



**SHIRE OF ASHBURTON
AUDIT AND RISK MANAGEMENT
COMMITTEE MEETING**

**AGENDA AND ATTACHMENTS
(Public Document)**

**Onslow Sports Club
Third Avenue, Onslow
11 December 2020**

11.00 am

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

SHIRE OF ASHBURTON

AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

Dear Councillor

Notice is hereby given that an Audit and Risk Management Committee of the Shire of Ashburton will be held on 11 December 2020 at the Onslow Sports Club, Third Avenue, Onslow commencing at 11.00 am.

The business to be transacted is shown in the Agenda.



Mr Kenn Donohoe
CHIEF EXECUTIVE OFFICER

DISCLAIMER

The recommendations contained in the Agenda are subject to confirmation by the Committee and endorsement by the Council. The Shire of Ashburton warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Ashburton for any act, omission or statement or intimation occurring during a Council meeting.

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1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at _____ am.

1.1 ACKNOWLEDGEMENT OF COUNTRY

As representatives of the Shire of Ashburton Council, we respectfully acknowledge the local Indigenous people, the traditional custodians of this land where we are meeting upon today and pay our respects to them and all their elders both past, present and emerging.

2. ATTENDANCE

2.1 PRESENT

Members:	Cr P Foster Cr K White Cr L Rumble Cr M Lynch Cr D Diver Cr R de Pledge Cr J Richardson Cr M Gallanagh	Tom Price Ward (Presiding Member) Onslow Ward Paraburdoo Ward Tom Price Ward Tom Price Ward Ashburton Ward Tablelands Ward Pannawonica Ward
Staff:	Mr K Donohoe Mr J Bingham Mr A Majid Mrs C McGurk Mr A Sheridan Mr M Khosravi Mrs M Lewis	Chief Executive Officer Director Corporate Services Director Development Services Director Projects and Procurement Acting Director Infrastructure Services Director Infrastructure Council Liaison Officer
Guests:		
Members of Public:	There were _____ members of the public in attendance at the commencement of the meeting.	
Members of Media:	There were _____ members of the media in attendance at the commencement of the meeting.	

2.2 APOLOGIES

2.3 APPROVED LEAVE OF ABSENCE

Cr D Dias Paraburdoo Ward

3. ANNOUNCEMENT OF VISITORS

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4. DECLARATION BY MEMBERS

4.1 DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA

All Councillors are requested to give due consideration to all matters contained in the Agenda presently before the meeting.

4.2 DECLARATIONS OF INTEREST

Councillors to Note

A member who has an Impartiality, Proximity or Financial Interest in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (a) Preside at the part of the Meeting, relating to the matter or;
- (b) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the *Local Government Act 1995*.

NOTES ON DECLARING INTERESTS (FOR YOUR GUIDANCE)

The following notes are a basic guide for Councillors when they are considering whether they have an interest in a matter.

These notes are included in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the *Local Government Act 1995* but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc.), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.

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4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
 - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the *Local Government Act*, or
 - 6.2 Where the Minister allows the Councillor to participate under s.5.69 (3) of the *Local Government Act*, with or without conditions.

Declarations of Interest provided:

Item Number/ Name	Type of Interest	Nature/Extent of Interest
There are no Declarations of Interest for this meeting.		

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 AUDIT AND RISK COMMITTEE MEETING HELD ON 8 SEPTEMBER 2020

Officers Recommendation

That the Unconfirmed Minutes of the Audit and Risk Committee Meeting held on 8 September 2020 (**ATTACHMENT 5.1**) be confirmed as a true and accurate record.

6. TERMS OF REFERENCE

Audit and Risk Management Committee

Purpose

The Audit Committee's role in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1995* is to provide assistance and guidance to Council on the discharge of its duties under Part 6 and 7 of the *Local Government Act 1995 (the Act)*. The Audit Committee assists Council to monitor the integrity of the Shire's financial statements, risk management, internal controls and compliance with legislative requirements.

**PUBLIC AGENDA - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING
11 DECEMBER 2020**

Responsibilities

The Audit Committee is responsible for:

- 1.1 Guiding and assisting Council in carrying out its functions under:
 - (a) Part 6 of the *Act* and its functions relating to other audits and other matters related to financial management; and
 - (b) Part 7 of the *Act* in relating to auditing the Shire's financial accounts.
- 1.2 Reviewing the CEO's report required under regulation 17(3).
- 1.3 Monitoring and advising the CEO when the CEO is carrying out functions in relation to a review under:
 - (a) regulation 17 (1); and
 - (b) the *Local Government (Financial Management) Regulations 1996*, regulation 5(2)(c).
- 1.4 Support the Auditor conducting an audit and carrying out the Auditor's other duties under the *Act*.
- 1.5 Oversee the implementation of any action that Council
 - (a) is required to take, has stated it has taken or intends to take in respect to matters raised by the audit report;
 - (b) has accepted should be taken on receipt of the CEO's report of a review under regulation 17(1); and
 - (c) has accepted should be taken on receipt of the CEO's report under regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- 1.6 The Audit Committee's duties include;
 - (a) considering the Auditor's interim audit of the Shire's accounting and internal control procedures for the financial year;
 - (b) reviewing the audited financial report for the previous financial year;
 - (c) reviewing the interim and final audit reports for the financial year;
 - (d) reviewing the annual Compliance Audit Return;
 - (e) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's systems and procedures regarding risk management, internal controls and legislative compliance;
 - (f) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's financial management systems and procedures; and
 - (g) considering the proposed timeline for Council to adopt the budget and the ten-year financial plan for the following financial year; and providing a report to council on those matters.

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11 DECEMBER 2020**

7. AGENDA ITEMS

7.1 REGULATION 17 REVIEW – 2020 PROGRAM

FILE REFERENCE:	GV04
AUTHOR'S NAME AND POSITION:	John Bingham Director Corporate Services
AUTHORISING OFFICER AND POSITION:	Kenn Donohoe Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	1 December 2020
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
PREVIOUS MEETING REFERENCE:	Ordinary Meeting of Council 8 September 2020 Adoption of Committee Minutes EnBloc.

Summary

This report sets out the findings of the Chief Executive Officer's review of systems and processes relating to legislative compliance, risk management and internal controls and provides actions to address these issues, as required by Regulation 17 of the *Local Government (Audit) Regulations*.

In accordance with Regulation 16 of the *Local Government (Audit) Regulations* requiring the Audit and Risk Committee to review a report given to it by the CEO under regulation 17(3) this item seeks the endorsement of the Audit and Risk Committee and recommendation to Council for adoption.

Background

Regulation 16(C) of the *Local Government (Audit) Regulations 1996* stipulates that the Audit Committee is to review a report given to it by the Chief Executive Officer (CEO) under Regulation 17 (3) of the *Local Government (Audit) Regulations 1996*. Regulation 17 of the *Local Government (Audit) Regulations 1996* provides that the CEO is to review the appropriateness and effectiveness of the local governments systems and procedures in relation to risk management, internal control and legislative compliance.

The Audit Committee is also required to report to the Council the results of that review and give a copy of the CEO's report to the Council.

Regulation 17 of the *Local Government (Audit) Regulations 1996* require the CEO to conduct a review of systems and procedures relating to legislative compliance, risk management and internal controls on a triennial basis.

The Department of Local Government, Sport and Cultural Industries (DLGSC) Operational Guidelines No.9 (revised September 2013) provides a useful overview of the issues that should be taken into account when undertaking a Regulation 17 review. A copy of the guideline is included as **ATTACHMENT 7.1A**. It is also worth noting that Section 7 of the Department's

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Western Australian Local Government Accounting Manual provides a comprehensive internal control framework related to internal control.

The Regulation 17 Audit incorporates the requirement under Regulation 5 (2) (c) of the *Local Government (Financial Management) Regulations 1996* which provides the Chief Executive Officer is to: 'Undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once every 3 financial years) and report to the local government the results of those reviews.'

Comment

The attached report from AMD Chartered Accountants and comments from Officers to address improvement opportunities

ATTACHMENT 7.1B

Consultation

Executive Leadership Team
Manager Finance and Administration
Manager Governance
Manager Fleet
ICT Specialist
Manager Community Services
Senior Procurement Officer

Statutory Environment

Local Government (Audit) Regulations 1996

16. *Functions of audit committee*

An audit committee has the following functions —

- (a) *to guide and assist the local government in carrying out —*
 - (i) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *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;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
 - (i) *regulation 17(1); and*
 - (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*

17. *CEO to review certain systems and procedures*

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

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Financial Implications

Implementing the recommendations of the Report that have financial impacts will be processed through normal budgetary processes.

Strategic Implications

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 05 Inspiring Governance
Objective 4 Exemplary team and work environment

Risk Management

Risk has been assessed on the basis of the Officers Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Compliance Failure to address areas for improvement identified in the Regulation 17 report	Possible (3)	Minor (2)	Moderate (6)	Some temporary non compliances	Adopt Officer recommendation.

The following Risk Matrix has been applied.

Risk Matrix						
Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Adoption of this item has been evaluated against the Shire of Ashburton’s Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be moderate. The plan addresses outstanding items and regular monitoring and reporting will be undertaken with quarterly reporting to the Audit and Risk Management Committee.

Policy Implications

Various policies may need to be amended to support implementation of improvements as a result of this review. This will take place over the coming months though the policy review process.

Voting Requirement

Simple Majority Required

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Officers Recommendation

That with respect to the Regulation 17 Review - 2020 Program, the Audit and Risk Management Committee recommends to Council that the program of suggested improvements/opportunities to address the Regulation 17 Risk Audit (**ATTACHMENT 7.1B**) be adopted and reported quarterly.

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8. CONFIDENTIAL MATTERS

Under the Local Government Act 1995, Part 5, and Section 5.23, states in part:

- (2) *If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following —***
- (a) *a matter affecting an employee or employees; and***
 - (b) *the personal affairs of any person; and***
 - (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;***
 - (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting; and***
 - (e) *a matter that if disclosed, would reveal —***
 - (i) *a trade secret; or***
 - (ii) *information that has a commercial value to a person; or***
 - (iii) *information about the business, professional, commercial or financial affairs of a person, where the trade secret or information is held by, or is about, a person other than the local government; and***
 - (f) *a matter that if disclosed, could be reasonably expected to —***
 - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; or***
 - (ii) *endanger the security of the local government's property; or***
 - (iii) *prejudice the maintenance or enforcement of a lawful measure for protecting public safety;***
 - (g) *information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1971; and***
 - (h) *such other matters as may be prescribed.***

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8.1 CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, USE OF DELEGATION, WITTENOOM STEERING COMMITTEE, SENIOR COUNSEL LEGAL BRIEF AND ADVICE AND ROEBOURNE - WITTENOOM ROAD

FILE REFERENCE:	LS34
AUTHOR'S NAME AND POSITION:	Janyce Smith Senior Administration Officer
AUTHORISING OFFICER AND POSITION:	John Bingham Director Corporate Services
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	27 November 2020
DISCLOSURE OF FINANCIAL INTEREST:	The authors and the authorising officer have no financial proximity or impartiality interests in the proposal
PREVIOUS MEETING REFERENCE:	Confidential Agenda Item 8.1 (Minute No. 136/2020) Audit and Risk Committee Meeting 8 September 2020

REASON FOR CONFIDENTIALITY

The Director Corporate Services Report is confidential in accordance with s5.23 (2) *the Local Government Act 1995* because it deals with matters affecting s5.23 (2):

- (b) *the personal affairs of any person;*
- (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.*

Officers Recommendation

That with respect to the Confidential Item – Update on Wittenoom Litigation, Use of Delegation, Wittenoom Steering Committee, Senior Counsel Legal Advice and Roebourne - Wittenoom Road, the Audit and Risk Management Committee recommend Council:

1. Receive the Confidential Item – Update on Wittenoom Litigation, Use of Delegation, Wittenoom Steering Committee, Senior Counsel Brief and Advice and Roebourne - Wittenoom Road (**CONFIDENTIAL ATTACHMENTS 8.1A & B**) and remain confidential in accordance s5.23 (2)(b) & (d) of the *Local Government Act 1995*; and
2. Ensure that the Shire management continue to provide Wittenoom related reports to the Audit and Risk Management Committee.

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9. NEXT MEETING

The next Audit and Risk Management Committee Meeting will be held on Tuesday 16 March 2021 at the Onslow Sports Club, Third Avenue, Onslow at a time to be advised.

10. CLOSURE OF MEETING

The Presiding Member closed the meeting at _____ am.

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SEPTEMBER 2020**



**SHIRE OF ASHBURTON
AUDIT AND RISK MANAGEMENT
COMMITTEE MEETING**

**MINUTES
(Public Document)**

**Council Chambers, Onslow Shire Complex,
Second Avenue, Onslow
8 September 2020
9.30 am**

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 8
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SHIRE OF ASHBURTON

AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

The Chief Executive Officer recommends the endorsement of these minutes at the next Ordinary Meeting of Council.

**Mr K Donohoe
CHIEF EXECUTIVE OFFICER**

Date: 16.09 2020

These minutes were confirmed by Council as a true and correct record of proceedings of the Ordinary Meeting of Council on the 8 September 2020.

Presiding Member: _____

Date: _____

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**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 8
SEPTEMBER 2020**

1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 9.30 am.

1.1 ACKNOWLEDGEMENT OF COUNTRY

As representatives of the Shire of Ashburton Council, we respectfully acknowledge the local Indigenous people, the traditional custodians of this land where we are meeting upon today and pay our respects to them and all their elders both past, present and emerging.

2. ATTENDANCE

2.1 PRESENT

Members:	Cr P Foster Cr K White Cr L Rumble Cr M Lynch Cr D Diver Cr R de Pledge Cr M Gallanagh Cr D Dias	Tom Price Ward (Presiding Member) Onslow Ward Paraburdoo Ward Tom Price Ward Tom Price Ward Ashburton Ward Pannawonica Ward Paraburdoo Ward
Staff:	Mr K Donohoe Mr J Bingham Mrs C McGurk Mrs K Bartley Mr M Hudson Mrs M Lewis	Chief Executive Officer Director Corporate Services Acting Director Development Services Director Community Services Director Infrastructure Council Liaison Officer
Guests:	Janyce Smith	Senior Administration Officer
Members of Public:	There were no members of the public in attendance at the commencement of the meeting.	
Members of Media:	There were no members of the media in attendance at the commencement of the meeting.	

2.2 APOLOGIES

Cr J Richardson Tablelands Ward

2.3 APPROVED LEAVE OF ABSENCE

There were no Approved Leave of Absence for this meeting.

3. ANNOUNCEMENT OF VISITORS

There were no visitors for this meeting.

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SEPTEMBER 2020**

4. DECLARATION BY MEMBERS

4.1 DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA

All Councillors noted that they had given due consideration to all matters contained in the Agenda presently before the meeting.

4.2 DECLARATIONS OF INTEREST

Councillors to Note

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NOTES ON DECLARING INTERESTS (FOR YOUR GUIDANCE)

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2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc.), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.

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4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
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 - 6.2 Where the Minister allows the Councillor to participate under s.5.69 (3) of the *Local Government Act*, with or without conditions.

Declarations of Interest provided:

Item Number/ Name	Type of Interest	Nature/Extent of Interest
There were no Declarations of Interest for this meeting.		

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 AUDIT AND RISK COMMITTEE MEETING HELD ON 9 JUNE 2020

<p>Council Decision</p> <p>MOVED: Cr M Lynch SECONDED: Cr K White</p> <p>That the Unconfirmed Minutes of the Audit and Risk Committee Meeting held on 9 June 2020 (ATTACHMENT 5.1) be confirmed as a true and accurate record.</p> <p align="right">CARRIED 8/0</p>

6. TERMS OF REFERENCE

Audit and Risk Management Committee

Purpose

The Audit Committee's role in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1995* is to provide assistance and guidance to Council on the discharge of its duties under Part 6 and 7 of the *Local Government Act 1995 (the Act)*. The Audit Committee assists Council to monitor the integrity of the Shire's financial statements, risk management, internal controls and compliance with legislative requirements.

PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 8 SEPTEMBER 2020

Responsibilities

The Audit Committee is responsible for:

- 1.1 Guiding and assisting Council in carrying out its functions under:
 - (a) Part 6 of the *Act* and its functions relating to other audits and other matters related to financial management; and
 - (b) Part 7 of the *Act* in relating to auditing the Shire's financial accounts.
- 1.2 Reviewing the CEO's report required under regulation 17(3).
- 1.3 Monitoring and advising the CEO when the CEO is carrying out functions in relation to a review under:
 - (a) regulation 17 (1); and
 - (b) the *Local Government (Financial Management) Regulations 1996*, regulation 5(2)(c).
- 1.4 Support the Auditor conducting an audit and carrying out the Auditor's other duties under the *Act*.
- 1.5 Oversee the implementation of any action that Council
 - (a) is required to take, has stated it has taken or intends to take in respect to matters raised by the audit report;
 - (b) has accepted should be taken on receipt of the CEO's report of a review under regulation 17(1); and
 - (c) has accepted should be taken on receipt of the CEO's report under regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.
- 1.6 The Audit Committee's duties include;
 - (a) considering the Auditor's interim audit of the Shire's accounting and internal control procedures for the financial year;
 - (b) reviewing the audited financial report for the previous financial year;
 - (c) reviewing the interim and final audit reports for the financial year;
 - (d) reviewing the annual Compliance Audit Return;
 - (e) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's systems and procedures regarding risk management, internal controls and legislative compliance;
 - (f) reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's financial management systems and procedures; and
 - (g) considering the proposed timeline for Council to adopt the budget and the ten-year financial plan for the following financial year; and providing a report to council on those matters.

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7. AGENDA ITEMS

7.1 INTERNAL AUDIT FUNCTION

FILE REFERENCE:	GRO1
AUTHOR'S NAME AND POSITION:	John Bingham Director Corporate Services
AUTHORISING OFFICER AND POSITION:	Kenn Donohoe Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	20 August 2020
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
PREVIOUS MEETING REFERENCE:	Not Applicable

Summary

The purpose of this report is to inform Council of a proposal for the provision of Internal Audit Services.

Background

The Shire is seeking to improve the effectiveness of its risk management, governance and control processes.

Comment

It is intended an internal audit be performed for the year ended 30 June 2021 with a focus on the following areas:

- Prepare a three year internal audit plan including working with the Audit and Risk Management Committee to develop priorities for the next three years.
- Internal audit to be performed on the following focus areas:
 - Identified matters in the 2019 Financial Management Review;
 - Procurement systems and controls;
 - Risk management practices;
 - Grants applications, payments and acquittals; and
 - Records management compliance with regulations and systems review.

Relevant internal audit reports will be made available to the Audit and Risk Management Committee including audit findings, risk ratings, recommendations, opportunities for improvement, root cause analysis and the status of previous internal audit findings.

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Consultation

Executive Leadership Team
Moore Australia

Statutory Environment

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the CEO to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly and report to the local government the result of those reviews.

Internal Auditor reports functionally to the Audit and Risk Committee and administratively to the CEO. In accordance with section 5.41 of the *Local Government Act 1995*, the CEO is responsible for the day to day management of council activities which implicitly includes the internal audit function.

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the CEO to conduct bi-annual reviews of the appropriateness and effectiveness of a Local Governments systems and procedures in relation to risk management, legislative compliance and internal control. Internal audit is an essential function in meeting the requirements of this regulation.

Financial Implications

An estimated cost for a three year scope of work is \$77k plus GST based on experience of other local governments. Annual Corporate Services budgets are adequately provisioned for this engagement.

Strategic Implications

There are no known strategic implications for this matter.

Risk Management

Risk has been assessed on the basis of the Officers Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Adequate Internal Controls, risk management and legislative compliance not in place	Possible(3)	Moderate (3)	Moderate (9)	Governance	Internal Audit Plan 2020-2023 with regular updates to the Audit and Risk

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The following Risk Matrix has been applied.

Risk Matrix						
Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "Moderate" risk and can be managed by routine procedures, and is unlikely to need specific application of resources.

Policy Implications

There are no known policy implications for this matter.

Voting Requirement

Simple Majority Required

Officers Recommendation and Committee Decision

MINUTE: 132/2020

MOVED: Cr K White

SECONDED: Cr M Lynch

That with respect to the proposal for Internal Audit Services acknowledge the role of the Audit and Risk Management Committee in preparing a three year internal audit plan and acknowledge the Chief Executive Officer is undertaking a spot audit on the following areas:

- Identified matters in the 2019 Financial Management Review;
- Procurement systems and controls;
- Risk management practices;
- Grants applications, payments and acquittals; and
- Records management compliance with regulations and systems review.

CARRIED 8/0

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7.2 ICT AND DIGITAL STRATEGY 2020-23

FILE REFERENCE:	ITO1
AUTHOR'S NAME AND POSITION:	John Bingham Director Corporate Services
AUTHORISING OFFICER AND POSITION:	Kenn Donohoe Chief Executive Officer
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	25 August 2020
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
PREVIOUS MEETING REFERENCE:	Not Applicable

Summary

The purpose of this report is to inform the Audit and Risk Management Committee of the updated ICT and Digital Strategy 2020-23 and ICT Action Plan for 2020-21.

Background

In June 2018 the Shire developed an ICT Strategy describing how it can align its investment with its business objectives while ensuring its community expectations are met. Its aim was to drive improved customer service (internal and external) by delivering ICT services that increase efficiencies while maximising effectiveness and minimising costs. Overall the document was baseline in its development and application and a more comprehensive plan was always forecast in the not too distant future.

Comment

The purpose of the updated ICT Strategy is to facilitate the objectives within the Strategic Corporate Plan (SCP) by following the Department's ICT Strategic Framework.

These include the following SCP goals:

- Vibrant and Active Communities
- Economic Prosperity
- Unique Heritage and Environment
- Quality Services and Infrastructure
- Inspiring Governance

And Departments ICT Strategic Framework strategic key components:

- Governance – guiding strategies, principles and practices.
- Emerging Trends and Technologies – maximising value from ICT investment.
- Business Systems and Applications – enhanced service delivery.
- Infrastructure and Technology – hardware and network.
- IT Business Continuity – performance in all circumstances.

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- Security – protecting data, information, systems from unauthorised access.
- Project Management – planning, organising, controlling, and managing resources.

These strategies represent the key elements, and their relationships, that might be expected in an 'ideal' operating environment. The goal moving forward therefore is integration, efficiency and innovation to improve engagement with Council and Community, reduce staff workloads and comply with legislative requirements.

The ICT and Digital Strategy 2020-23 as well as Action Plan for 2020-21 is attached.

ATTACHMENT 7.2

Consultation

Executive Leadership Team
ICT Specialist - West
ICT Administrator
Fourier Technologies

Statutory Environment

Local Government Act 1995

Section 5.56 Planning for the Future

(1) *A local government is to plan for the future of the district.*

(2) *A local government is to ensure that plans made under subsection (1) are in accordance with any regulations made about planning for the future of the district.*

Financial Implications

Investments made into ICT will be used to populate the Shire's ICT Asset Management Plan and Long Term Financial Plan.

Strategic Implications

There are no known strategic implications for this matter.

Risk Management

Risk has been assessed on the basis of the Officers Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Council not receive strategy.	Low(1)	Minor(2)	Low(2)	Governance	Receive the strategy.

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The following Risk Matrix has been applied.

Risk Matrix						
Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "Moderate" risk and can be managed by routine procedures, and is unlikely to need specific application of resources.

Policy Implications

There are no known policy implications for this matter.

Voting Requirement

Simple Majority Required

Officers Recommendation and Committee Decision

MINUTE: 133/2020

MOVED: Cr K White

SECONDED: Cr D Diver

That with respect to the ICT and Digital Strategy 2020-23, the Audit and Risk Management Committee recommend Council receive the report for the ICT and Digital Strategy 2020-23 (ATTACHMENT 7.2) as an informing strategy of the Shire's Integrated Planning and Reporting Framework.

CARRIED 8/0

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7.3 REGULATION 17 REVIEW

FILE REFERENCE:	GV04
AUTHOR'S NAME AND POSITION:	Danielle Hurstfield Manager Governance
AUTHORISING OFFICER AND POSITION:	John Bingham Director Corporate Services
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	26 August 2020
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
PREVIOUS MEETING REFERENCE:	Agenda Item 7.1 (Minute No. 97) Ordinary Meeting of Council 17 January 2017

Summary

This report sets out the findings of the Chief Executive Officer's review of systems and procedures relating to legislative compliance, risk management and internal controls as required by Regulation 17 of the *Local Government (Audit) Regulations*.

Background

Regulation 16(c) of the *Local Government (Audit) Regulations 1996* states the Audit and Risk Management Committee (ARMC) is to review a report given to it by the Chief Executive Officer (CEO) under Regulation 17 (3) of the *Local Government (Audit) Regulations 1996*.

That regulation states the CEO is to review the appropriateness and effectiveness of the local governments systems and procedures in relation to risk management, internal control and legislative compliance.

The ARMC is also required to report to Council the results of that review and give a copy of the CEO's report to the Council. This is to be done on a triennial basis. The last Review of risk management, internal controls and legislative compliance was presented on 17 January 2017.

Comment

The attached report (**ATTACHMENT 7.3**) from AMD Chartered Accountants (AMD) is referred to the ARMC and contains "improvement opportunities" for the Shire.

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Risk Management

Two issues were identified as significant in the area of risk management:

<i>Risk management</i>	
Risk Register	
2.3.1	The Shire's risk register was last updated in April 2019, however has not subsequently been reviewed or updated.
	Significant
Tendering	
2.3.2	No formal risk assessment process conducted prior to tendering, no formal post tender/ project reviews; and tender opening of submission for RFT 06.19 was only undertaken by one person, as opposed to Shire guideline requiring two people.
	Significant

Management comments are as follows:

2.3.1 - Review of Shire's risk register to be undertaken and presented at the 15 December 2020 Audit and Risk Management Committee meeting with quarterly updates to follow. Also the recent organisation restructure has created an organisational risk officer position to specifically review this risk management area. Lastly ongoing education and training with officers will implement standardised documentation and ensure updated registers are maintained.

2.3.2 - A formal risk assessment is usually undertaken by the project officer. The newly created Project Control Group has now introduced business cases as a requirement when projects are submitted for budget consideration. These business cases incorporate risk assessments for tendering purposes.

Further to this the business cases can be developed to incorporate a post tender / project review.

A review of Shire documentation indicates RFT 06.19 did in fact have two persons present at the tender opening – this finding is disputed. Lastly ongoing education and training with Shire officers will seek to implement standardised documentation and ensure processes are maintained as required.

Internal Control

One issue was identified as significant in the area of internal control:

<i>Internal controls</i>	
Non-compliance with Local Government Act	
3.3.1	October and December 2019 Monthly Statements of Financial Activity were not presented to Council.
	Significant

Management comment is as follows:

The Shire acknowledges that the October Statement of Financial Activity was omitted from the report that was presented to December 2019. It should have been presented with the November report and as such was an oversight.

Given that Council Meetings occur relatively early in the month, the Shire has acknowledged that it is not possible to finalise the monthly Statement of Financial Activity in time for the agenda close. Therefore it is now presenting each monthly statement to the Council Meeting 60 days in arrears (i.e. February report presented to April meeting, March report to May meeting etc.)

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Legislative Compliance

There were no critical (i.e. legislative compliance) issues raised in the review.

Limitations of Scope

The review identified a number of areas not assessed by AMD due to information not being provided by the Shire by the due date of 31 July 2020. Officers recommend policy development being undertaken where required as well as the proposed upcoming internal audit include in its scope of work these limitation areas.

Consultation

Executive Leadership Team
Manager Governance

Statutory Environment

Local Government (Audit) Regulations 1996

16. *Functions of audit committee*

An audit committee has the following functions —

- (a) *to guide and assist the local government in carrying out —*
 - (i) *its functions under Part 6 of the Act; and*
 - (ii) *its functions relating to other audits and other matters related to financial management;*
- (b) *to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) *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;*
- (d) *to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —*
 - (i) *regulation 17(1); and*
 - (ii) *the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);*

17. *CEO to review certain systems and procedures*

- (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
 - (a) *risk management; and*
 - (b) *internal control; and*
 - (c) *legislative compliance.*
- (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*
- (3) *The CEO is to report to the audit committee the results of that review.*

Financial Implications

The review was undertaken at a cost of \$9,900 (ex GST). Improvement costs will be absorbed via existing budget provisions.

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Strategic Implications

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 05 Inspiring Governance
Objective 4 Exemplary team and work environment

Risk Management

Risk has been assessed on the basis of the Officers Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Compliance Failure to address areas for improvement identified in the Regulation 17 report	Possible (3)	Minor (2)	Moderate (6)	Some temporary non compliances	Adopt Officer recommendation.

The following Risk Matrix has been applied.

Risk Matrix						
Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

Adoption of this item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be Moderate. A plan will be developed and regular monitoring and reporting will be undertaken with quarterly reporting to the Audit and Risk Committee.

Policy Implications

Various policies may need to be amended to support implementation of improvements as a result of this review. This will take place over the coming months though the policy review process.

Voting Requirement

Simple Majority Required

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Officers Recommendation and Committee Decision

MINUTE: 134/2020

MOVED: Cr D Diver

SECONDED: Cr M Lynch

That with respect to the Regulation 17 Review, the Audit and Risk Management Committee recommends Council:

- 1. Note the Regulation 17 Risk Audit ATTACHMENT 7.3 and its suggested improvements / opportunities;**
- 2. Note that a further report will be provided to the Audit and Risk Management Committee for its consideration, outlining recommended positions on those improvement opportunities offered in the Internal Audit; and**
- 3. Request a review of the Risk Register is to be presented to the 15 December 2020 Audit and Risk Management Committee.**

CARRIED 8/0

UNCONFIRMED MINUTES

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7.4 AWARD OF RFQ 20.20 LEGAL SERVICES - WITTENOOM CLAIMS

FILE REFERENCE:	CMQ20.20
AUTHOR'S NAME AND POSITION:	Janyce Smith Senior Administration Officer
AUTHORISING OFFICER AND POSITION:	John Bingham Direction Corporate Services
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	28 August 2020
DISCLOSURE OF FINANCIAL INTEREST:	The author and the authorising officer have no financial, proximity or impartiality interests in the proposal
PREVIOUS MEETING REFERENCE:	Not Applicable

Summary

A request for Quote (RFQ) 20.20 Legal Services – Wittenoom Claim was issued via the WALGA eQuotes on the 13 August 2020 to 28 August 2020.

Quotes were sought from three legal firms on WALGA Panel C046-17 – Legal and Debt Management Services with only one response received. The evaluation panel has now completed its assessment of the submission and makes their recommendation.

Due to the value of the request for quote, Delegation DA06-1 was not utilised by the Chief Executive Officer.

Background

The Shire has, for many years, been exposed to financial risk of litigation as a result of asbestos mining in Wittenoom. New claims continue to be made against the Shire at regular intervals and these are expected to continue into the future, at an unknown rate.

Civic Legal Pty Ltd was awarded a contract under Request for Quotation CMQ 36.18. On the 13 August 2020 the Shire exercised the final 12 month extension to the contract. The Scope of Services for this extension is the provision of legal services for all current and closed Wittenoom claims in which they have provided legal services. As of 25 August 2020 Civic Legal provide legal services to six claims.

With claims expected to continue, the Shire seeks to establish a suitable and qualified firm for an ongoing period and has undertaken a new Request for Quotation process for legal services relating to new Wittenoom claims.

The Shire invited suitably experienced and qualified organisations to quote on providing professional services of legal representation for all future Wittenoom related claims against the Shire of Ashburton. The Shire seeks to engage the consultant for a period of one year with the option of a further one year plus one year (potentially three years in total) at the sole discretion of the Shire.

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The WALGA eQuotes suppliers panel was utilised and have been pre-qualified and appointed by WALGA to supply the goods or services to Local Governments.

The advertised selection criteria were:

Criteria		Weighting
(a)	Relevant Experience	40%
(b)	Capacity & Personnel	20%
(e)	Price	40%

The Evaluation and Recommendation Report, including the schedule of rates, overall evaluation scores and rankings, and is attached as a confidential item.

CONFIDENTIAL ATTACHMENT 7.4 (Provided Under Separate Cover)

Comment

The submission have been assessed with the below scores and rankings. Complete details of the assessment are provided in **CONFIDENTIAL ATTACHMENT 7.4**.

Rank	Tenderer	Score (/100)
1	Castledine Gregory	Advised under separate cover

Consultation

Executive Leadership Group
Manager Governance
Acting Senior Procurement Officer

Statutory Environment

Local Government Act 1995

3.57. *Tenders for providing goods or services*

- (1) *A local government is required to invite tenders before it enters into a contract of a prescribed kind under which another person is to supply goods or services.*
- (2) *Regulations may make provision about tenders.*

Local Government (Functions and General) Regulation 1996 Pt.2 Div.2

Division 2 — Tenders for providing goods or services (s. 3.57)

11. When tenders have to be publicly invited

- (1) *Tenders are to be publicly invited according to the requirements of this Division before a local government enters into a contract for another person to supply goods or services if the consideration under the contract is, or is expected to be, more, or worth more, than \$250 000 unless subregulation (2) states otherwise.*

Wittenoom Asbestos Claims are the subject to Australian Common Law and the procedures of the Western Australian Supreme Court.

Financial Implications

The budgeted provision for legal expenses for Wittenoom is \$1,350,000 in the 2020/21 budget, which includes money allocated for legal service on current claims, budget allocation for legal services for future claims, and the Shire's contribution to these claims.

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Litigation generated by asbestos related, Wittenoom damages claims has cost the Shire a significant amount of money. These claims will continue to have a serious, but unknown impact on the Shire's financial resources well into the future.

On many occasions asbestos related diseases do not show up for 40 to 50 years and so although the mine closed in late 1966, claims continue to come before the court. Furthermore, because ready public access is still available to the contaminated areas, claims are expected to continue for many years to come.

Strategic Implications

Shire of Ashburton 10 Year Strategic Community Plan 2017-2027 (Desktop Review 2019)

Goal 05 Inspiring Governance
Objective 4 Quality public infrastructure

Risk Management

Risk has been assessed on the basis of the Officers Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Financial Impact	Almost Certain (5)	Moderate (3)	High (15)	\$100,001 to \$1,000,000	Quarterly reporting to the Audit & Risk Committee.

The following Risk Matrix has been applied.

Risk Matrix						
Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Moderate (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

This item has been evaluated against the Shire of Ashburton's Risk Management Policy CORP5 Risk Matrix. The perceived level of risk is considered to be "Moderate to High" risk due to the financial implications and will be managed by specific monitoring and consistently reviewed.

Policy Implications

FIN12 Purchasing and Tender Policy

Voting Requirement

Absolute Majority Required

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Officers Recommendation and Committee Decision

MINUTE: 135/2020

MOVED: Cr D Diver

SECONDED: Cr K White

That with respect to the Award of RFQ 20.20 Legal Services – Wittenoom Claims, the Audit and Risk Management Committee recommend Council:

- 1. Resolve that Report CONFIDENTIAL ATTACHMENT 7.4 (provided under separate cover) is confidential in accordance with s5.23 (2) of the *Local Government Act 1995* because it deals with matters affecting s5.23 (2)(c);**

“A contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting.”

- 2. Note the attached Evaluation Report, CONFIDENTIAL ATTACHMENT 7.4 (provided under separate cover);**
- 3. Award the contract for RFQ 20.20 to Castledine Gregory at the schedule of rates provided for an initial period of one year with option of a further one year plus one year (potentially three years in total);**
- 4. Authorise the Chief Executive Officer to enter into a contract with Castledine Gregory; and**
- 5. Authorise the Chief Executive Officer to manage the Contract, including the provision of possible extensions as outlined in RFQ 20.20 at the discretion of the Shire.**

CARRIED BY ABSOLUTE MAJORITY 8/0

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8. CONFIDENTIAL MATTERS

Under the Local Government Act 1995, Part 5, and Section 5.23, states in part:

- (2) *If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following —*
- (a) *a matter affecting an employee or employees; and*
 - (b) *the personal affairs of any person; and*
 - (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;*
 - (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting; and*
 - (e) *a matter that if disclosed, would reveal —*
 - (i) *a trade secret; or*
 - (ii) *information that has a commercial value to a person; or*
 - (iii) *information about the business, professional, commercial or financial affairs of a person, where the trade secret or information is held by, or is about, a person other than the local government; and*
 - (f) *a matter that if disclosed, could be reasonably expected to —*
 - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; or*
 - (ii) *endanger the security of the local government's property; or*
 - (iii) *prejudice the maintenance or enforcement of a lawful measure for protecting public safety;*
 - (g) *information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1971; and*
 - (h) *such other matters as may be prescribed.*

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Council Decision

MOVED: Cr D Diver

SECONDED: Cr M Lynch

That Council move behind closed doors at 9.36 am to consider the following Confidential Items.

8.1 CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, USE OF DELEGATION, WITTENOOM STEERING COMMITTEE, SENIOR COUNSEL LEGAL ADVICE AND ROEBOURNE - WITTENOOM ROAD

pursuant to sub section 5.23 (2) (a) (b) (c) and (d) of the *Local Government Act 1995* which provides:

- (b) the personal affairs of any person;
- (d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;
 - (I) a matter that if disclosed, would reveal;
 - (II) a trade secret;
 - (III) information that has a commercial value to a person; or
 - (IV) information about the business, professional, commercial or financial affairs of a person.

CARRIED 8/0

8.1 CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, USE OF DELEGATION, WITTENOOM STEERING COMMITTEE, SENIOR COUNSEL LEGAL BRIEF AND ADVICE AND ROEBOURNE - WITTENOOM ROAD

FILE REFERENCE:	LS34
AUTHOR'S NAME AND POSITION:	Keith Pearson Special Projects Advisor
	Janyce Smith Senior Administration Officer
	Mike Hudson Director Infrastructure Services
AUTHORISING OFFICER AND POSITION:	John Bingham Director Corporate Services
NAME OF APPLICANT/RESPONDENT:	Not Applicable
DATE REPORT WRITTEN:	24 August 2020

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 8
SEPTEMBER 2020**

DISCLOSURE OF FINANCIAL INTEREST: The authors and the authorising officer have no financial proximity or impartiality interests in the proposal

PREVIOUS MEETING REFERENCE: Confidential Agenda Item 8.1 (Minute No. 81/2020)
Audit and Risk Committee Meeting 9 June 2020

REASON FOR CONFIDENTIALITY

The Director Corporate Services Report is confidential in accordance with s5.23 (2) *the Local Government Act 1995* because it deals with matters affecting s5.23 (2):

- (b) *the personal affairs of any person;*
- (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.*

Officers Recommendation and Committee Decision

MINUTE: 136/2020

MOVED: Cr D Diver

SECONDED: Cr M Gallanagh

That with respect to the Confidential Item – Update on Wittenoom Litigation, Use of Delegation, Wittenoom Steering Committee, Senior Counsel Legal Advice and Roebourne - Wittenoom Road, the Audit and Risk Management Committee recommend Council:

1. Receive the Confidential Item – Update on Wittenoom Litigation, Use of Delegation, Wittenoom Steering Committee, Senior Counsel Brief and Advice and Roebourne - Wittenoom Road (CONFIDENTIAL ATTACHMENT 8.1) and remain confidential in accordance s5.23 (2)(b) & (d) of the *Local Government Act 1995*; and
2. Ensure that the Shire management continue to provide Wittenoom related reports to the Audit and Risk Management Committee.

CARRIED 8/0

Council Decision

MOVED: Cr M Lynch

SECONDED: Cr D Dias

That Council re-open the meeting to the public at 9.48 am pursuant to sub section 5.23 (2) (a) and (b) of the *Local Government Act 1995*.

CARRIED 8/0

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT COMMITTEE MEETING 8
SEPTEMBER 2020**

9. NEXT MEETING

The next Audit and Risk Committee Meeting will be held on Tuesday 15 December 2020 at the Council Chambers, Onslow Shire Complex, Second Avenue, Onslow at a time to be advised.

10. CLOSURE OF MEETING

The Presiding Member closed the meeting at 9.48 am.

UNCONFIRMED MINUTES

Program to Address Issues identified in 2020 CEO's Review of Risk Management, Internal Controls and Legislative Compliance

Significant Risk	Moderate Risk	Minor Risk
------------------	---------------	------------

Number of new issues reported

3

3

5

Ref	Issue	Risk Rating	Officer	Officer Action	Timeframe	Progress
Risk management						
2.3.1	Risk Register The Shire's risk register was last updated in April 2019, however has not subsequently been reviewed or updated.	Significant	Director Corporate Services	The Internal Audit program commencing in December 2020 is scheduled to review the risk register.	March 2021	
2.3.2	Tendering No formal risk assessment process conducted prior to tendering, no formal post tender/project reviews; and tender opening of submission for RFT 06.19 was only undertaken by one person, as opposed to Shire guideline requiring two people.	Significant	Director Projects and Procurement	RFT 06.19 tender opening was witnessed by two Shire staff. This information was provided to the auditor, however appears not to have been assessed at the time of the audit.	N/a	No Action Required
2.3.3	Contract Management No Contract Manager in place to oversee overall contract risk at an organisational level.	Moderate	Director Projects and Procurement	A Senior Manager (Manager Civil Works) is in the process of being appointed to ensure that Civil Works Contracts are scoped, specified, tendered and managed in a way which reflects relevant standards and industry best practice.	December 2020	
2.3.4	Risk Management Policies and Procedures No documented policies and procedures in place in respect to events management. We also identified one procedure and 3 plans which are potentially outdated and may require review.	Moderate	Director Communities / Manager Community Services	A review of the Event Process and Procedures has been commenced currently headed by Development Services. A/Director Community Services is currently scoping the development of a new "Event Coordinator" role to be lead on whole of shire event processes and management.	March 2021	
Internal controls						
3.3.1	Non-compliance with Local Government Act October and December 2019 Monthly Statements of Financial Activity were not presented to Council.	Significant	Manager Finance & Administration	Each monthly report is now presented according to the Regulations.	Complete	

Program to Address Issues identified in 2020 CEO's Review of Risk Management, Internal Controls and Legislative Compliance

Ref	Issue	Risk Rating	Officer	Officer Action	Timeframe	Progress
3.3.2	Fuel Card/Fuel Usage The Shire does not have a fuel cardholder register, or fuel usage policy in place. In addition, Shire Vehicle fuel usage is currently not monitored, via a GPS navigational system or by other means.	Moderate	Manager Fleet	Development and implementation of register to identify <ul style="list-style-type: none"> consumption figures vehicle/plant capacity monitor km's/plant hours Fuel cardholder register is now linked to the FBT staff register Monthly reporting by fleet department. Identified need for review of policy EMP08 for private use capping. Identified need for policy that provides authorisation and responsibility for use of fuel cards.	Ongoing To be reviewed 2020/21	
3.3.3	Independent Review Fixed asset end of month reconciliations not evidenced to indicate subject to independent review.	Minor	Manager Finance & Administration	All reconciliations are now independently reviewed.	Complete	
3.3.4	Non-compliance with Purchasing Policy Two instances whereby purchase orders were dated after the invoice date.	Minor	Director Projects & Procurement	FIN 12 policy reviewed and included breaches/non-compliance within purchasing.	Ongoing	
3.3.5	Directive Information and Communications Technology Policy Directive Information and Communications Technology Policy may require review.	Minor	ICT Specialist	<ul style="list-style-type: none"> Directive has been amended to include framework for non compliance with policy – wording provided by Human Resources. This Directive will be linked to new Code of Conduct to be developed after amendments to the Local Government Act 	Complete	
Legislative compliance						
4.3.1	Internal Audit There is currently no internal audit function in place.	Minor	Director Corporate Services	<ul style="list-style-type: none"> The Shire has engaged Moore Australia as its Internal Audit Service Provider. Engagement is for the three-year period commencing 1 July 2020 to 2023. 	Ongoing.	
4.3.2	Complaints Handling Procedure Outdated Complaints Handling Procedure which require review.	Minor	Manager Governance	<ul style="list-style-type: none"> Procedure to be developed. Online form available on website to be supported with the implementation of an electronic Customer Service Request system. 	July 2021	



SHIRE OF ASHBURTON

Regulation 17 Review August 2020





T +61 (8) 9780 7555
F +61 (8) 9721 8982

AMD Audit & Assurance Pty Ltd
ACN 145 719 259 t/a AMD

E amd@amdonline.com.au
www.amdonline.com.au

Unit 1, 28-30 Wellington Street,
Bunbury, WA 6230
PO Box 1306, Bunbury, WA 6231

28 August 2020

Mr Kenn Donohoe
Chief Executive Officer
Shire of Ashburton
PO Box 567
TOM PRICE WA 6751

Dear Kenn

2020 REGULATION 17 REVIEW

We are pleased to present the findings and recommendations resulting from our Shire of Ashburton (the "Shire") Local Government (Audit) Regulations 1996, 2020 Regulation 17 Review.

This report relates only to procedures and items specified within our Proposal dated 27 March 2020 and does not extend to any financial report of the Shire. Please note that as a result of COVID 19, and as agreed prior to submitting our proposal in March 2020, we conducted our Regulation 17 review remotely.

This is not our usual approach, whereby we normally visit a Local Government on site for 3 to 5 days to conduct a Regulation 17 review.

We acknowledge the efforts made by Danielle and the team at the Shire of Ashburton for the significant amount of information including policies, procedures, documents and reports provided to us electronically following our information request. Where any requested information had not been made available to us by 31 July 2020, we have drawn attention to this within sections 2 to 4 of our report, noted as a "Limitation of Scope".

We would like to thank Danielle and the team at the Shire of Ashburton for their co-operation and assistance whilst conducting our review offsite.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact me.

Yours sincerely
AMD Chartered Accountants

TIM PARTRIDGE FCA
Director



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Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Shire of Ashburton management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with Shire of Ashburton. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of Shire of Ashburton. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Ashburton's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of the Shire of Ashburton's Chief Executive Officer or its delegate in connection with our engagement to perform the review as detailed in the Proposal dated 27 March 2020. Other than our responsibility to the Council and management of Shire of Ashburton, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Ashburton's external auditor, on this review report. Any reliance placed is that party's sole responsibility.



1. Executive Summary

1.1. Background and Objectives

In accordance with our Proposal dated 27 March 2020, we have undertaken a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance at the Shire, in accordance with the Local Government (Audit) Regulations 1996, Regulation 17 for the period ended 30 June 2020 (the “review”).

Our findings included within this report are based on review work completed by us to 31 July 2020.

1.2. Limitation of Scope

Limitations of scope, relating to information requested by us and not provided as at 31 July 2020 for each of the focus areas are detailed in sections 2 to 4 of this report.

1.3. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Risk management;
- Section 3 – Internal controls; and
- Section 4 – Legislative compliance.

Following the completion of our review and with exception to the recommendations outlined within sections 2 to 4, we consider the Shire’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.

The following tables provide a summary of the findings raised in this report:

	Significant Risk	Moderate Risk	Minor Risk
Number of new issues reported	3	3	5

For details on the review rating criteria, please refer to Section 5.

Ref	Issue	Risk Rating
Risk management		
	Risk Register	
2.3.1	The Shire's risk register was last updated in April 2019, however has not subsequently been reviewed or updated.	Significant
	Tendering	
2.3.2	No formal risk assessment process conducted prior to tendering, no formal post tender/ project reviews; and tender opening of submission for RFT 06.19 was only undertaken by one person, as opposed to Shire guideline requiring two people.	Significant
	Contract Management	
2.3.3	No Contract Manager in place to oversee overall contract risk at an organisational level.	Moderate
	Risk Management Policies and Procedures	
2.3.4	No documented policies and procedures in place in respect to events management. We also identified one procedure and 3 plans which are potentially outdated and may require review.	Moderate
Internal controls		
	Non-compliance with Local Government Act	
3.3.1	October and December 2019 Monthly Statements of Financial Activity were not presented to Council.	Significant
	Fuel Card/Fuel Usage	
3.3.2	The Shire does not have a fuel cardholder register, or fuel usage policy in place. In addition, Shire Vehicle fuel usage is currently not monitored, via a GPS navigational system or by other means.	Moderate
	Independent Review	
3.3.3	Fixed asset end of month reconciliations not evidenced to indicate subject to independent review.	Minor
	Non-compliance with Purchasing Policy	
3.3.4	Two instances whereby purchase orders were dated after the invoice date.	Minor
	Directive Information and Communications Technology Policy	
3.3.5	Directive Information and Communications Technology Policy may require review.	Minor
Legislative compliance		
	Internal Audit	
4.3.1	There is currently no internal audit function in place.	Minor
	Complaints Handling Procedure	
4.3.2	Outdated Complaints Handling Procedure which require review.	Minor

The above summary of findings does not take into account areas not assessed by us due to limitation of Scope, as noted within Sections 2.2, 3.2 and 4.2 of this report.

2. Risk management

2.1. Scope and approach

In accordance the proposal dated 27 March 2020, our review examined the following areas:

- Whether the Local Government has an effective risk management system and that material operating risks to the Local Government are appropriately considered;
- Whether the Local Government has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- The internal processes for determining and managing material operating risks in accordance with the Local Government's identified tolerance for risk, particularly in the following areas:
 - Potential non-compliance with legislation, regulations and standards and local government's policies;
 - Important accounting judgements or estimates that prove to be wrong;
 - Litigation and claims;
 - Misconduct, fraud and theft; and
 - Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Regular risk reports presented to the Audit Committee/Council, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Adequacy of the Local Government processes to manage insurable risks and ensured the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Effectiveness of the Local Government's internal control system with management and the internal and external auditors;
- Whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- The Local Government's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment; and
- Ascertained whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks.
- Ascertain the effectiveness of monitoring, reporting and communication surrounding risk management;
- Assess the extent and adequacy of risk reports provided to the Audit Committee, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported; and
- Assess the effectiveness of the Shire's internal control system.



2.2. Limitations of scope

The table below summarises the information not provided to us by the Shire as at 31 July 2020 as part of our risk management testing, and we note the associated limitations on scope:

No.	Information not provided/ Areas not assessed by AMD
1	Whistle-blower Policy and Procedure
2	Litigation and Claims Policies and Procedure
3	Environmental Risk Policies and Procedure
4	Council's process for community consultation
5	Supporting information and documentation for lease samples selected for testing – <ol style="list-style-type: none"> 1. Chevron Australia – Wheatstone Central Environment; 2. Virgin Pty Ltd; 3. Northwest Aviation Service Pty Ltd; 4. Ashburton Women Football; 5. Fortescue National Football League (FNFL); and 6. Mountain View Sporting Club.
6	Supporting documentation and reports to verify intended testing of Council's Business Continuity Plan's and review of its effectiveness.
7	Council's signature specimen
8	Conflict of Interest Register
9	Documented Contract Management Framework
10	Documented Contract Risk Management Framework
11	Supporting information and documentation for contract samples selected for testing – <ol style="list-style-type: none"> 1. Provision of Onslow Airport Security Screening Services (Aerodome Management); 2. Provision of Services for Pest Management for Facilities and Houses SoA (Rentokill); and 3. Provision of Maintenance, Repairs & Maintenance of Water Supply (Water2Water Pty Ltd).

Management Comment

Officers recommend policy development being undertaken where required as well as for those remaining areas not assessed to be included in the proposed upcoming internal audit. A report updating the ARMC will be prepared and presented for the December 2020 meeting.



2.3. Detailed findings and recommendations

2.3.1. Risk Register

Finding Rating: Significant

We noted that the Shire's risk register was last updated in April 2019, and has not been subsequently reviewed or updated.

Implications/Risks

Risks are not identified and mitigated accordingly.

Recommendation

We recommend the Shire monitor and review the risk register on a regular basis to ensure the register is up to date, and should integrate with Council's approved Risk Management Framework policies and procedures.

Management Comment

Review of Shire's risk register to be undertaken and presented at the 15 December 2020 Audit and Risk Management Committee meeting with quarterly updates to follow.

Also the recent organisation restructure has created an organisational risk officer position to specifically review this risk management area.

Lastly ongoing education and training with officers will implement standardised documentation and ensure updated registers are maintained.

Responsible Officer: Manager Governance (Director Corporate Services for review)

Completion Date: 15 December 2020



2.3.2. Tendering

Finding Rating: Significant

Our sample testing of tenders and review of the process undertaken by the Shire identified the following:

- No formal risk assessment prior to tendering;
- There is no formal process for post tender/ project reviews; and
- Only one person was present during the tender opening of submission for RFT 06.19, whereby two people are required per the Shire's tendering guidelines.

Implications/Risks

- Lack of evidence in respect of risk assessment completed prior to tendering process.
- Non-compliance with the Shire's tendering guideline.

Recommendation

We recommend the following:

- A formal risk assessment process be developed to ensure risks are documented and considered when drafting the "Request for Tender" documentation;
- A formal post tender/ project review process be developed particularly for larger value tenders or tenders considered to relate to high risk projects; and
- Ensure two people are present during the opening of submissions for tender.

Management Comment

A formal risk assessment is usually undertaken by the project officer. The newly created Project Control Group has now introduced business cases as a requirement when projects are submitted for budget consideration. These business cases incorporate risk assessments for tendering purposes.

Further to this the business cases can be developed to incorporate a post tender / project review.

A review of Shire documentation indicates RFT 06.19 did in fact have two persons present at the tender opening – this finding is disputed.

Lastly ongoing education and training with Shire officers will seek to implement standardised documentation and ensure processes are maintained as required.

Responsible Officer: Senior Procurement Officer (Director Projects & Procurement for review)

Completion Date: 15 December 2020



2.3.3. Contract Management

Finding Rating: Moderate

Our discussions with management identified that there is currently no dedicated contract manager to oversee contract risks.

Implications/Risks

Risk that overall organisational contract risks are not identified, assessed and appropriately managed throughout the contract.

Recommendation

We recommend a dedicated contract manager be considered, or this role be assigned to an individual to ensure all organisational contract risks are identified, assessed, and appropriately managed.

Management Comment

The Shire does not have a dedicated contract manager position now that the recent organisation restructure has been implemented. There is however a risk management officer position that will incorporate contract risk management as one of its oversight tasks.

More specifically contract risk is handled by project officers usually via outsourcing to external parties and / or contractors.

Responsible Officer: Coordinator Organisational Risk (Director Corporate Services for review)

Completion Date: 15 December 2020

2.3.4. Risk Management Policies and Procedures

Finding Rating: Moderate

While completing a review of the Shire's internal risk management policies and procedures, we noted:

a) No Policy or Procedure

The following Shire practices are not documented or addressed within existing policies or procedures:

- Event's Management policy and procedure.

b) Potential Out of Date Documents

The following policies, procedures and/or plans are potentially out of date and may require review:

Document	Last Revision Date
Public Interest Procedure	August 2017
Inland Local Recovery Plan	October 2016
Bushfire Management Plan	July 2015
Business Continuity Plan	July 2017

Implications/Risks

Lack of policies and/or procedures evidencing specific risks to the Shire. In addition, out dated policies and procedures may not reflect the actual practices followed by Shire representatives.

Recommendation

We recommend the following:

- Policies and procedures be developed and implemented for those identified areas of risk highlighted at (A) above.
- Those potentially out of date policies and procedures identified at (B) above, be reviewed and updated accordingly.

Management Comment

Council Policy reviews are now monthly to coincide with Ordinary Council Meetings. The identified policies above can be prioritised for creation and review.

Responsible Officer: Manager Governance (Director Corporate Services for review)

Completion Date: 15 December 2020



3. Internal controls

3.1. Scope and approach

In accordance the proposal dated 27 March 2020, our review examined the following areas:

- Segregation of roles and functions, processing and authorisation controls;
- Delegations of authority (completeness and adherence);
- Documented policies and procedures;
- The effectiveness of policy and process reviews;
- Approval of documents, letters and financial records;
- Management internal reviews undertaken in respect to comparison of internal data with external sources of information;
- The adequacy of internal controls;
- Security controls in respect to physical access to assets and records;
- Security controls in respect to computer applications and information systems (general and application IT controls);
- Access limits placed on data files and systems;
- Whether the maintenance and review of financial control accounts and trial balances is regular and appropriate;
- Key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
- Key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
- Controls in respect to purchasing and payment of accounts;
- Effectiveness of the training and development plan for staff and elected members; and
- Reporting, review and approval of financial payment and reconciliations; and
- Physical cash and inventory count records when compared to accounting records.

3.2. Limitations of scope

The table below summarises the information not provided to us by the Shire by 31 July 2020 as part of our internal controls testing, and we note the associated limitations on scope:

No.	Information not provided/ Areas not assessed by AMD
1	Supporting information and documentation for End of Month Key Balance Sheet Accounts samples selected for testing – <ol style="list-style-type: none"> 1. Creditors; 2. Rates debtors and valuations; 3. Municipal Bank Accounts; 4. Reserve Bank Accounts; 5. Investment Bank Accounts; and 6. Trust Bank Accounts.
2	Blueforce contract
3	Supporting information and documentation for general journal samples selected for testing.
4	Inventory stocktake records
5	Information Technology: Formal policy/procedure in place to evidence the following: <ol style="list-style-type: none"> 1. Password requirements; 2. Used of online/cloud document sharing, and used of USBs; 3. Server and data backup; 4. Bring your own device; 5. IT Disaster Recovery Plan; 6. User Satisfaction Survey; and 7. IT Training



Management Comment

Some of the areas of internal control not assessed are dealt with by the Shires external auditors. Officers recommend those remaining areas not assessed to be included in the proposed upcoming internal audit. A report updating the ARMC will be prepared and presented for the December 2020 meeting.

3.3. Detailed findings and recommendations

3.3.1 Non-Compliance with Local Government Act 1995 and Regulation 1996

Finding Rating: Moderate

As required by Section 34(4)(a)&(b) of the *Local Government (Financial Management) Regulations 1996* - a statement of financial activity, and the accompanying documents are to be presented at an ordinary meeting of the council within 2 months after end of month to which the statement relates and recorded in minutes of the meeting at which it is presented.

We noted that the Shire has not presented the Statement of Financial Activity for the month of October 2019 to Council.

Implications/Risks

Non-compliance with Section 34(4)(a)&(b) of the *Local Government (Financial Management) Regulations 1996*.

Recommendation

We recommend in accordance with Section 34(4)(a)&(b) of the *Local Government Act 1995*, Monthly Statement of Financial Activity be presented to Council within 2 months after end of month to which the statement relates to.

Management Comment

The Shire acknowledges that the October Statement of Financial Activity was omitted from the report that was presented to December 2019. It should have been presented with the November report and as such was an oversight.

Given that Council Meetings occur relatively early in the month, the Shire has acknowledged that it is not possible to finalise the monthly Statement of Financial Activity in time for the agenda close. Therefore it is now presenting each monthly statement to the Council Meeting 60 days in arrears (i.e. February report presented to April meeting, March report to May meeting etc.)

Responsible Officer: Manager Finance and Administration (Director Corporate Services for review).

Completion Date: Completed

3.3.2 Fuel Card/Fuel Usage

Finding Rating: Moderate

The Shire does not currently have a fuel cardholder register and fuel usage policy in place.

Furthermore, fuel usage by motor vehicles is not currently monitored, either via analyse of mileage against fuel purchased, excessive travel (outside of set perimeters) or via a GPS navigational system.

Implications/Risks

Risk Shire assets are used for unauthorised personal use and/or purchasing fuel using the Shire's fuel card/fuelling up at the Depot for their own personal assets.

Recommendation

We recommend:

- Development and implementation of fuel cardholder register and fuel usage policy.
- The Shire investigate options to monitor motor vehicle fuel usage, either via analysis of mileage against fuel purchased on the possibility of purchasing a GPS navigational system to assist with the monthly analysis. A GPS navigational system may also assist in for ensuring the safety of employees, providing the Shire with the ability to locate the asset in an emergency and the employees' ability for the employee to set off the duress if they find themselves in an emergency situation.

Management Comment

- Shire fuel cards are allocated to plant / motor vehicles not employees and a register can be implemented.
- A policy is not currently in place as staff are usually inducted on the correct use of the cards and their responsibilities when commencing employment with the Shire.
- The Shire has a procedure incorporated into CEO Directive EMP-08.
- Fuel usage is currently monitored for motor vehicles via fuel consumed vs. km's traveled whereas plant is via fuel consumed vs. engine hours
- All fuel consumed and km / engine hours readings are now being captured in Fleet Mex - this software is relatively new - with data input since Feb 2020 detailed reports are now available.
- The Shire has GPS monitoring of remote operational vehicles and it is planned to investigate expanding this across the entire fleet.

Responsible Officer: Fleet Manager (Director Corporate Services for Review)

Completion Date: Report to 15 December 2020 Compliance and Risk Management Committee with ongoing quarterly reporting.



3.3.3 Independent Review

Finding Rating: Minor

Our testing of the month end reconciliation procedures identified the following:

- There was no evidence of independent review in relation to the reconciliation of Fixed Assets, including accounting for asset additions, disposals and depreciation expense.

Implications/Risks

Without evidence of independent review, there is a risk that errors and omissions are not detected and corrected in a timely manner.

Recommendation

We recommend fixed asset reconciliation be subject to independent review, and be signed off by both the preparer and the independent reviewer as evidence of this review.

Management Comment

Whilst asset reconciliations have been discussed and reviewed, we have not been recording evidence of the review. In future, all reconciliations will be signed-off.

Responsible Officer: Manager Finance & Administration (Director Corporate Services for Review)

Completion Date: September 2020

3.3.4 Non-compliance with Purchasing Policy

Finding Rating: Minor

The following exception was noted from our procurement and payment testing:

- In 2 instances, the purchase order were dated after the supplier invoice.

Implications/Risks

By raising purchase orders after the invoice is received there is an increased risk of unauthorised purchases, and non-compliance with Council's purchasing policy.

Recommendation

We recommend purchase orders are completed for all applicable items prior to incurring the expenditure.

Management Comment

These two instances have been noted and the issue raised with relevant staff and the management group. A review and update of purchasing policy and procedure has brought to the attention of staff the importance of ensuring all purchases are authorised with purchase orders.

Responsible Officer: Director Projects & Procurement

Completion Date: Ongoing



3.3.5 Directive Information and Communications Technology Policy

Finding Rating: Moderate

While completing a review of the Shire's internal IT policies and procedures, we noted that the Directive Information and Communications Technology Policy has not been subject for review since the approval date in 24 May 2019.

Implications/Risks

Out dated policies and procedures may not reflect the actual practices followed by Shire representatives.

Recommendation

We recommend the Directive Information and Communications Technology Policy be reviewed and updated accordingly.

Management Comment

Council Policy reviews are now monthly to coincide with Ordinary Council Meetings. The identified policy above can be prioritised for review.

Responsible Officer: ICT Specialist (Director Corporate Services for review)

Completion Date: 15 December 2020

4. Legislative compliance

4.1 Scope and approach

In accordance the proposal dated 27 March 2020, our review examined the following areas:

- Internal monitoring of compliance with legislation and regulations;
- The Local Government's ability to stay informed regarding legislative changes;
- The Local Government's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- The monitoring of the Local Government's structured guidelines that detail the Local Government's processes for meeting statutory obligations (compliance frameworks);
- Communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the Local Government's compliance and recommendations for changes as required;
- The Local Government's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
- Key managements internal review processes in respect to the identification of adverse trends and management plans to address these;
- Management disclosures in financial reports of the effect of significant compliance issues (if any);
- The internal and / or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee; and
- The Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest.

4.2 Limitations of scope

The table below summarises the information not provided to us by the Shire and the associated limitations on scope:

No.	Information not provided / Areas not assessed by AMD
1	Complaints Register

Management Comment

Officers will need to develop a complaints register and its review can be included in the proposed upcoming internal audit. A report updating the ARMC will be prepared and presented for the December 2020 meeting.



4.3 Detailed findings and recommendations

4.3.1 Internal Audit

Finding Rating: Minor

We note that the Shire does not currently have an internal audit function in place.

Implications/Risks

Risk of non-compliance with Department of Local Government, Sport and Cultural Industries Guidelines recommended best practice.

Recommendation

The Department of Department of Local Government, Sport and Cultural Industries guidelines recommend an internal audit function be established incorporating an internal audit program which is re-assessed annually.

Should the Shire consider an internal audit function not be required, we suggest the Audit Committee formally document they have considered the best practice guideline and the reasons they feel it is not necessary.

Management Comment

Officers are seeking to appoint an external auditor at the September 2020 Council meeting.

Responsible Officer: Director Corporate Services

Completion Date: 15 December 2020 with ongoing quarterly reporting to Audit and Risk Management Committee.

4.3.2 Complaints Handling Procedure

Finding Rating: Minor

While completing a review of the Shire's internal legislative compliance policies and procedures, we noted the Complaints Handling Procedure has not been subject for review since the revision date in September 2017.

Implications/Risks

Out dated policies and procedures may not reflect the actual practices followed by Shire representatives.

Recommendation

We recommend the Complaints Handling Procedure be reviewed and updated accordingly.

Management Comment

Customer Service project has been identified to review the customer service charter, identification of appropriate software to manage requests plus interactions with customers and reporting.

Responsible Officer: Manager Governance (Director Corporate Services for review)

Completion Date: July 2021

5. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation's ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation's objectives by maximising opportunities and minimising adverse effects.

Our guidance to risk classification in accordance with Risk Management- Principles and Guidelines Standard AS / NZS ISO 31000-2018 is as follows:

Risk is the probability that an event or action may adversely affect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

- Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.
- Consequence is the severity of the impact that would result if the event were to occur.

Our risk rating for each finding was based on the following table:

		CONSEQUENCES		
		Insignificant	Significant	Highly Significant
LIKELIHOOD	Minor	Minor	Moderate	Moderate
	Medium	Minor	Moderate	Significant
	High	Minor	Significant	Significant