



Agenda

Audit And Risk Management Committee Meeting

Tuesday, 4 April 2023

Date:	Tuesday 4 April 2023
Time:	9:00am
Location:	Ashburton Hall, Ashburton Avenue, Paraboradoo
Distribution Date:	Thursday 30 March 2023



Shire of Ashburton
Audit And Risk Management Committee Meeting

Please be advised an Audit And Risk Management Committee Meeting will be held at 9:00am on Tuesday 4 April 2023 at Ashburton Hall, Ashburton Avenue, Paraboradoo.

A handwritten signature in black ink, appearing to read "Kenn Donohoe".

Kenn Donohoe
Chief Executive Officer
30 March 2023

Disclaimer

The recommendations contained in the agenda are subject to confirmation by Council. The Shire of Ashburton warns anyone who has an 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 Council in respect of the application. No responsibility whatsoever is implied, or accepted, by the Shire of Ashburton for any act, omission, statement, or intimation occurring during a Council meeting.

Contents

1	Declaration Of Opening	4
1.1	Acknowledgement Of Country	4
2	Announcement Of Visitors	4
3	Attendance	4
3.1	Present	4
3.2	Apologies	5
3.3	Approved Leave Of Absence	5
4	Declaration By Members	5
4.1	Due Consideration By Councillors To The Agenda.....	5
4.2	Declaration Of Interest.....	5
5	Confirmation Of Minutes	5
5.1	Confirmation Of Previous Minutes	5
5.1.1	Minutes Of The Audit And Risk Management Committee Meeting Held On 14 February 2023.....	5
6	Public Agenda Items	6
6.1	Audit Log Status Update	6
6.2	Tom Price Administration Building - New Development.....	10
7	New Business Of An Urgent Nature Introduced By Council Decision	16
8	Confidential Agenda Items	17
8.1	Wittenoom Claims Update	17
9	Next Meeting	18
10	Closure Of Meeting	18

1 Declaration Of Opening

The Presiding Member declared the meeting open at [enter time](#).

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 Announcement Of Visitors

The Presiding Member welcomed members of the public to the gallery.

3 Attendance

3.1 Present

Elected Members:	Cr K White Cr M Lynch Cr R De Pledge Cr M Gallanagh Cr L Rumble JP Cr A Sullivan Cr J Richardson Cr A Smith Cr T Mladenovic	Onslow Ward (Presiding Member) Tom Price Ward Ashburton Ward Pannawonica Ward (via Electronic Means) Paraburdoo Ward Paraburdoo Ward Tableland Ward Tom Price Ward Tom Price Ward
Employees:	K Donohoe C McGurk T Dayman R Miller A Lennon J Bray A Furfaro N Cochrane	Chief Executive Officer Director Projects and Procurement Acting Director Corporate Services Director Infrastructure Services Manager Media and Communications Manager Governance Governance Officer Council Support Officer
Guests:	Enter names	

Members of Public:	There were enter number members of the public in attendance at the commencement of the meeting.
Members of media:	There were enter number members of the media in attendance at the commencement of the meeting.

3.2 Apologies

To be informed at the meeting.

3.3 Approved Leave Of Absence

4 Declaration By Members

4.1 Due Consideration By Councillors To The Agenda

Councillors will be requested to note they have given due consideration to all matters contained in this agenda.

4.2 Declaration Of Interest

A member who has an Impartiality, Proximity or Financial interest in any matter to be discussed at this meeting must disclose the nature of the interest either in a written notice, given to the Chief Executive Officer, prior to the meeting, or at the meeting immediately before the matter is discussed.

A member who makes a disclosure in respect to an interest must not preside at the part of the meeting which deals with the matter, or participate in, or be present during any discussion or decision-making process relative to the matter, unless the disclosing member is permitted to do so under Section 5.68 or Section 5.69 of the *Local Government Act 1995*.

The following declarations of interest are disclosed –

To be advised at the meeting.

5 Confirmation Of Minutes

5.1 Confirmation Of Previous Minutes

5.1.1 Minutes Of The Audit And Risk Management Committee Meeting Held On 14 February 2023

Officer Recommendation

That the Minutes of the Audit And Risk Management Committee Meeting held 14 February 2023 (Item 5.1.1 Attachment 1) be confirmed as a true and accurate record.

6 Public Agenda Items

6.1 Audit Log Status Update

File Reference	CM52
Applicant or Proponent(s)	Not Applicable
Author	D Weerasingha, Internal Auditor
Authorising Officer	T Dayman, Acting Director Corporate Services
Previous Meeting Reference	Ordinary Council Meeting 14 February 2023 - Item 6.1 – 020/2023
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	1. Internal Audit Log 30 March 2023 ⇒

Report Purpose

Council is required to review the Audit Log actions.

The purpose of this report is to provide Council oversight of the implementation of actions resulting from internal audits and external reviews.

Council is requested to receive the Audit Log status updates.

Background

The Chief Executive Officer (CEO) is required to ensure adequate systems and processes are established for the effective management and control of the Shire.

Internal audits and external reviews are examples of methods Council may use to ensure sound management of the Shire is occurring.

Following the finalisation of an internal audit and/or external review, recommendations are included in the Audit Log to ensure progress monitored and recorded.

Comments

The Shire of Ashburton has previously undertaken internal audits and external reviews of financial and other processes and systems.

This report provides an update on the implementation of the recommendations from those audits and reviews.

A progress update is provided to the Audit and Risk Management Committee to ensure oversight of the implementation of recommendations as a result of an internal audit and/or external review. Full details of the outstanding actions as shown in Attachment 1.

Internal Audits

A summary of the progress on the implementation of internal audit recommendations is provided in the following table.

Internal Audit	Total Actions	Not Started		In Progress		Completed	
		30-Mar	14-Feb	30-Mar	14-Feb	30-Mar	14-Feb
Review of 2019 FMR	4	0	0	4	4	0	0
Procurement Systems and Controls	23	2	2	8	12	13	9
Risk Management Practices	19	3	5	12	10	4	4
Grants Management	11	10	10	0	1	1	0
Records Management 21	15	3	6	7	10	5	5
Records Management 22	32	12	12	14	14	6	6
Cybersecurity	23	8	9	14	14	1	0
Business Continuity	26	23	25	1	1	2	0
Building Permits	26	14	20	5	1	7	5
Contract Management	17	0	6	7	8	10	3
Fraud and Corruption	27	19	23	4	1	4	3
Payroll and HR	8	5	0	3	0	0	0
Total	231	99	126	79	70	53	35

18 recommendations have been completed since last reported to the Audit and Risk Management Committee on 14 February 2023.

Financial Audits

A summary of the progress on the implementation of financial audit recommendations is provided in the following table.

Financial Year Ended	Total Actions	Not Started		In Progress		Completed	
		30-Mar	14-Feb	30-Mar	14-Feb	30-Mar	14-Feb
30 June 2021	Not received	N/A	N/A	N/A	N/A	N/A	N/A
30 June 2020	5	2	4	1	0	2	1
30 June 2019	4	0	2	1	0	3	2
30 June 2018	1	0	1	0	0	1	0
30 June 2017	1	0	1	0	0	1	0
30 June 2016	1	0	1	0	0	1	0
Total	12	2	9	2	0	8	3

Five recommendations have been completed since last reported to the Audit and Risk Management Committee on 14 February 2023.

Resourcing issues have prevented satisfactory progress of addressing the recommendations from these audits and reviews from occurring.

Consultation

The relevant members of the Executive Leadership Team and Middle Management Group were consulted on the progress of the outstanding actions on the Audit Log.

Moore Australia has been provided updates to the Audit Log and verified evidence provided to close actions.

Strategic Community Plan

Shire of Ashburton Strategic Community Plan 2022-2032

Strategic Objective	4. Performance - We will lead the organisation, and create the culture, to deliver demonstrated performance excellence to the community.
Strategic Outcome	4.6 Visionary community leadership with sound, diligent and accountable governance
Strategy	3 Deliver best practice governance and risk management.

Council Policy

Nil

Financial Implications

Current Financial Year

Nil

Future Financial Year(s)

Nil

Legislative Implications

In accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*, the CEO is to review the appropriate and effectiveness of a local government’s systems and procedures in relation to:

- Risk management,
- Internal control, and
- Legislative compliance.

The CEO is to report to the Audit and Risk Management Committee, the results of each review.

Risk Management

Risk has been assessed against the Shire of Ashburton Risk Management Framework.

Theme	Risk	Likelihood	Consequence	Inherent Risk Rating	Risk Treatment
Compliance	Compliance failures if areas identified for improvement are not addressed.	Possible (3)	Major (4)	High (10-16)	Implement process improvements as a result of internal audits/external reviews and provide regular progress reporting to the Audit and Risk Management Committee.

Based on the inherent risk rating and risk treatments, the residual risk to the Shire is considered to be high.

Voting Requirements

Simple Majority

Officer Recommendation

That with respect to Audit Log Status Update, the Audit and Risk Management Committee recommends that Council, receives the updated Audit Log.

6.2 Tom Price Administration Building - New Development

File Reference	CP107
Applicant or Proponent(s)	Not Applicable
Author	C McGurk, Director Community Development
Authorising Officer	C McGurk, Director Community Development
Previous Meeting Reference	Nil
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	<ol style="list-style-type: none"> 1. Tom Price Administration Centre Concept ⇒ 2. Tom Price Administration Centre Cost Estimate ⇒

Report Purpose

Council is requested to approve the proposed development of a new Tom Price Administration Building at Lot 246 and 247 Poinciana Street, Tom Price for the 2023/2024 Financial Year via a loan request and authorise the advertising of a tender requesting submissions to construct this development.

Background

Council has occupied the current Tom Price Administration facility since 1983, and it can be clearly seen this building is no longer fit for purpose and cannot provide the function of a contemporary building nor can it accommodate the size of Council's office-based workforce.

Council has outgrown its main Administration building located in Tom Price with staff spread across a range of sites within the Tom Price townsite. As a response, Council requested the Chief Executive Officer (CEO) to commence planning for a fit for purpose Tom Price Administration Centre to meet the future needs of Council.

Council adopted the 2022-2023 Long-Term Financial Plan (LTFP) which was presented to Council for consideration at its Special Council Meeting held on 28 July 2022.

\$25,000,000 has been allowed for in the LTFP in year 2026, funded by Reserve Transfer of \$8,644,800 and capital funding of \$7,500,000, with the remanding funding of \$8,855,200 from general revenue.

The development of a new Administration Centre has been in discussion for over 10 years and can no longer be placed on hold, nor wait until 2026 to commence, due to the impacts on work efficiency and effectiveness caused by the current office structure.

Comments

The current Administration facility is located at Lot 246 Poinciana Street, Tom Price.

Council has been in negotiations with the landowner of the neighbouring lot, 247 for acquisition and these negotiations are still on going. This lot is required to ensure the success of a new Administration Centre, and to remain in its current location.

A high level concept design has been developed for the fit for purpose Administration Centre (refer to Attachment 1) and was presented to Council at a briefing session in March 2023 along with a price estimate prepared by BSM Consulting Quantity Surveyors of \$20.9M for the construction of the new Administration Centre and included relocation of staff while the building is under construction.

Cost breakdown as per the estimate is broken down as follows and can be viewed in further detail in attachment 2.

Services - \$1,641,999

Ground Floor - \$7,913,435

First Floor - \$3,748,495

Transportation - \$240,000

External Works - \$1,530,050

Other costs (Design and Construction Contingency, furniture fit out, Management fees cost escalation for 2024 and Office relocation) \$4,982,000.

Total \$20,056,000

Council's Tom Price workforce would be relocated to the Tom Price Community Hall and Library, this would mean the Tom Price Community Hall would be unavailable for the community to hire and a loss of income of approximately \$20,000 over the 2-year construction period.

Should Council formally approve the new development and bring forward the Tom Price Administration Centre in the LTFP to 2023/2024, a budget allocation of \$150,000 would need to be made in the current financial year 2022/2023 for the reference design which will need to go out for request for quote and the works completed by September 2023.

Tom Price Administration Facility reserve balance in the LTFP in 2026 has been calculated to be \$8,644,800. If the project is brought forward, and funded by reserves, then the interest earnings on this reserve will be reduced and reduce the amount of funding available for this project and increase the amount required by alternative avenues. It is recommended that the amount of \$8M from reserves included in current calculations, leaving a shortfall of \$12,9M.

As external funding has not been secured, bringing forward the Tom Price Administration Centre will have a significant impact on the Shire's LTFP and would require alternative means of funding, which could be achieved by either:

- Deferring projects with no contract or funding obligations,
- Funding from reserves, or
- Funding from new loan.

Deferring Projects

The majority of projects in the LTFP plan for 2024 are linked to external funding. Deferring these projects will not result in the required funds needed for the Tom Price Administration Centre.

The Ocean View Caravan Park stage 3 (valued at \$5.2M) is the only project in 2024 that currently has no funding obligation for consideration, with a further \$5M for stage 4, also with no funding obligation in 2025.

While these projects could be deferred, significant works have already occurred to date, and it would not be advantageous to defer the project during mid-stage and therefore is not recommended.

Reserves

Council could consider utilising other reserve balances to fund the deficit. The only reserve with a substantial current balance and suitable purpose would be the Future Projects reserve.

The LTFP has the Future Projects reserve opening balance of \$14.7M in 2024. Of this, \$3.5M is being utilised to assist with the funding of various projects and provide a balanced budget. Additionally, \$5.2M is used in FY2025 and \$5.2M in 2026 for the same purpose. Utilising this reserve to fund the Tom Price Administration Centre would put numerous projects, some which may be linked to funding, in jeopardy and is not recommended.

Loans

Council's final option to proceed with the Tom Price Administration Centre in 2023/2024 would be to secure loan funding.

Proceeding with a new loan would have the least amount of impact on the ability to fund other projects within the LTFP. With that being said, loan repayments are not included in the LTFP and will have a direct financial impact which may have an impact on the ability to fund projects during the term of the loan. Therefore, the term of the loan needs to carefully considered.

Discussions with WA Treasury Corporation (WATC) have provided three indicative terms for fixed term rate loans:

1. 5 years @4.15%
2. 10 Years @4.40%
3. 20 Years @4.9%.

Using the above rates and fixed term period, the following loan calculations have been performed on a loan of \$12,255,200.

	5 Years	10 years	20 years
Annual interest rate	4.85%	4.40%	4.9%
Monthly payment	\$242,553	\$133,073	\$84,423
Annual payments	\$2,910,641	\$1,596,871	\$1,013,079
Total interest	\$1,653,204	\$3,068,710	\$7,361,588
Total cost of loan	\$14,553,204	\$15,596,871	\$20,261,58

WATC charge a guarantee fee of 0.7% which has not been included in the above.

A 5-year loan will be the most advantageous financially to the Shire in respect to overall costs. However, annual loan repayments of \$2.7M has not been included in the current LTFP and will have a direct financial impact which may affect Council's ability to deliver projects and/or services. The recommendation would be to take out a loan over a 10-year term to limit the impact on the LTFP.

Alternative courses of action include:

1. Further analysis and comparison of the anticipated long term growth trends and Shire administration needs for Tom Price, Paraburdoo and Onslow. This should include an in-depth look at the comparable housing availability and the staff retention trends of the Shires existing key employment centres.

2. Remove the library from the proposed combined development and simplify the overall development to help reduce the financial impact on the Shire future budgets. The library could be renovated in the existing position.
3. Reduce the overall size of the building to achieve a more palatable budget.
4. Postpone the timing of the development to avoid the inflated construction prices in a market where supply is unable to match the current demand.
5. Proceed with Preliminary design which will allow a more detailed cost analysis and estimate
6. Incorporate the library and offices into the proposed CLIP developments and take advantage of shared features (amenities, common area, parking, services) and economies of scale cost savings achieved through a single larger project.

Consultation

Elected Members

Executive Leadership Team

A4 Projects

LK Advisory

BSM Consulting Quantity Surveyors

Whitehaus Architects

Strategic Community Plan

Shire of Ashburton Strategic Community Plan 2022-2032

Strategic Objective	4. Performance - We will lead the organisation, and create the culture, to deliver demonstrated performance excellence to the community.
Strategic Outcome	4.5 Safe, engaged, inclusive, and productive workforce culture
Strategy	3 Provide a high standard of workplace health and safety, including education, coaching and workplace support.

Council Policy

Council Policy – Purchasing and Procurement

The Shire is committed to delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance whereby establishing efficient, effective, economical and sustainable procedures in all purchasing activities.

Financial Implications

Current Financial Year

The current financial year has no funds allocated for the Tom Price Administration Centre. \$150,000 is required for the reference design in the 2022/2023 Financial Year.

Future Financial Year(s)

It is anticipated that most of the construction costs will be expended in the 2023/2024 Financial Year. It is recommended that the Shire apply for a loan of up to \$12.9m fund the project.

At the recommended loan term of 10 years, the total cost of the loan is \$15,596,871. In addition, WATC charge a guarantee fee of 0.7% which has not been included in the above.

Once construction is complete ongoing operational costs have been estimated at \$100,000 per annum. This covers electricity, water, insurance, staff wages for cleaning and grounds maintenance.

Legislative Implications

Local Government Act 1995

Section 6.20 - Power to borrow

A local government may borrow money to enable the local government to perform its functions. Where in any financial year a local government proposes to exercise a power to borrow and details of that proposal have not been included in the annual budget for that financial year, the local government must give one month's local public notice of the proposal. The resolution to borrow must also be approved by Council by absolute majority.

Section 3.57 - Tenders for providing goods or services

A local government is required to invite tenders before it enters a contract of a prescribed kind under which another person is to supply goods or services.

Local Government (Functions and General) Regulation 1996

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

Tenders are to be publicly invited according to the requirements of Division 2 before a local government enters 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:

- the supply of the goods or services is to be obtained from expenditure authorised in an emergency under section 6.8(1)(c) of the Act; or
- the supply of the goods or services is associated with a state of emergency; or
- the supply of the goods or services is to be obtained through the WALGA Preferred Supplier Program; or
- within the last 6 months –
 - the local government has, according to the requirements of this Division, publicly invited tenders for the supply of the goods or services but no tender was submitted that met the tender specifications or satisfied the value for money assessment; or
 - the local government has, under regulation 21(1), sought expressions of interest with respect to the supply of the goods or services but no person was, as a result, listed as an acceptable tenderer.

Risk Management

Risk has been assessed against the Shire of Ashburton Risk Management Framework.

Theme	Risk	Likelihood	Consequence	Inherent Risk Rating	Risk Treatment
People	Limited capacity in current facility for Council staff.	Likely (4)	Moderate (3)	High (10-16)	Construct new purpose built Administration Centre.

Based on the inherent risk rating and risk treatments, the residual risk to the Shire is considered to be high as the current facility has reached its end of life and is no longer a functional, effective workplace for Council staff.

Voting Requirements

Absolute Majority

Officer Recommendation

That with respect to the Tom Price Administration Facility Development, Council,

1. Approves the concept plans for Lot 246 and 247 Poinciana Street, Tom Price as shown as Attachment 1;
2. Approves the following amendments to the 2022-2023 annual budget:
 - (a) Increase new capital expenditure - Tom Price Administration Facility by \$150,000 to progress the reference design,
 - (b) Decrease CV23501 Corporate Service Consultancy by \$50,000, and
 - (c) Decrease FN23501 Finance Consultancy by \$100,000.
3. Amends the Long-Term Financial Plan bringing forward the Tom Price Administration Facility in 2023/2024, including:
 - (a) Capital Expenditure of \$20.9 million,
 - (b) Transfer from Tom Price Administration reserve of \$8m, and
 - (c) Loan borrowings of \$12.9m over a 10-year loan term.
4. That the Tom Price Administration Facility Capital Expenditure \$20.9m, transfer from the Tom Price Administration Reserve of \$8,000,000 and loan income of \$12.9m be considered in the 2023/2024 annual budget considerations,
5. Authorises the Chief Executive Officer to request a tender for the construction of the Tom Price Administration Centre in accordance with Attachment 1; and
6. Notes the outcome from the tender for the Tom Price Administration Centre will be presented to Council for consideration.

7 New Business Of An Urgent Nature Introduced By Council Decision

8 Confidential Agenda Items

8.1 Wittenoom Claims Update

File Reference	LS34
Applicant or Proponent(s)	Not Applicable
Author	T Dayman, Acting Director Corporate Services
Authorising Officer	T Dayman, Acting Director Corporate Services
Previous Meeting Reference	Audit and Risk Committee Meeting 12 July 2022 - Item 8.1 – (101/2022)
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	Nil

Reason for Confidentiality

<i>Section under the Act</i>	<i>This matter is to be considered behind closed doors pursuant to s.5.23(2)(b) of the Local Government Act 1995 as the subject matter relates to:</i>
<i>Sub-clause and Reason:</i>	<i>“s.5.23(2)(b) the personal affairs of any person.”</i>

Report Purpose

The Shire has, for over a decade, been exposed to financial risk of litigation from asbestos mining in Wittenoom, with new claims continuing to be made against the Shire.

This item provides a summary of claims made in the 2022-2023 financial year to date, as well as summary of claims and costs for previous years.

Council is requested to receive the Wittenoom Claims Update to 29 March 2023.

Voting Requirements

Simple Majority

9 Next Meeting

The next Audit And Risk Management Committee will be tentatively held at Clem Thompson Sport Pavilion, Stadium Road, Tom Price on 13 June 2023 at 9:00am.

10 Closure Of Meeting

There being no further business, the Presiding Member closed the meeting at [enter time](#).