results of the FMR indicate that the overall effectiveness of the financial management systems and procedures of the Shire are appropriate and effective.

Moore Stephens' FMR report does contain recommendations for improvement in some areas and comments have been provided in relation to these recommendations within the body of the FMR report.

<b>Fees and Charges</b>
<b>FMR Comment</b> - Noted 2 instances (Mundaring Visitor Centre and Darlington Oval Pavilion) where local public notice was not given before amending/adopting fees and charges in accordance with section 6.19 of the <i>Local Government Act</i> .
<b>FMR Recommendation</b> - To help ensure compliance with statutory provisions, this requirement should be correctly addressed in the future.
<b>Management Comment</b> - This was an oversight by Governance and the Service Area responsible for the fees and charges that were adopted. As a measure going forward Governance will follow up on all advertising requirements regarding fees and changes adopted by Council post the adoption of the annual budget.

<b>Purchases, Payments and Payables (Including Purchase Orders)</b>
<b>FMR Comment</b> - The system audit trail report for changes made to supplier details, including bank details, is not reviewed by a senior staff member at every payment run.
<b>FMR Recommendation</b> - To help ensure all changes to supplier details in the system are correct and hence all payments are bona fide, the system's audit trail report showing all changes made to the system should be printed and reviewed by a senior staff member independent of processing prior to the processing of each payment run.  This independent review should seek to confirm the integrity of the changes/details in the system against appropriate authorisations and should be evidenced accordingly
<b>Management Comment</b> – An independent Finance Officer is required to verify any changes to creditor details before such changes are processed. In terms of creditor payment runs, these too are reviewed and verified by an independent Finance Officer. However, an audit trail review does not form part of the Shire's current practices/processes. Management are of the view that there are sufficient preventative controls already in place.

<b>Payroll</b>
<b>FMR Comment</b> - The system audit trail report for changes made to payroll details, including bank details, is not reviewed by a senior staff member at every payment run.
<b>FMR Recommendation</b> - To help ensure all changes to payroll details in the system are correct and hence all payments are bona fide, the system's audit trail report showing all changes made to the system should be printed and reviewed by a senior staff member independent of processing prior to the processing of each payment run.  This independent review should seek to confirm the integrity of the changes/details in the system against appropriate authorisations and should be evidenced accordingly.
<b>Management Comment</b> – An independent Finance Officer is required to verify any changes to payroll details before such changes are processed. In terms of payroll payment runs, these too are reviewed and verified by an independent Finance Officer. However, an audit trail review does not form part of the Shire's current practices/processes. Management are of the view that there are sufficient preventative controls already in place.

<b>Payroll</b>
<b>FMR Comment</b> - Payroll reconciliations were not performed.
<b>FMR Recommendation</b> - To help ensure all pays are bona fide and all salaries and wages are completely and correctly posted into the general ledger, salaries and wages should be reconciled every pay run to the payroll summary report and documented for review by a senior staff member independent of preparation.  The independent review should seek to confirm the accuracy of the reconciliation and should be evidenced accordingly.
<b>Management Comment</b> - This was previously identified as an issue. As a consequence Finance attempted to create a reconciliation report, this report is still reliant on manual work, which is not ideal. Staff will further investigate to ascertain whether a system generated report can be produced at the end of each payroll period.

<b>Credit Card Procedures</b>
<b>FMR Comment</b> - The Shire has 43 credit cards in use with a total combined limit of \$86,500.
<b>FMR Recommendation</b> - Whilst the number of credit cards and credit limits has reduced compared to previous years, given the size of the Shire, and the sensitivities surrounding credit cards, we consider this number to be too high.  The number of credit cards held should be reviewed and guidelines established to streamline the number on issue. This will help ensure robust and stringent controls remain

over Shire expenditure at all times.

**Management Comment** - A further review of the Shire's remaining credit cards (reduced from 73 to 43 post the last review) will be undertaken in the latter part of 2018.

#### **Fixed Assets (Including Depreciation, Acquisition and Disposal of Property)**

**FMR Comment** - Infrastructure assets are being recorded in an asset register outside the accounting system, which is not being regularly reconciled to the general ledger.

**FMR Recommendation** - To help ensure infrastructure assets are correctly posted to the general ledger and depreciation is calculated accurately, the Shire should record these assets in the accounting system.

Furthermore, the corresponding general ledger control accounts should be reconciled regularly to the fixed assets register. These reconciliations should be signed and dated by the preparer thereof and should be independently reviewed.

**Management Comment** - Infrastructure assets are currently recorded in Excel spreadsheets and as such it is not practical to reconcile these assets on a regular basis other than as at 30 June each year. An asset management system is currently being developed in-house by the Shire's IT Service. It is anticipated that the asset management system will be completed by the end August 2018.

#### **Financial Interest Register**

**FMR Comment** - One Annual Return contained sections which had been left blank

**FMR Recommendation** - To help ensure compliance with Departmental Circular 18-2005 and to help ensure returns submitted are not at risk of being amended, all sections should be completed. We note it is acceptable to record N/A, Nil or No Change or to rule a clear line through a N/A section whilst leaving sections blank is not recommended practice.

**Management Comment** - The content of each return is the responsibility of the person completing the return, not the Shire's. The covering letter, which is sent out with all returns, clearly explains that all sections must be completed and no section can be left blank. The only other measure that could be taken is to send the form back to the relevant person. This measure would increase the risk of forms being submitted after the due date. Going forward, the covering letter will be amended to advise that any returns with sections left blank will not be accepted and returned to the responsible person.

#### **Financial Interest Register**

**FMR Comment** - Eight instances where the annual return period was recorded as the year ended 30 June 2016, when it should have been for the year ended 30 June 2017.

**FMR Recommendation** - To help ensure the annual returns are completed correctly, the annual return forms should be checked by Shire staff to ensure the correct period is

recorded. Whilst we note the CEO or any other Shire staff are not responsible for the content of returns submitted, we note it is acceptable, and quite common, for the content to be reviewed prior to receipt being acknowledged.

**Management Comment** - This was an administrative error on the form template, which was only picked up when the forms had been completed and returned.

#### **Storage of Documents / Record Keeping**

**FMR Comment** - A record of minor assets (i.e. assets below the capitalisation threshold) is not maintained.

**FMR Recommendation** - To reduce the risk of misappropriation, a listing for minor assets by location should be maintained and updated regularly.

**Management Comment** - The Shire is currently developing a listing of minor assets for each area within its current resources. Some listings have been completed eg. Depot, whilst others remain a "work in progress". Once the asset management system is completed, the second phase will be to expand the system to account for minor assets. The estimated completion time frame for this second phase is 30 June 2019.

#### **VOTING REQUIREMENT**

Simple Majority

#### **COMMITTEE RECOMMENDATION**

**ARC2.05.18**

Moved by

Cr Daw

Seconded by

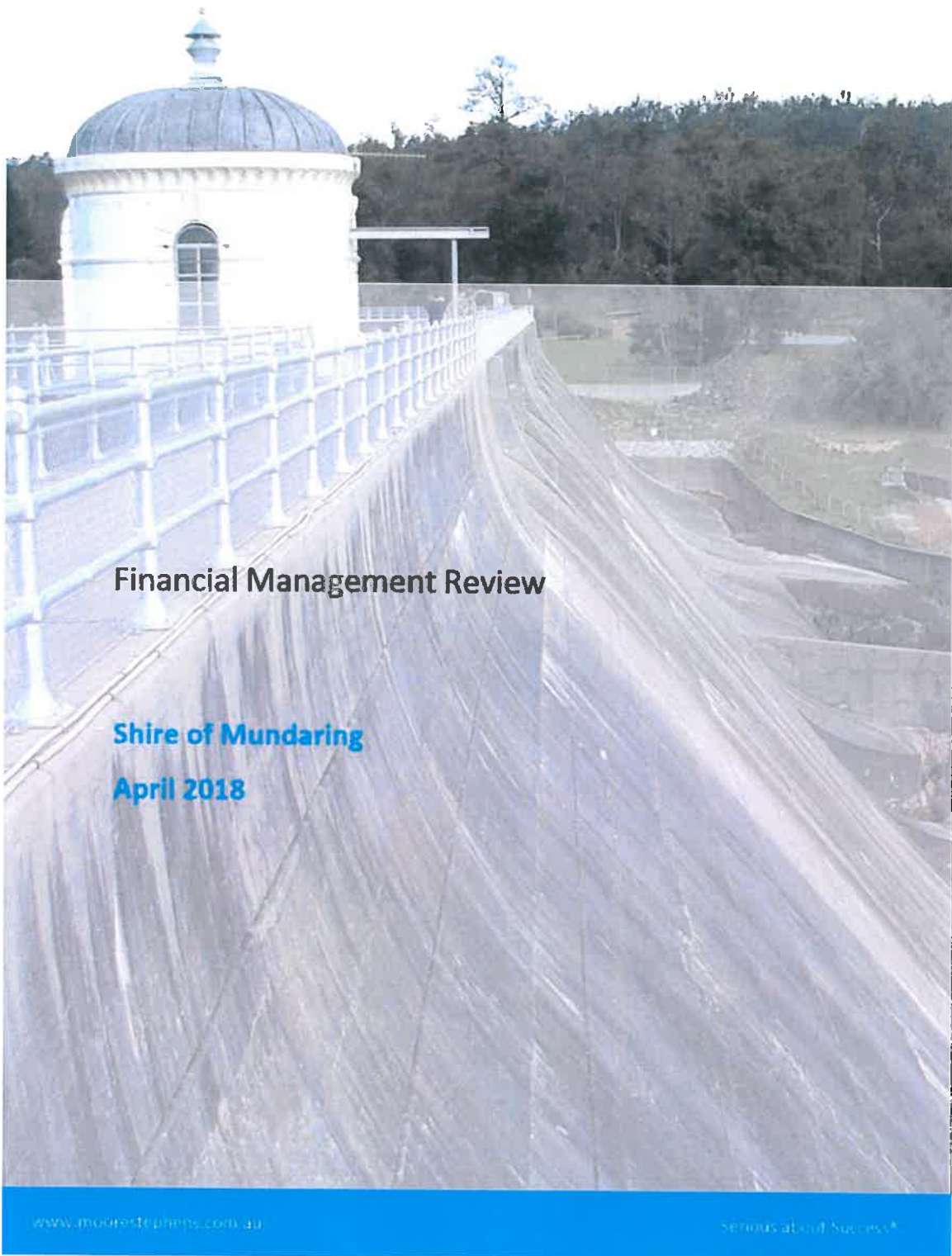
Cr Fox

That Council receives the Financial Management Review Report and notes the recommendations and management comments within the report.

#### **CARRIED 5/0**

**For:** Cr Daw, Cr Fox, Cr Brennan, Cr Jones and Mr Wilkinson

**Against:** Nil



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## Disclaimer

The objective of this review as outlined in greater detail in Part 2.0 of this report as presented, is to assist the Chief Executive Officer of the Shire of Mundaring discharge responsibilities in respect to Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended).

It has been prepared by Moore Stephens (WA) Pty Ltd for this sole purpose.

It is not intended to be used by any other individual or organisation.

Confidential – this document and the information contained in it are confidential and should not be used or disclosed in any way without our prior consent.

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### 1.0 Independent Reviewer's Report to the Chief Executive Officer (CEO) of the Shire of Mundaring

At the request of the CEO, Moore Stephens (WA) Pty Ltd was engaged to conduct a limited assurance review of the appropriateness and effectiveness of the Shire of Mundaring's financial management systems and procedures. The objective of the review is to assist the CEO discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended). The review was conducted for the period 1 July 2017 to 31 March 2018.

#### CEO's Responsibility for Maintaining and Reviewing Financial Management Systems and Procedures

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Shire's resources. In accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended), the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures. At least once in every four financial years the CEO is to report the results of those reviews to Council.

#### Our Responsibility

Our responsibility is to provide a report expressing limited assurance, designed to enhance the confidence of the CEO to assist reporting on the appropriateness and effectiveness of the financial management systems as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* (as amended). We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3500 Performance Engagements issued by the Australian Auditing and Assurance Standards Board and the Audit Guidelines, in order to state whether, based on the procedures performed, anything has come to our attention that causes us to believe that Shire's financial management systems have not been operating effectively. Our engagement provides limited assurance as defined in ASAE 3500.

Our procedures were agreed to with the CEO in our engagement letter dated 30 January 2018.

#### Limitations of Use

This report is made solely to the CEO of the Shire of Mundaring for the purpose of reporting under Local Government (Financial Management) Regulation 5(2)(c). We disclaim any assumption of responsibility for any reliance on this report to any person other than the CEO of the Shire of Mundaring, or for any purpose other than that for which it was prepared. We disclaim all liability to any other party for all costs, loss, damages, and liability that the other party might suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party, or the reliance on our report by the other party.

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**1.0 Independent Reviewer's Report to the Chief Executive Officer (CEO) of the Shire of Mundaring (continued)**

**Inherent Limitations**

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3500 and consequently does not allow us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an opinion providing reasonable assurance.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and its responsibility to prevent and detect irregularities, including fraud. Accordingly, readers of our reports should not rely on the report to identify all potential instances of non-compliance which may occur.

Any projection of the evaluation of the level of compliance to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with management procedures may deteriorate.

**Independence**

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

**Conclusion**

Based on our work described in this report (which is not an audit), nothing has come to our attention to indicate the Shire of Mundaring has not established and maintained, in all material respects, appropriate and effective financial management systems and procedures during the period covered by our review being 1 July 2017 to 31 March 2018.

For those aspects of the Shire of Mundaring's Financial Management systems and procedures which were assessed as having opportunities for improvement, our findings are summarised at Part 3.0 of this report and detailed observations and comments are located at Part 4.0 of this report.

  
GREG GODWIN  
DIRECTOR

  
MOORE STEPHENS (WA) PTY LTD  
CHARTERED ACCOUNTANTS

Date: 24 April 2018  
Perth, WA

## 2.0 Objective, Scope and Overview of Findings

### Objective

The objective of our engagement as outlined in our engagement letter dated 30 January 2018 as follows:

To provide a report expressing limited assurance designed to enhance the confidence of the intended user (in this instance the CEO) in the performance of the control environment of the financial management system of the Shire of Mundaring (administered by Shire staff being the Responsible Party) for which the intended user (CEO) is ultimately responsible in accordance with the Act and Regulations.

It includes the performance of assurance procedures designed to test the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within, as required by Financial Management Regulation 5(2)(c).

We trust this report will assist in the ongoing review and improvement of the Shire's financial management practices and procedures.

### Scope

As agreed our examination covered the period 1 July 2017 to 31 March 2018. To this end we examined the following financial systems and procedures of Council:

- Purchases, Payments and Payables (Including Purchase Orders)
- Receipts/Receivables
- Payroll
- Rates
- Bank Reconciliations
- Trust Fund
- Fees and Charges
- Cost Allocations
- Administration Allocations
- Minutes and Meetings
- Financial Reports
- Budget
- Plan for the Future
- Fixed Assets (including acquisitions, disposals & depreciation)
- Delegations
- Registers (including Annual and Primary returns)
- Audit Committee
- Insurance
- Storage of Documents/Record Keeping
- Credit Card Procedures
- General Compliance and Other Matters

We did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature. That is, Parts 2, 4, 8 and 9 of the Act, some provisions of Parts 3 and 5 as well as most regulations (apart from the Financial Management Regulations), which did not impact on the areas examined above.

### Overview of Findings

As referred to in Part 1.0 of this report, a summary of our findings and detailed observations may be found in Parts 3.0 and 4.0 on the following pages.

Addressing the issues highlighted will help to ensure the controls and procedures established are not compromised in the future and the integrity of the financial management system is maintained.

## 3.0 Summary of Findings

### 3.1 Summary of Compliant Areas – 13 of 20 Areas Reviewed

The following is a brief summary of areas included in our review where nothing came to our attention to indicate appropriate and effective financial management systems and procedures had not been established and maintained.

AREAS REVIEWED	REF	PAGE	
<b>BANK RECONCILIATIONS AND PETTY CASH MANAGEMENT</b>	4.1	9	
Bank reconciliations prepared and reviewed regularly and up to date.			Compliant
Petty cash properly controlled and maintained.			Compliant
<b>TRUST FUNDS</b>	4.2	9	
Trust funds adequately controlled and met statutory requirements.			Compliant
<b>RECEIPTS AND RECEIVABLES</b>	4.3	9	
Internal controls over receipts and receivables are operating effectively.			Compliant
<b>RATES</b>	4.4	9	
Rates correctly imposed and rate system properly maintained.			Compliant
<b>COST AND ADMINISTRATION ALLOCATIONS</b>	4.10	15	
Overhead costs are being allocated appropriately.			Compliant
<b>MINUTES AND MEETINGS</b>	4.11	15	
Procedures and protocols surrounding meetings and the quality of minutes of a satisfactory standard and in accordance with legislative requirements.			Compliant
<b>FINANCIAL REPORTS</b>	4.12	15	
Financial Reports of a satisfactory standard and in compliance with legislative requirements.			Compliant
<b>BUDGET</b>	4.13	15	
The adopted budget was of satisfactory form and content and met all statutory requirements.			Compliant
<b>PLAN FOR THE FUTURE</b>	4.14	15	
The Strategic Community Plan and Corporate Business Plan met statutory requirements.			Compliant
<b>DELEGATIONS</b>	4.16	17	
The delegations register complies with statutory requirements.			Compliant
<b>AUDIT COMMITTEE</b>	4.17	17	
Audit Committee satisfactorily established and met with Council's auditor as required.			Compliant
<b>INSURANCE</b>	4.18	17	
Insurance up to date and reviewed annually.			Compliant
<b>GENERAL COMPLIANCE AND OTHER MATTERS</b>	4.20	17	
Internal controls and restrictions over general journal entries and investments maintained properly.			Compliant
IT general environment considered appropriate for the Shire's needs.			Compliant

Key:

Compliant	No issues noted.
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### 3.0 Summary of Findings (continued)

#### 3.2 Summary of Key Matters Noted for improvement – 7 of 20 areas reviewed

The following is a brief summary of the key matters noted for improvement together with our rating assessment in relation to each item:

FINDINGS	REF	PAGE	NATURE	RATING
<b>FEES AND CHARGES</b>	<b>4.5</b>	<b>10</b>		
Local public notice was not given before amending/adopting fees and charges not included in the budget.			C	Minor
<b>PURCHASES, PAYMENTS AND PAYABLES (INCLUDING PURCHASE ORDERS)</b>	<b>4.6</b>	<b>11</b>		
Creditor system audit trail report not reviewed at each payment run.			S	Moderate
<b>PAYROLL</b>	<b>4.7</b>	<b>12</b>		
Payroll system audit trail report not reviewed at each pay run.			S	Moderate
Reconciliation of payroll summary report to general ledger not performed.			S	Moderate
<b>CREDIT CARD PROCEDURES</b>	<b>4.8</b>	<b>13</b>		
Number of corporate credit cards considered high.			S	Moderate
<b>FIXED ASSETS (INCLUDING DEPRECIATION, ACQUISITIONS AND DISPOSALS)</b>	<b>4.9</b>	<b>14</b>		
Infrastructure asset register separate to the accounting system and not regularly reconciled to the general ledger.			S	Moderate
<b>REGISTERS (INCLUDING ANNUAL &amp; PRIMARY RETURNS)</b>	<b>4.15</b>	<b>16</b>		
Annual Return contained blank sections.			C	Minor
Annual return period incorrectly recorded.			C	Minor
<b>STORAGE OF DOCUMENTS/RECORD KEEPING</b>	<b>4.19</b>	<b>17</b>		
A record of minor assets is not maintained.			S	Moderate

Please Note: The rating assessment as detailed above is our assessment based on the circumstances surrounding the procedures performed. They are intended to be read in the context of our rating assessment to the organisation as a whole. They are provided solely to assist you understand the nature of the matters raised and to prioritise any remedial action.

#### Key:

##### Nature:

S	Systems and Procedures
C	Compliance Matter

##### Rating Assessment:

Significant	Issue represents a weakness which will/may have an adverse affect on the ability to achieve business objectives. Requires immediate management action.
Moderate	Issue represents a weakness which may become more serious if not addressed. Requires management action within a reasonable time period.
Minor	Issue represents an opportunity for improvement. Management should consider cost benefit analysis within a reasonable time period.

## 4.0 Areas Examined with Detailed Observations and Comments

### 4.1 Bank Reconciliations and Petty Cash Management

#### Bank Reconciliations

An examination of bank reconciliations and procedures for the period under review noted they are up to date as well as being prepared regularly and promptly for all bank accounts.

#### Petty Cash Management

We also examined the petty cash system and procedures and concluded these were being properly controlled and maintained.

### 4.2 Trust Funds

Trust funds held by the Shire were examined to determine proper accountability in the Shire's financial management system and compliance with regulatory requirements.

Our observation and testing of five receipts and five refunds, randomly selected, confirmed that trust funds are adequately controlled and all statutory requirements were satisfactorily met.

### 4.3 Receipts and Receivables

The Shire's end of day banking procedures were examined to determine if they were adequate in ensuring cash collection is being recorded and allocated properly to the general ledger. Detailed testing of a sample of ten end of day receipts, randomly selected, was performed. This included tracing to individual receipt detail, bank deposits, general ledger and bank statements to ensure banking was correctly performed.

Overall testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for the Shire's current scope of operations.

### 4.4 Rates

The Shire's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger.

We randomly selected and tested ten annual rate notices and ten interim notices for the period under review. This included:

- sighting the notices;
- re-performing the calculations;
- ascertaining whether the valuations applied agree to Landgate's valuation roll/report and rates per dollar imposed are as per adopted budget;
- ensuring the rate system is properly updated; and
- checking proper posting to the general ledger.

From testing, we concluded the rate system and records are being properly maintained, rates are correctly imposed as well as accurately posted to general ledger.

## 4.0 Areas Examined with Detailed Observations and Comments (continued)

### 4.5 Fees and Charges

Fees and Charges imposed at the time of budget adoption were found to be in accordance with legislative requirements.

Detailed testing of a sample, randomly selected, of ten fees and charges invoices, was performed. This included tracing to receipts, general ledger and budgeted price to ensure allocation/posting was correctly performed and correctly charged.

Overall testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for the Shire's current scope of operations except for the following matter:

- **Noted 2 Instances (Mundaring Visitor Centre and Darlington Oval Pavillion) where local public notice was not given before amending/adopting fees and charges in accordance with section 6.19 of the Local Government Act.**

**Comment: To help ensure compliance with statutory provisions, this requirement should be correctly addressed in the future.**

**Management Response: This occurred due to a lack of communication between Governance and the Service Area responsible for the fees and charges that were adopted. As a measure going forward Governance will follow up on all advertising requirements regarding fees and changes adopted by Council post the adoption of the annual budget.**

## 4.0 Areas Examined with Detailed Observations and Comments (continued)

### 4.6 Purchases, Payments and Payables (Including Purchase Orders)

A sample of twenty payment transactions were randomly selected and tested to determine whether purchases were authorised/budgeted and payments were supported, certified/authorised and correctly allocated. The Shire's purchases, payments and payables system was also examined to determine if adequate controls were in place in ensuring liabilities are properly recorded and payments are properly controlled.

We are aware of many recent incidents of payment scams/frauds within the local government industry. As a consequence of this activity, we have had a specific focus on the controls around the changes to supplier details within the EFT payment system.

In general, controls and procedures over purchases, payments and payables appear to be operating effectively and are appropriate for the Shire's current scope of operations except for the following matter:

- The system audit trail report for changes made to supplier details, including bank details, is not reviewed by a senior staff member at every payment run.

**Comment:** To help ensure all changes to supplier details in the system are correct and hence all payments are bona fide, the system's audit trail report showing all changes made to the system should be printed and reviewed by a senior staff member independent of processing prior to the processing of each payment run.

This independent review should seek to confirm the integrity of the changes/details in the system against appropriate authorisations and should be evidenced accordingly.

**Management Response:** An independent finance officer is required to verify any changes to creditor details before such changes are processed. In terms of creditor payment runs, these too are reviewed and verified by an independent finance officer. However, an audit trail review does not form part of the Shire's current practices/processes.

## 4.0 Areas Examined with Detailed Observations and Comments (continued)

### 4.7 Payroll

Detailed testing of a sample of twenty individual employees was randomly selected from eight pay runs and for each employee's pay the following tests were performed to help ensure:

- the employee existed;
- the correct rate of pay was used;
- non-statutory deduction authorities are on hand;
- time sheets were properly completed and authorised;
- hours worked were properly authorised; and
- allocations were reasonable and correctly posted.

We also tested the first pay of three new employees and the last pay of three terminated employee (randomly selected). The Shire's payroll system was also reviewed to determine if adequate controls were in place to help ensure wages and salaries are properly processed and payments are properly controlled.

The system described to us and its supporting controls were found to be operating effectively, except for the following areas which were assessed as having opportunity for improvement:

- **The system audit trail report for changes made to payroll details, including bank details, is not reviewed by a senior staff member at every payment run.**

**Comment:** To help ensure all changes to payroll details in the system are correct and hence all payments are bona fide, the system's audit trail report showing all changes made to the system should be printed and reviewed by a senior staff member independent of processing prior to the processing of each payment run.

**This independent review should seek to confirm the integrity of the changes/details in the system against appropriate authorisations and should be evidenced accordingly.**

**Management Response:** An independent finance officer is required to verify any changes to payroll details before such changes are processed. In terms of payroll payment runs, these too are reviewed and verified by an independent finance officer. However, an audit trail review does not form part of the Shire's current practices/processes.



## 4.0 Areas Examined with Detailed Observations and Comments (continued)

### 4.7 Payroll (continued)

- Payroll reconciliations were not performed.

**Comment:** To help ensure all pays are bona fide and all salaries and wages are completely and correctly posted into the general ledger, salaries and wages should be reconciled every pay run to the payroll summary report and documented for review by a senior staff member independent of preparation.

The independent review should seek to confirm the accuracy of the reconciliation and should be evidenced accordingly.

**Management Response:** This was previously identified as an issue. Whilst Finance have attempted to create a reconciliation report, this report is still reliant on manual work which is not ideal. Staff will further investigate to ascertain whether a system generated report can be produced at the end of each payroll period.

### 4.8 Credit Card Procedures

A review of the Shire's credit card procedures was performed to determine if adequate controls were in place.

We randomly selected and tested eight months' credit card transactions across the cards to determine whether they are legitimate and usual in the context of the Shire's operations. This included:

- sighting tax invoices;
- ascertaining whether the transaction is for bona fide Shire business; and
- determining whether transactions are in line with the Shire's policy.

Overall testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for the Shire's current scope of operations with the following exception noted:

- The Shire has 43 credit cards in use with a total combined limit of \$86,500.

**Comment:** Whilst the number of credit cards and credit limits has reduced compared to previous years, given the size of the Shire, and the sensitivities surrounding credit cards, we consider this number to be too high.

The number of credit cards held should be reviewed and guidelines established to streamline the number on issue. This will help ensure robust and stringent controls remain over Shire expenditure at all times.

**Management Response:** Noted. A further review of the Shire's remaining credit cards (reduced from 73 to 43 post the last review) will be undertaken in the latter part of 2018. This will be a transactional review of each card.

## 4.0 Areas Examined with Detailed Observations and Comments (continued)

### 4.9 Fixed Assets (Including Depreciation, Acquisition and Disposal of Property)

The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined.

A sample of five asset additions and five disposals were judgementally selected and testing performed to ensure:

- the tax invoices existed;
- correct posting to the general ledger;
- fixed assets register was promptly updated; and
- classification of assets was correct;

In addition, a sample of five assets were judgementally selected and testing performed to ensure the depreciation rates used are in line with the Shire's policy.

We concluded fixed assets are properly accounted for and supporting controls are operating effectively, except for the following matter:

- **Infrastructure assets are being recorded in an asset register outside the accounting system which is not being regularly reconciled to the general ledger.**

**Comment:**

**To help ensure infrastructure assets are correctly posted to the general ledger and depreciation is calculated accurately, the Shire should record these assets in the accounting system.**

**Furthermore, the corresponding general ledger control accounts should be reconciled regularly to the fixed assets register. These reconciliations should be signed and dated by the preparer thereof and should be independently reviewed.**

**Management Response: Infrastructure assets are currently recorded in excel spreadsheets and as such it is not practical to reconcile these assets on a regular basis other than as at 30 June each year. An asset management system is currently being developed in-house by the Shire's IT Service.**

## 4.0 Areas Examined with Detailed Observations and Comments (continued)

### 4.10 Cost and Administration Allocations

The Shire's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included review of the allocation basis and rates used to ensure they are appropriate and regularly reviewed.

Our review noted the system is being maintained properly.

### 4.11 Minutes and Meetings

Council and Committee meeting minutes were reviewed to ensure compliance with procedures and protocols.

The procedures and protocols surrounding meetings and the quality of minutes were found to be of a satisfactory standard and in accordance with legislative requirements.

### 4.12 Financial Reports

The following reports were reviewed for compliance with legislative requirements:

- Annual Report;
- Annual Financial Report; and
- Monthly Financial Reports.

All were found to be of a satisfactory standard and in compliance with legislative requirements.

### 4.13 Budget

The 2017/18 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements.

All statutory requirements were satisfactorily met and the adopted budget was of satisfactory form and content.

### 4.14 Plan for the Future

The Strategic Community Plan and Corporate Business Plan together comprise the Plan for the Future.

The Shire's current Strategic Community Plan and Corporate Business Plan were adopted in 2016 and 2017 respectively. From examination, they appeared to meet all statutory requirements.

## 4.0 Areas Examined with Detailed Observations and Comments (continued)

### 4.15 Registers (Including Annual & Primary Returns)

#### Financial Interest Register

The register was examined to ensure compliance with regulatory requirements.

Our review noted the register was deemed to be satisfactorily maintained and appropriate for the Shire's needs, except for the following:

- One Annual return contained sections which had been left blank.

**Comment:** To help ensure compliance with Departmental Circular 18-2005 and to help ensure returns submitted are not at risk of being amended, all sections should be completed. We note it is acceptable to record N/A, Nil or No Change or to rule a clear line through a N/A section whilst leaving sections blank is not recommended practice.

**Management Response:** The covering letter which is sent out with all returns clearly explains that all sections must be completed and no section can be left blank. The only other measure that could be taken is to send the form back to the relevant person. This measure would increase the risk of forms being submitted after the due date.

- Eight instances where the annual return period was recorded as the year ended 30 June 2016, when it should have been for the year ended 30 June 2017.

**Comment:** To help ensure the annual returns are completed correctly, the annual return forms should be checked by Shire staff to ensure the correct period is recorded.

Whilst we note the CEO or any other Shire staff are not responsible for the content of returns submitted, we note it is acceptable, and quite common, for the content to be reviewed prior to receipt being acknowledged.

**Management Response:** This was an administrative error on the form template, which was only picked up when the forms had been completed and returned.

#### Tender Register

The tender register was reviewed for completeness and compliance and appeared to be satisfactorily maintained and appropriate for the Shire's needs.

## 4.0 Areas Examined with Detailed Observations and Comments (continued)

### 4.16 Delegations

The delegations register was reviewed for completeness and compliance and no matters were noted.

### 4.17 Audit Committee

The Shire's establishment of its audit committee and the constituted membership was examined by us and considered satisfactory. In addition, we noted the audit committee has met with Council's auditor within the last 12 months as required by S7.12A(2) of the *Local Government Act 1995*.

### 4.18 Insurance

Discussions with staff and review of policy documents revealed policies are current. Evidence also exists to suggest an annual review of insurance risks occurs.

### 4.19 Storage of Documents / Record Keeping

A detailed and fully indexed register and filing system is in place and appears to be complete and operating effectively. However, the following area was assessed as having an opportunity for improvement:

- A record of minor assets (i.e. assets below the capitalisation threshold) is not maintained.

**Comment:** To reduce the risk of misappropriation, a listing for minor assets by location should be maintained and updated regularly.

**Management Response:** The Shire is currently developing a listing of minor assets for each area within its current resources. Some listings have been completed e.g. Depot, whilst others remain a "work in progress".

### 4.20 General Compliance and Other Matters

#### Investments

Internal control procedures and restrictions over investments are properly maintained and complied with the Local Government (Financial Management) Regulation 19C.

#### General Journals

Internal control procedures over general journals are properly maintained for the level of operations.

#### IT General Environment

Whilst reviewing the adequacy of the Shire's IT general environment, we noted general controls such as access to the computer system, regular changes to passwords and data back-up are being performed. Based on our review, this approach is considered appropriate for the Shire's needs.

## 5.0 Reminders

### Fixed Assets

- Revaluation of infrastructure assets should be performed by 30 June 2018.

Management have advised the valuations are scheduled to be undertaken by both management and an external valuer prior to the 30 June 2018.

### Other

- The Fringe Benefits Tax return had not yet been lodged at the time of our visit. Due date for lodgement is 21 May 2018.

## 8.2 Policy Reviews for Departing Employees

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<b>File Code</b>	GV.OPP1
<b>Author</b>	Maureen Gerlach, Manager HR
<b>Senior Employee</b>	Paul O'Connor, Director Corporate Services
<b>Disclosure of Any Interest</b>	Author and Senior Employee have a Financial Interest - potential beneficiaries of policies
<b>Attachments</b>	<ol style="list-style-type: none"><li>1. Policy - HR-02 Benefits to Departing Employees <a href="#">↓</a></li><li>2. Policy - HR-03 Recognition of Continuing Employee Service <a href="#">↓</a></li><li>3. Draft - HR-02 - Tracked Changes - Benefits to Departing Employees <a href="#">↓</a></li><li>4. Draft - Final Version - HR-02 Benefits to Departing Employees <a href="#">↓</a></li></ol>

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### SUMMARY

The Committee is invited to consider the review of the following policies:

- HR-02 Benefits to Departing Employees
- HR-03 Recognition of Continuing Employee Service

and recommend to Council the adoption of Policy HR-02 Benefits to Departing Employees and the repeal of Policy HR-03 Recognition of Continuing Employee Service.

### BACKGROUND

Following review of current legislation and consultation with other local governments a number of changes are proposed to the above policies.

These policies were last reviewed by Council in August 2010 (HR-02 amended by C9.05.09; and HR-03 amended by C3.03.09).

A number of other local governments were contacted to obtain comparative information on benefits provided to employees in recognition of their continuing service and to employees ceasing employment with the local government.

Feedback from existing employees was also sought and consideration was given to balancing the Shire's desire to attract and retain quality staff (Workplace of Choice Strategy) and its capacity to provide benefits to employees.

### STATUTORY / LEGAL IMPLICATIONS

In relation to HR-02, the *Local Government Act 1995* (s. 5.50) and *Local Government (Administration) Regulations 1996* (r. 19A) provide the statutory basis for local governments to make payments to departing employees.

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## **Local Government Act 1995**

### **5.50. Payments to employees in addition to contract or award**

- (1) *A local government is to prepare a policy in relation to employees whose employment with the local government is finishing, setting out —*
  - (a) *the circumstances in which the local government will pay an employee an amount in addition to any amount to which the employee is entitled under a contract of employment or award relating to the employee; and*
  - (b) *the manner of assessment of the additional amount,*  
*and cause local public notice to be given in relation to the policy.*
- (1a) *A local government must not make any payment of the kind described in subsection (1)(a) unless the local government has adopted a policy prepared under subsection (1).*
- (2) *A local government may make a payment —*
  - (a) *to an employee whose employment with the local government is finishing;*  
*and*
  - (b) *that is more than the additional amount set out in the policy prepared under subsection (1) and adopted by the local government,*  
*but local public notice is to be given in relation to the payment made.*
- (3) *The value of a payment or payments made to a person under this section is not to exceed such amount as is prescribed or provided for by regulations.*
- (4) *In this section a reference to a payment to a person includes a reference to the disposition of property in favour of, or the conferral of any other financial benefit on, the person.*

## **Local Government (Administration) Regulations 1996**

### **19A. Payments in addition to contract or award, limits of (Act s.5.50(3))**

- (1) *The value of a payment or payments made under section 5.50(1) and (2) to an employee whose employment with a local government finishes after 1 January 2010 is not to exceed in total—*
  - (a) *the value of the person's final annual remuneration, if the person —*
    - (i) *accepts voluntary severance by resigning as an employee; and*
    - (ii) *is not a CEO or a senior employee whose employment is governed by a written contract in accordance with section 5.39;*
  - or*
  - (b) *in all other cases, \$5000.*
- (2) *In this regulation —*



*final annual remuneration in respect of a person, means the value of the annual remuneration paid, or payable, to the person by the local government which employed that person immediately before the person's employment with the local government finished.*

In relation to HR-03 there are no statutory/legal implications.

## **POLICY IMPLICATIONS**

Policy HR-03, Recognition of Continuing Employee Service, complements the Shire's Staff Recognition Program (OP-33). Employee recognition is essentially an operational matter. It is proposed that the content of HR-03 be incorporated into OP-33 and that Policy HR-03 be repealed.

## **FINANCIAL IMPLICATIONS**

Cost of Benefits to Departing Employees was \$16,633 in the 2016/17 financial year and is expected to be approximately \$17,600 in the 2017/18 financial year.

Based on the current workforce age profile (39 permanent employees aged 60 years or more) and average length of service (14.4 years; range = 3 - 38 years); this is anticipated to increase each year for the following 10 years.

Proposed amendments to HR-02 (see below) will generate minor savings to the Shire.

## **STRATEGIC IMPLICATIONS**

Mundaring 2026 Strategic Community Plan

Priority 1 - Governance

Objective 1.1 – A fiscally responsible Shire that prioritises spending appropriately

Strategy 1.1.1 – Prudently consider resource allocation

## **SUSTAINABILITY IMPLICATIONS**

Nil

## **RISK IMPLICATIONS**

<b>Risk:</b> Political, Reputational, Financial		
Continued payment of discretionary benefits to employees in the current economic and political climate is likely to be contentious within some sectors of the community and may damage the Shire's reputation.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Likely	Minor	Moderate
<b>Action / Strategy</b>		

The proposed changes in relation to the value of benefits and type of farewell function will result in minor savings to the Shire.

## **EXTERNAL CONSULTATION**

Information was sought from ten other local governments for comparative purposes.

## **COMMENT**

### **Value of benefits**

It is proposed that benefits to part time employees be on a pro-rata basis for both recognition of continuing service and benefits to departing employees. This is consistent with other benefits provided on a pro-rata basis to part time employees. In addition, adopting this approach would reduce the financial impact on the Shire.

It is further proposed that emphasis be placed on incentives to encourage employee retention rather than providing more generous benefits to departing employees. Specifically, the following changes to HR-02 are proposed:

1. Gift contribution values (clause 2) are reduced in line with benefits for service milestones (refer OP-33);
2. Gratuity payments (clause 3) applicable to departing employees with ten or more years' service are withdrawn; and
3. Discretionary payments (clause 4) to departing employees are withdrawn. (Note: employees who are affected by workplace change initiatives are eligible for redundancy payments under their contract of employment).

### **Type of function**

In relation to farewell functions a number of changes are proposed. The changes are intended to contain costs; ensure administrative efficiency (ease of organising the function); minimise risks and impact on service delivery.

After five years of service, Policy HR-02 currently provides for employees to stop work 15 minutes before the end of a (specified) normal working day to gather for a farewell function. The maximum length of the function is also specified (5-10 years = 60 minutes beyond normal office closing time; 10 or more years = 120 minutes beyond normal office closing time). The current policy provides for service of alcohol at functions held at the end of the working day for employees departing after five or more years of service.

It is proposed that all functions, regardless of length of service, are restricted to morning or afternoon tea. As these functions will be held during business hours, no alcohol will be served. Service of alcohol at work functions introduces a risk of harm and is inconsistent with the Shire's Organisational Practice OP-49 Health and Wellbeing and the associated Mental Health and Wellbeing Framework. Providing alcohol-free functions is considered to be a healthier option; likely to be more acceptable to the community (image); and at lower cost (reduced contribution towards refreshments).

As stated above, employee recognition is essentially an operational matter under the responsibility of the Chief Executive Officer. It is therefore proposed that the content of HR-03 be incorporated into the organisation's internal practice OP-33 Staff Recognition Program and that Policy HR-03 be repealed.

Attached are the two current policies (**Attachment 1 and Attachment 2**), a tracked changes (**Attachment 3**) and final version (**Attachment 4**) of policy HR-02 Benefits to Departing Employees.

**VOTING REQUIREMENT**

Simple Majority

<b>COMMITTEE RECOMMENDATION</b>		<b>ARC3.05.18</b>	
Moved by	Cr Jones	Seconded by	Cr Fox

That Council:

1. Adopts the revised HR-02 Benefits to Departing Employees as reviewed in April 2018; and
2. Repeals HR-03 Recognition of Continuing Employee Service.

**CARRIED 5/0**

**For:** Cr Daw, Cr Fox, Cr Brennan, Cr Jones and Mr Wilkinson

**Against:** Nil

Shire of Mundaring

**POLICY**

**BENEFITS TO DEPARTING EMPLOYEES**

<b>Policy Ref:</b>	HR-02
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<b>Committee Rec:</b>	SPC 06.02.06	<b>Date:</b>	20 Feb 2006
<b>Adopted:</b>	C 8.02.06	<b>Date:</b>	28 Feb 2006
<b>Amended by:</b>	C9.05.09	<b>Date:</b>	26 May 2009
<b>Reviewed:</b>	Once per Electoral Cycle	<b>Date:</b>	24 August 2010
<b>Policy</b>	Recognition of Continuing	<b>Organisational</b>	OP-29
<b>Cross Ref:</b>	Employee Services	<b>Practice Ref:</b>	
<b>Statute Ref:</b>	<i>Local Government Act 1995 s. 5.50</i>		
<b>Local Law Ref:</b>	<i>Local Government (Administration) Regulations 1996</i>		

**PURPOSE**

To recognise the service of employees at the time of their resignation or retirement from the Shire, and to satisfy the requirements of s5.50 of the *Local Government Act 1995* in this regard.

**POLICY**

**1. Farewell Functions**

The Shire will offer a farewell function to those employees whose employment with the Shire is finishing:

**1.1 Length of Service**

- i) Service 0 - 1 year: a farewell function is not provided.
- ii) Service more than 1 year and less than 5 years: employees may attend a short farewell function at morning or afternoon tea. The Shire will provide a limited amount of food, tea and coffee.
- iii) Service more than 5 years and less than 10 years: employees may stop work 15 minutes before the end of normal working hours on a selected day and gather at a farewell function. The Shire will provide a limited amount of food and refreshments. The function is not to proceed more than 60 minutes beyond normal office closing time if held on Shire premises.
- iv) Service of 10 or more years: employees may stop work 15 minutes before the end of normal working hours on a selected day and gather at a farewell function. The Shire will provide more substantial food and refreshments. The function is not to proceed more than

120 minutes beyond normal office closing time if held on Shire premises.

- V) Service of 20 or more years: in addition to an internal staff function (as per 1.1 iv), the employee and his/her partner will be invited to join the President and Elected Members at a Council meeting dinner and a certificate and gift will be presented at the beginning of the Council meeting.

**1.2 Attendance at Farewell Functions**

Attendance at any farewell function is voluntary.

**1.3 Type of Farewell Function**

Regardless of the length of service, an employee may elect to have a function of a lesser type than that indicated, or may elect not to have a function at all.

**1.4 Time Limits**

Time limits for use of Shire premises may be altered at the discretion of the Chief Executive Officer or his nominee, particularly where the employee may have served a very long period of employment.

**2. Gifts**

The Shire will purchase a gift in recognition of the service provided by an employee whose employment with the Shire is finishing as follows:

- (a) 5 years – a gift up to the value of \$100.00
- (b) 10 years – a gift up to the value of \$250.00
- (c) 15 years – a gift up to the value of \$500.00
- (d) 20 years – a gift to the value of \$750.00
- (e) 25 years – a gift to the value of \$1000.00
- (f) 30 years – a gift to the value of \$1,500.00
- (g) 35 years or more – a gift to the value of \$2,000.00

The Shire President or his/her nominee will be invited to present the gift to the employee on behalf of the Council.

**3. Gratuity**

As a token of appreciation the provision of a gratuity to employees whose employment with the Shire is finishing will be paid as follows:

- (a) Prior to completion of 10 years' service – nil.
- (b) Upon resignation/retirement prior to completion of 10 years' service, on account of illness – at Council's discretion if the employee is the CEO, or at the CEO's discretion if the employee is not the CEO.
- (c) On completion of 10 years' service – one day's salary ("salary" not inclusive of allowances or any other bonuses).

- (d) More than 10 years' service – one day's salary plus 50% of one day's salary for each completed year of service beyond 10 years ("salary" not inclusive of allowances or any other bonuses), up to a maximum of \$5000.

The Shire of Mundaring will be responsible for any fringe benefit tax liability.

**4. Payments to employees where employment ends:**

**4.1 Additional payment**

The Shire may pay to an employee whose employment with the Shire is finishing an amount not exceeding the prescribed maximum amount.

**4.2 Prescribed maximum amount**

At the date of the last review of this Policy, the prescribed maximum payment or payments under this Policy for an employee whose employment with the Shire finishes after 1 January 2010 must not exceed in total –

- (a) if the employee accepts voluntary severance by resigning as an employee, the value of the employee's final annual remuneration; or
- (b) in all other cases, \$5,000. (See regulation 19A of the *Local Government (Administration) Regulations 1996*.)

(Note - "final annual remuneration" means the value of the annual remuneration paid, or payable by the Shire immediately before the person's employment with the Shire finished.)

**4.3 Exercise of discretion**

- (1) A payment under this clause is to be at the discretion of –
  - (a) the Council, if the employee is the CEO; or
  - (b) the CEO, if the employee is not the CEO.
- (2) In determining whether a payment to a particular employee should be made under this clause and, if so, the amount of that payment –
  - (a) the Council, if the employee is the CEO; or
  - (b) the CEO, if the employee is not the CEO,is to take into account the length of service to the Shire of that employee.

Shire of Mundaring

**POLICY**

**RECOGNITION OF CONTINUING EMPLOYEE SERVICE**

**Policy Ref:** HR-03

<b>Committee Rec:</b>	SPC 06.02.06	<b>Date:</b>	20 Feb 2006
<b>Adopted:</b>	C 8.02.06	<b>Date:</b>	28 Feb 2006
<b>Amended by:</b>	C3.03.09	<b>Date:</b>	24 March 2009
<b>Reviewed:</b>	Once per Electoral Cycle	<b>Date:</b>	24 August 2010

<b>Policy</b>	Gifts, Functions &	<b>Delegation Ref:</b>
<b>Cross Ref:</b>	Payment of Gratuities to Retiring or Resigning Employees in addition to Contract or Award	

**Statute Ref:**  
**Local Law Ref:**

**PURPOSE**

To recognise long and continuous service given by employees of the local government.

**POLICY**

Continuous service of 5 years (and over) by an employee of the local government will be recognised as follows:

1. Service of 5 years will be recognised by the presentation of a service award in the form of a Certificate of Service.
2. Service of 10 years will be recognised by the presentation of a service award in the form of a Certificate of Service and a gift to the value of \$250.00.
3. Service of 15 years will be recognised by the presentation of a service award in the form of a Certificate of Service and a gift to the value of \$350.00.
4. Service of 20 years will be recognised by the presentation of a service award in the form of a Certificate of Service and a gift to the value of \$500.00.
5. Service of 25 years will be recognised by the presentation of a service award in the form of a Certificate of Service and a gift to the value of \$650.00.
6. Service of 30 years will be recognised by the presentation of a service award in the form of a Certificate of Service and a gift to the value of \$800.00.

7. Service of 35 years and in subsequent increments of 5 years will be recognised by the presentation of a service award in the form of a Certificate of Service and a gift to the value of \$1,000.00.

**Presentation**

The Chief Executive Officer will present the service award and gift at a staff meeting to employees eligible for 5, 10, and 15 years' service awards.

For employees eligible for 20, 25, 30, 35 years or longer service awards, the employee and his/her partner will be invited to join the President and Elected Members at a Council meeting dinner and the certificate and gift will be presented at the beginning of the Council meeting.



Shire of Mundaring

**POLICY**

**BENEFITS TO DEPARTING EMPLOYEES**

<b>Policy Ref:</b>	HR-02		
<b>Committee Rec:</b>	SPC 06.02.06	<b>Date:</b>	<del>20</del> Feb 2006
<b>Adopted:</b>	C-8.02.06	<b>Date:</b>	<del>28</del> Feb 2006
<b>Amended:</b>	C9.05.09	<b>Date:</b>	<del>26</del> May 2009
<b>Reviewed:</b>	<del>Once per Electoral Cycle Every Four Years</del>	<b>Date:</b>	<del>24</del> August <del>2010</del> May 2018
<b>Procedure Ref:</b>	<del>N/AOP-29 Employee Farewell Functions</del>	<b>Delegation Ref:</b>	<del>N/A</del>
<b>Statute Ref:</b>	Local Government Act 1995 s. 5.50		
<b>Local Law Ref:</b>	Local Government (Administration) Regulations 1996 <u>r. 19A</u>		

**PURPOSE**

To recognise the service of employees at the time of their resignation or retirement from the Shire, ~~and to satisfy the requirements of s5.50 of the Local Government Act 1995 in this regard.~~

**POLICY**

The following benefits may be provided to departing employees.

**Eligibility**

This policy applies to full time and part time employees who are ceasing employment due to resignation, retirement or redundancy.

Benefits for part time employees are on a pro-rata basis according to average standard hours worked.

An employee who is subject to performance management or investigation by the Shire at the time of ceasing employment; or who has been dismissed for reasons other than redundancy will not be eligible to receive benefits under this policy.

**1. Farewell Functions**

The Shire will offer a farewell function to those eligible employees whose employment with the Shire is finishing as follows:-

**1.1 Length of Service**

- i) Service 0 - 1 year: a farewell function is not provided.

- ii) Service more than 1 year and less than 520 years: employees may attend a short farewell function at morning or afternoon tea. The Shire will provide a limited amount of food, tea and coffee.
- ~~iii) Service more than 5 years and less than 10 years: employees may stop work 15 minutes before the end of normal working hours on a selected day and gather at a farewell function. The Shire will provide a limited amount of food and refreshments. The function is not to proceed more than 60 minutes beyond normal office closing time if held on Shire premises.~~
- ~~iv) Service of 10 or more years: employees may stop work 15 minutes before the end of normal working hours on a selected day and gather at a farewell function. The Shire will provide more substantial food and refreshments. The function is not to proceed more than 120 minutes beyond normal office closing time if held on Shire premises.~~
- viii) Service of 20 or more years: in addition to an internal staff function (as per 1.1 ~~ivii~~), the employee and his/her partner will be invited to join the Shire President and Elected Members at an Ordinary Council meeting dinner and a certificate and gift will be presented at the beginning of the Council meeting.

#### ~~1.2 Attendance at Farewell Functions~~

~~Attendance at any farewell function is voluntary.  
The departing employee may elect not to have a farewell function.~~

#### ~~1.3 Type of Farewell Function~~

~~Regardless of the length of service, an employee may elect to have a function of a lesser type than that indicated, or may elect not to have a function at all.~~

#### ~~1.4 Time Limits~~

~~Time limits for use of Shire premises may be altered at the discretion of the Chief Executive Officer or his nominee, particularly where the employee may have served a very long period of employment.~~

## 2. Gifts

The Shire will purchase a gift in recognition of the service provided by an employee whose employment with the Shire is finishing as follows after:

- (a) 5 years – a gift up to the value of \$100.00
- (b) 10 years – a gift up to the value of \$250.00
- (c) 15 years - a gift up to the value of ~~\$500.00~~375.00
- (d) 20 years – a gift to the value of ~~\$750.00~~500.00
- (e) 25 years – a gift to the value of ~~\$1000.00~~625.00
- (f) 30 years – a gift to the value of ~~\$1,500.00~~750.00
- (g) 35 years ~~or more~~ – a gift to the value of ~~\$2,000.00~~825.00
- (h) 40 years or more – a gift to the value of \$1,000.00

The Shire President or his/her nominee will be invited to present the gift to the employee on behalf of the Council.

### **3. Gratuity**

~~As a token of appreciation the provision of a gratuity to employees whose employment with the Shire is finishing will be paid as follows:~~

- ~~(a) Prior to completion of 10 years' service — nil.~~
- ~~(b) Upon resignation/retirement prior to completion of 10 years' service, on account of illness — at Council's discretion if the employee is the CEO, or at the CEO's discretion if the employee is not the CEO.~~
- ~~(c) On completion of 10 years' service — one day's salary ("salary" not inclusive of allowances or any other bonuses).~~
- ~~(d) More than 10 years' service — one day's salary plus 50% of one day's salary for each completed year of service beyond 10 years ("salary" not inclusive of allowances or any other bonuses), up to a maximum of \$5000.~~

~~The Shire of Mundaring will be responsible for any fringe benefit tax liability.~~

### **4. Payments to employees where employment ends**

#### **4.1 Additional payment**

~~The Shire may pay to an employee whose employment with the Shire is finishing an amount not exceeding the prescribed maximum amount.~~

#### **4.2 Prescribed maximum amount**

~~At the date of the last review of this Policy, the prescribed maximum payment or payments under this Policy for an employee whose employment with the Shire finishes after 1 January 2010 must not exceed in total —~~

- ~~(a) if the employee accepts voluntary severance by resigning as an employee, the value of the employee's final annual remuneration; or~~
- ~~(b) in all other cases, \$5,000. (See regulation 19A (1) of the Local Government (Administration) Regulations 1996.)~~

~~(Note — "final annual remuneration" means the value of the annual remuneration paid, or payable by the Shire immediately before the person's employment with the Shire finished.)~~

#### **4.3 Exercise of discretion**

- ~~(1) A payment under this clause is to be at the discretion of —
  - ~~(a) the Council, if the employee is the CEO; or~~
  - ~~(b) the CEO, if the employee is not the CEO.~~~~
- ~~(2) In determining whether a payment to a particular employee should be made under this clause and, if so, the amount of that payment —
  - ~~(a) the Council, if the employee is the CEO; or~~
  - ~~(b) the CEO, if the employee is not the CEO,~~is to take into account the length of service to the Shire of that employee.~~

Shire of Mundaring

**POLICY**

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<b>Adopted:</b>	C8.02.06	<b>Date:</b>	Feb 2006
<b>Amended:</b>	C9.05.09	<b>Date:</b>	May 2009
<b>Reviewed:</b>	Every Four Years	<b>Date:</b>	May 2018
<b>Procedure Ref:</b>	OP-29 Employee Farewell Functions	<b>Delegation Ref:</b>	N/A
<b>Statute Ref:</b>	<i>Local Government Act 1995 s. 5.50</i> <i>Local Government (Administration) Regulations 1996 r. 19A</i>		
<b>Local Law Ref:</b>			

**PURPOSE**

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**POLICY**

The following benefits may be provided to departing employees.

**Eligibility**

This policy applies to full time and part time employees who are ceasing employment due to resignation, retirement or redundancy.

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- iii) Service of 20 or more years: in addition to an internal staff function (as per 1.1ii), the employee and his/her partner will be invited to join the Shire President and Elected Members at an Ordinary Council meeting dinner and a certificate and gift will be presented at the beginning of the Council meeting.

The departing employee may elect not to have a farewell function.

## **2. Gifts**

The Shire will purchase a gift in recognition of the service provided by an employee whose employment with the Shire is finishing as follows after:

- (a) 5 years – a gift up to the value of \$100.00
- (b) 10 years – a gift up to the value of \$250.00
- (c) 15 years - a gift up to the value of \$375.00
- (d) 20 years – a gift to the value of \$500.00
- (e) 25 years – a gift to the value of \$625.00
- (f) 30 years – a gift to the value of \$750.00
- (g) 35 years – a gift to the value of \$825.00
- (h) 40 years or more – a gift to the value of \$1,000.00

The Shire President or his/her nominee will be invited to present the gift to the employee on behalf of the Council.

## **9.0 URGENT BUSINESS (LATE REPORTS)**

*Nil*

## **10.0 CLOSING PROCEDURES**

### **10.1 Date, Time and Place of the Next Meeting**

The next Audit and Risk Committee meeting will be held on Tuesday, 21 August 2018 in the Committee Room, 7000 Great Eastern Highway, Mundaring.

### **10.2 Closure of the Meeting**

*The Presiding Person declared the meeting closed at 5.45pm.*