

**PUBLIC MINUTES - AUDIT AND RISK MANAGEMENT
COMMITTEE MEETING 16 MARCH 2021**



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

PUBLIC MINUTES

**Onslow Sports Club
Third Avenue, Onslow**

**16 March 2021
9.30 am**

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: 16.03.2021

These minutes were confirmed by Council as a true and correct record of proceedings of the Audit and Risk Management Committee Meeting held on the 16 March 2021.

Presiding Member: _____

Date: _____

DISCLAIMER

The resolutions contained in the Minutes are subject to confirmation by 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.

| | | |
|------------|--|-----------|
| 1. | DECLARATION OF OPENING | 4 |
| 1.1 | ACKNOWLEDGEMENT OF COUNTRY | 4 |
| 2. | ATTENDANCE | 4 |
| 2.1 | PRESENT | 4 |
| 2.2 | APOLOGIES..... | 4 |
| 2.3 | APPROVED LEAVE OF ABSENCE..... | 4 |
| 3. | ANNOUNCEMENT OF VISITORS | 4 |
| 4. | DECLARATION BY MEMBERS | 5 |
| 4.1 | DUE CONSIDERATION BY COUNCILLORS TO THE AGENDA..... | 5 |
| 4.2 | DECLARATIONS OF INTEREST | 5 |
| 5. | CONFIRMATION OF MINUTES OF PREVIOUS MEETING | 6 |
| 5.1 | AUDIT AND RISK COMMITTEE MEETING HELD ON 16 FEBRUARY 2021 | 6 |
| 6. | TERMS OF REFERENCE | 6 |
| 7. | AGENDA ITEMS | 8 |
| 7.1 | INTERNAL AUDIT – YEAR ENDED 30 JUNE 2021 | 8 |
| 7.2 | LOCAL GOVERNMENT COMPLIANCE AUDIT RETURN 2020 | 12 |
| 7.3 | REGULATION 17 REVIEW – 2020 PROGRAM | 17 |
| 7.4 | 2019/20 INDEPENDENT FINANCIAL AUDIT REPORT AND MANAGEMENT REPORTS 20 | |
| 8. | CONFIDENTIAL MATTERS | 24 |
| 8.1 | CONFIDENTIAL ITEM - UPDATE ON WITTENOOM LITIGATION, USE OF DELEGATION, WITTENOOM STEERING COMMITTEE, AND SENIOR COUNSEL LEGAL BRIEF..... | 24 |
| 9. | NEXT MEETING | 25 |
| 10. | CLOSURE OF MEETING | 25 |

1. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 9.33 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 K White Cr L Rumble Cr M Lynch Cr D Diver Cr R de Pledge Cr J Richardson Cr D Dias | Onslow Ward (Presiding Member) Paraburdoo Ward Tom Price Ward Tom Price Ward Ashburton Ward Tablelands Ward Paraburdoo Ward |
| Staff: | Mr K Donohoe Mrs J Fell Mr A Majid Mrs C McGurk Mr M Khosravi Mr N Cain Mrs M Lewis Mrs D Hurstfield Ms N Jeffery | Chief Executive Officer Acting Director Corporate Services Director Development Services Director Projects and Procurement Director Infrastructure Services Director Community Services Council Liaison Officer Manager Governance Executive Assistant Corporate Services |
| Guests: | Nil | |
| 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 P Foster Tom Price Ward

2.3 APPROVED LEAVE OF ABSENCE

Cr M Gallanagh Pannawonica Ward

3. ANNOUNCEMENT OF VISITORS

There were no visitors for this meeting.

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

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.

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 16 FEBRUARY 2021

| |
|---|
| <p>Officers Recommendation and Council Decision</p> <p>MOVED: Cr D Diver SECONDED: Cr M Lynch</p> <p>That the Unconfirmed Minutes of the Audit and Risk Management Committee Meeting held on 16 February 2021 (ATTACHMENT 5.1) be confirmed as a true and accurate record.</p> <p style="text-align: right;">CARRIED7/0</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.

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.

7. AGENDA ITEMS

7.1 INTERNAL AUDIT – YEAR ENDED 30 JUNE 2021

| | |
|--|--|
| FILE REFERENCE: | GR01 |
| AUTHOR'S NAME AND POSITION: | Janelle Fell Acting Director Corporate Services |
| AUTHORISING OFFICER AND POSITION: | Kenn Donohoe Chief Executive Officer |
| NAME OF APPLICANT/RESPONDENT: | Not Applicable |
| DATE REPORT WRITTEN: | 1 March 2021 |
| DISCLOSURE OF FINANCIAL INTEREST: | The author and the authorising officer have no financial, proximity or impartiality interests in the proposal |
| PREVIOUS MEETING REFERENCE: | Item 7.1 (Minute No. 132/2020) – Audit and Risk Management Committee Meeting 8 September 2020 (carried En Bloc under 9.3.2 - Ordinary Meeting of Council 8 September 2020) |

Summary

Moore Australia has completed an internal audit that focused on matters identified in the 2019 Financial Management Review, procurement systems and controls, risk management practices, grants application, payments and acquittals, and records management compliance. The Internal Audit Report is presented for Council's consideration.

Background

In an effort to improve the effectiveness of its risk management, governance and control processes, Councillors endorsed the Audit and Risk Management Committee's role in preparing a three year internal audit plan at the September 2020 Ordinary Meeting of Council. Further, Council acknowledged the Chief Executive Officer was undertaking an internal audit on key areas of concern in accordance with the Chief Executives obligations for the Financial Management Regulations 1996 as amended for the year ended 30 June 2021 was to focus 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.

Comment

Moore Australia were engaged to undertake an internal audit in accordance with the Institute of Internal Auditors 'International Standards for the Professional Practice of Internal Auditing' as contained in the 'International Professional Practices Framework', with the following objectives:

- Examine and evaluate actions implemented in response to matters identified in the 2019 FMR review;
- Review the appropriateness and effectiveness of internal controls pertaining to processes key to procurement activities, including credit card expenditure and tenders in accordance with statutory requirements;
- Determine the compliance, efficiency, and effectiveness of the risk management framework with legislative compliance requirements and its consideration of better practice principles;
- Review the appropriateness and effectiveness of systems and internal controls pertaining to management of grants;
- Assess the systems for records capture and retrieval, retention and disposal, risk of loss of vital information, and to identify potential improvements.

Moore Australia summarised the findings in the following table. Further details can be found in the Ashburton Draft Internal Audit Report 2020-21.

| Summary of Findings | | | | |
|----------------------------------|------|--------|-------|-------|
| Review Area: | High | Medium | Minor | Total |
| Identified Matters – 2019 FMR | - | 3 | - | 3 |
| Procurement Systems and Controls | 12 | 12 | - | 24 |
| Risk Management Practices | 4 | 9 | 5 | 18 |
| Grants Management | - | 6 | 5 | 11 |
| Records Management | 7 | 7 | - | 14 |

ATTACHMENT 7.1

Specific training to assist the Shire in following best practice principles and processes focusing on procurement systems and controls is to be delivered in early 2021. A further report will be provided to the Audit and Risk Management Committee in June 2021 to update Council on progress of addressing the Recommendations.

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 Management 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 auditing is an essential function in meeting the requirements of this regulation.

Financial Implications

Estimated costs for the three-year scope of work is ~\$77,000 plus GST based on experience of other local governments. Annual budgets are adequately provisioned for engagement of consultants for these services.

Strategic Implications

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

Goal 05 Inspiring Governance
Objective 3 Council leadership

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 |
|---|-----------------|---------------------------|--------------|---|--|
| Adequate Internal Controls, risk management and legislative compliance not in place | Possible (3) | Moderate (3) | Moderate (9) | Compliance – short term non-compliance but with significant regulatory requirements imposed | Internal Audit Plan 2020 – 2023 with regular update to Audit and Risk Management 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) |

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: 20/2021

MOVED: Cr D Diver

SECONDED: Cr M Lynch

That with respect to the Internal Audit – Year Ended 30 June 2021, Council:

- 1. Acknowledge the contents of the Draft Internal Audit Report dated 15 February 2021, ATTACHMENT 7.1;**
- 2. Acknowledge the specific training to be delivered by Moore Australia to assist Shire Administration in following best practice principles and processes focusing on procurement systems and controls in early 2021; and**
- 3. Request the Chief Executive Officer to prepare a report updating the committee on progress of the recommendations identified within the report for the June 2021 Audit and Risk Management Committee meeting.**

CARRIED 7/0

7.2 LOCAL GOVERNMENT COMPLIANCE AUDIT RETURN 2020

| | |
|--|---|
| FILE REFERENCE: | GV32 |
| AUTHOR'S NAME AND POSITION: | Danielle Hurstfield Manager Governance |
| AUTHORISING OFFICER AND POSITION: | Kenn Donohoe Chief Executive Officer |
| NAME OF APPLICANT/RESPONDENT: | Not Applicable |
| DATE REPORT WRITTEN: | 24 March 2021 |
| 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. 22/2020) Ordinary Meeting of Council 10 March 2020 |

Summary

The Audit and Risk Management Committee is requested to consider the results of the Compliance Audit Return (CAR) for the 2020 calendar year and recommend its adoption by Council prior to being submitted to the Department of Local Government, Sport and Cultural Industries (DLGSC).

Background

The 2020 CAR was made available to Local government authorities by DLGSC via its centralised portal in January 2021. The structure of the CAR is similar to previous years with a focus on areas of compliance considered high risk. In accordance with the *Local Government Act 1995* and *Local Government (Audit) Regulations 1996* a Local government is required to complete an annual CAR for the period 1 January to 31 December each year. The CAR is to be forwarded to the DLGSC by 31 March each year after consideration by the Audit and Risk Committee and adopted by Council. The aim of the CAR is to build good governance by promoting and enforcing compliance and encouraging all local governments to move beyond minimum compliance through continuous improvement.

The CAR contains the following compliance categories:

- Commercial Enterprises by Local Governments
- Delegation of Power/Duty Disclosure of Interest
- Disposal of Property
- Elections
- Finance
- Integrated Planning and Reporting
- Local Government Employees
- Official Conduct
- Tenders for Providing Goods and Services

Comment

The period examined by this audit is 1 January to 31 December 2020 and the completed return is required to be:

- 1 Reviewed by the Audit and Risk Committee;
- 2 Considered and adopted by Council;
- 3 Certified by the President and Chief Executive Officer following Council adoption; and
- 4 Submitted together with a copy of the Council Minutes to the Department by 31 March 2021.

The DLGSC continues to focus on high risk areas of compliance and statutory reporting as prescribed in Regulation 13 of the *Local Government (Audit) Regulations 1996*. The CAR for the period 1 January to 31 December 2020 comprises a total of 102 questions, down from 104 questions the previous year. Council achieved 97/102 (95%). The key focus areas covered in the CAR and a summary of our audit are as follows:

1. Commercial Enterprises by Local Governments (5 compliance areas)
Compliance with all items.
2. Delegation of Power/Duty (13 compliance areas)
Keeping written records by persons exercising a delegated power or duty has been identified as an area for improvement. In September 2020 the Attain system was implemented with a review of the Delegated Authority Register. Further training will provide improvement in this area.
3. Disclosure of Interest (21 compliance areas)
Compliance with all items.
4. Disposal of Property (2 compliance areas)
Compliance with all items.
5. Elections (3 compliance areas)
Compliance with all items.
6. Finance (11 compliance areas)
Auditors Report was not received by 31 December 2020.
7. Integrated Planning and Reporting (3 compliance areas)
Compliance with all items.
8. Local Government Employees (6 compliance areas)
Compliance with all items.
9. Official Conduct (4 compliance areas)
Compliance with all items.
10. Optional Questions (10 compliance areas)
Two instances for improvement - a Policy for the Continuing Professional Development of Councillors was not adopted, however Councillors are undertaking mandatory training. Endorsement of a Policy will be achieved by April 2021. In addition, Balanced Accounts were not submitted to the auditor by 30 September 2020; the first draft of the 2019/20 Balanced Accounts was forwarded to Auditor's RSM on 9 October 2020.
11. Tenders for Providing Goods and Services (24 compliance areas)

The Shire did not have in place a compliant Regional Price Preference Policy for the entire reporting period. The policy was adopted on 10 November 2020.

Consultation

A number of officers who have compliance responsibility relevant to the CAR were consulted. Source documents including minutes of meetings, declarations of interest, annual and primary returns, resolutions of Council, and public notices, were all utilised in evidencing the Shire's compliance with the requirements of the CAR. Guidance has been communicated by the DLGSC via government circulars and guidelines.

Chief Executive Officer
Manager Finance
Manager Human Resources
Manager Land and Asset Compliance
Senior Procurement Officer

Statutory Environment

Local Government (Audit) Regulations 1996

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
 - (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
 - (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
 - (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
 - (a) presented to the council at a meeting of the council; and*
 - (b) adopted by the council; and*
 - (c) recorded in the minutes of the meeting at which it is adopted.*
- 15. Compliance audit return, certified copy of etc. to be given to Departmental CEO*
- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —*
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
 - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.*

Financial Implications

There are no known financial implications for this matter.

Strategic Implications

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

Goal 05 Inspiring Governance
Objective 3 Council leadership

Desired outcome – Council effectively governing the Shire, demonstrating effective governance and town leadership.

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) |
|--|-----------------|---------------------------|-------------|--------------------------------|---|
| Legal and Compliance: The Compliance Audit Return This would result in non compliance with regulatory requirements imposed. | Unlikely (2) | Minor (2) | Low | Some temporary non compliances | Accept Officers 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 low due to Council's understanding of regulatory requirements.

Policy Implications

There are no known policy implications for this matter.

Voting Requirement

Simple Majority Required

Officers Recommendation and Committee Decision

MINUTE: 21/2021

MOVED: Cr M Lynch

SECONDED: Cr R de Pledge

That with respect to the Local Government Compliance Audit Return 2020 that the Audit and Risk Management Committee:

- 1. Endorse the completed Compliance Audit Return for the period 1 January 2020 to 31 December 2020; and**
- 2. Recommend Council:**
 - a) Adopt the completed 2020 Compliance Audit Return for the period 1 January 2020 to 31 December 2020 ATTACHMENT 7.2;**
 - b) Authorise the Shire President and Chief Executive Officer to sign the joint certification and submit the completed Compliance Audit Return, and any additional information explaining or quantifying the compliance audit, to the Department of Local Government, Sport and Cultural Industries by 31 March 2021; and**
 - c) Note the non-compliance and requests the Chief Executive Officer to address the areas of non-compliance and report back to the Audit and Risk Committee on the measures taken to mitigate the non-compliances no later than 20 June 2021.**

CARRIED 7/0

7.3 REGULATION 17 REVIEW – 2020 PROGRAM

| | |
|--|---|
| FILE REFERENCE: | GV04 |
| AUTHOR'S NAME AND POSITION: | Danielle Hurstfield Manager Governance |
| AUTHORISING OFFICER AND POSITION: | Kenn Donohoe Chief Executive Officer |
| NAME OF APPLICANT/ RESPONDENT: | Not Applicable |
| DATE REPORT WRITTEN: | 24 February 2021 |
| 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 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 table provides updates from September 2020 report from AMD Chartered Accountants and comments from Officers to address improvement opportunities.

ATTACHMENT 7.3

Consultation

Executive Leadership Team
Manager Finance and Administration
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.*

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 through the policy review process.

Voting Requirement

Simple Majority Required

Officers Recommendation and Committee Decision

MINUTE: 22/2021

MOVED: Cr D Diver

SECONDED: Cr M Lynch

That with respect to the Regulation 17 Review - 2020 Program, the Audit and Risk Management Committee notes the progress of the program of suggested improvements/opportunities to address the Regulation 17 Risk Audit (ATTACHMENT 7.3).

CARRIED 7/0

7.4 2019/20 INDEPENDENT FINANCIAL AUDIT REPORT AND MANAGEMENT REPORTS

| | |
|--|---|
| FILE REFERENCE: | FM09 |
| AUTHOR'S NAME AND POSITION: | Janelle Fell Acting Director Corporate Service |
| AUTHORISING OFFICER AND POSITION: | Kenn Donohoe Chief Executive Officer |
| NAME OF APPLICANT/RESPONDENT: | Not Applicable |
| DATE REPORT WRITTEN: | 10 March 2021 |
| 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. 1/2021) 16 February 2021 – Audit and Risk Management Committee Meeting |

Summary

The Auditors conducted the Annual Financial Audit for 2019/20 during October 2020 to January 2021. Council accepted the 2019/20 Annual Financial Report, Independent Auditors Report and Independent Audit Management Letter at the February 2021 Audit and Risk Management Committee Meeting.

The reports have now been formally issued by the Office of the Auditor General (OAG) and require acceptance by Council.

Background

Auditors RSM, as appointed by the Office of the Auditor General completed fieldwork during a visit to Tom Price in October.

Upon agreement by RSM and the OAG, the Shire was issued with the following documents for the Audit Exit Meeting held on Friday 10 February:

1. Exit Meeting Report
2. Audit Closing Report
3. Final Audit Management Letter

Two control weaknesses were identified during the Final Audit of the Shire:

1. Excess Leave Management
2. Related Party Declarations

Three control weaknesses were identified during the Interim Audit of the Shire:

1. Incorrect Capitalisation of Minor Assets
2. Procurement Controls

3. Petty Cash Controls

Comment

The OAG made available on 24 February 2021 the 2019/20 Opinion package which included:

1. Final Management Letter
2. Opinion
3. Financial Statements 30 June 2020
4. Transmittal Letter to CEO
5. Transmittal Letter to President

ATTACHMENT 7.4A
ATTACHMENT 7.4B
ATTACHMENT 7.4C
ATTACHMENT 7.4D
ATTACHMENT 7.4E

The Delegate of the Auditor General for Western Australia states in the Opinion letter:

'In my opinion the annual financial report of the Shire of Ashburton:

- i. is based on proper accounts and records; and*
- ii. fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2020 and its financial position at the end of that period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.'*

The OAG has forwarded the reports to the CEO, President and the Minister as required by the *Local Government Act 1995*. As the annual reports, including the auditor's report and the audited financial report, are now fully executed and have been formally made available by the OAG, Council is requested to accept the reports after which they will be available on the Shire's website within 14 days of acceptance.

Consultation

Executive Leadership Team
Office of Auditor General
RSM (Auditors)

Statutory Environment

The Shire is required to prepare an Annual Report for each financial year in accordance with Part 5 Division 5 of *the Act*. The Report is to be accepted no later than 31 December by an absolute majority in accordance with section 5.54 of *the Act*. Section 7.12 of the *Act* also applies:

7.12A. *Duties of local government with respect to audits*

- (1) *A local government is to do everything in its power to—*
 - (a) *assist the auditor of the local government to conduct an audit and carry out his or her other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government is to examine the report of the auditor prepared under section 7.9(1), and any report prepared under section 7.9(3) forwarded to it, and is to—*
 - (a) *determine if any matters raised by the report, or reports, require action to be taken by the local government; and*

- (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government is to —
- (a) prepare a report on any actions under subsection (3) in respect of an audit conducted in respect of a financial year; and
- (b) forward a copy of that report to the Minister, by the end of the next financial year, or 6 months after the last report prepared under section 7.9 is received by the local government, whichever is the latest in time

Financial Implications

Outcomes of the Report will influence the current Budget as well as the Long-Term Financial Plan.

Strategic Implications

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

Goal 5 Inspiring Governance

Objective 3 Council leadership

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 | Rare (1) | Moderate (4) | Low (3) | Short term non-compliance with significant regulatory requirements imposed | Accept Officers 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 low due to the legislative requirements for this to occur in a timely manner, which can be managed by routine procedures.

Policy Implications

There are no known policy implications for this matter.

Voting Requirement
Simple Majority Required

Officers Recommendation and Committee Decision

MINUTE: 23/2021

MOVED: Cr R de Pledge

SECONDED: Cr M Lynch

That with respect to the 2019/20 Independent Financial Audit Report and the Management Reports, the Audit and Risk Management Committee note receipt of the Management Report for the year ended 30 June 2020 and recommend Council:

1. Accept the 2019/20 Office of Auditor General Opinion package including:
 - a) Final Management Letter ATTACHMENT 7.4A;
 - b) Opinion ATTACHMENT 7.4B; and
 - c) Financial Statements 30 June 2020 ATTACHMENT 7.4C; and
2. Authorise the Chief Executive Officer to make the reports available on the Shire of Ashburton's website within 14 days of acceptance.

CARRIED 7/0

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.*

Council Decision

MOVED: Cr M Lynch

SECONDED: Cr D Diver

That Council close the meeting to the public at 9.38 am.

CARRIED 7/0

There were no members of the public present

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

FILE REFERENCE: LS34

AUTHOR'S NAME AND POSITION: Janyce Smith
Senior Administration Officer

AUTHORISING OFFICER AND POSITION: Janelle Fell
Acting Director Corporate Services

NAME OF APPLICANT/RESPONDENT: Not Applicable

DATE REPORT WRITTEN: 25 February 2021

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. 216/2020)
Audit and Risk Committee Meeting 11 December 2020

REASON FOR CONFIDENTIALITY

This 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: 24/2021

MOVED: Cr D Diver

SECONDED: Cr R de Pledge

That with respect to the Confidential Item – Update on Wittenoom Litigation, Use of Delegation, Wittenoom Steering Committee and Senior Counsel Legal Advice, 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 Chief Executive Officer continues to provide Wittenoom related reports to the Audit and Risk Management Committee.

CARRIED 7/0

Council Decision

MOVED: Cr R de Pledge

SECONDED: Cr D Diver

That Council re-open the meeting to the public at 9.58 am.

CARRIED 7/0

9. NEXT MEETING

The next Audit and Risk Management Committee Meeting will be held on Tuesday 15 June 2021 at the Ashburton Hall, Ashburton Avenue, Paraburdoo at a time to be advised.

10. CLOSURE OF MEETING

There being no further business to discuss the Presiding Member closed the meeting at 9.59 am.

UNCONFIRMED MINUTES