



Shire of Ashburton

Audit and Risk Management Committee Meeting

Agenda

Public

Clem Thompson Sports Pavilion, Stadium Road,

Tom Price

12 July 2022

9:00am



**Shire of Ashburton
Ordinary Council Meeting**

Please be advised an Audit and Risk Committee Meeting will be held at 9:00am on Tuesday 12 July 2022 at Clem Thompson Sports Pavilion, Stadium Road, Tom Price.

A handwritten signature in blue ink, appearing to read "K Donohoe".

K Donohoe
Chief Executive Officer
7 July 2022

Disclaimer

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.

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1 Declaration of opening

The Presiding Member declared the meeting open at X:XXam.

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 their elders past, present and emerging.

2 Announcement of visitors

Nil.

3 Attendance

3.1 Present

Elected members

Cr K White	Shire President (Presiding Member) Onslow Ward
Cr M Lynch	Deputy Shire President, Tom Price Ward
Cr A Smith	Tom Price Ward
Cr T Mladenovic	Tom Price Ward
Cr L Rumble	Paraburdoo Ward
Cr A Sullivan	Paraburdoo Ward
Cr M Gallanagh	Pannawonica Ward

Employees

K Donohoe	Chief Executive Officer
N Cain	Director Corporate Services
T Matson	Director People and Place
M Fanning	Director Infrastructure Services
C McGurk	Director Projects and Procurement
A Lennon	Manager of Media and Communications
J Bray	Manager of Governance
A Furfaro	Governance Officer
N Jeffery	Executive Assistant Corporate Services

Guests

To be informed at the meeting.

3.2 Apologies

Nil

3.3 Approved leave of absence

Cr R de Pledge	Ashburton Ward
Cr J Richardson	Tableland Ward

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 Declarations 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*.

No declarations of interest have been submitted. Announcements by the Presiding Member and Councillors without discussion

To be advised at the meeting.

5 Confirmation of minutes

5.1 Confirmation of previous meetings

Audit and Risk Management Committee Meeting – 10 May 2022.

Attachment 5.1A

6 Terms of Reference

6.1 Purpose

The Audit Committee's role, in accordance with Regulation 15 of the *Local Government (Audit) Regulations 1996*, is to aid and provide 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.

6.2 Responsibilities

The Audit Committee is responsible for:

- 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.
- 2 Reviewing the CEO's report required under regulation 17(3).
- 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).
- 4 Monitoring Support the Auditor conducting an audit and carrying out the Auditor's other duties under the Act.
- 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.

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- 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.
- 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.
 - c reviewing the annual Compliance Audit Return,
 - d 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,
 - e reviewing the CEO's triennial report on the appropriateness and effectiveness of the Shire's financial management systems and procedures, and
 - f 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 Audit Log Status Update

File reference	GR01
Author's name	J Bray
Author's position	Manager Governance
Author's interest	Nil
Authorising officer's name	N Cain
Authorising officer's position	Director Corporate Services
Authorising officer's interest	Nil
Name of applicant / respondent	Not applicable
Date report written	5 July 2022
Previous meeting reference	Agenda item 7.1 (Minute 006/2022) Audit and Risk Committee 10 May 2022

Summary

The Shire 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.

Background

The Chief Executive Officer 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.

Comment

A progress update is provided to the Audit and Risk Committee to ensure oversight of the implementation of recommendations as a result of an internal audit and/or external review.

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

Internal Audit	Total Recommendations	Not Started	In Progress	Completed
Review of 2019 FMR	4	0	4	0
Procurement Systems and Controls	23	2	14	7
Risk Management Practices	19	8	8	3
Grants Management	11	10	1	0
Records Management	15	7	8	0
Total	72	27	35	10

Ten (10) recommendations have been completed and verified by Moore Australia since last reported to the Audit and Risk Committee on 10 May 2022. These are listed in the following table, full detailed are provided in the Audit Log attached.

Attachment 7.1A

Internal Audit Topic	Recommendation	Completion Date
Procurement	A risk based training matrix be implemented to assist with ensuring staff are offered relevant training to ensure their knowledge of legislative and operational requirements is maintained up to date.	12 June 2022
Procurement	Persons assessing or handling any significant procurement should be required to declare any matters which may impact or be perceived to impact on their independence prior to the evaluation being undertaken. Procedures for the declaration of interests prior to procurement assessments being undertaken should also be documented for high value purchases and tenders.	12 June 2022
Procurement	To help ensure probity and fairness when assessing high value procurement options, at least three persons should assess the procurement option independently of each other. Documented processes should require a higher level of probity and due diligence (including reference checking), the higher the value or risk associated with the purchase.	12 June 2022
Procurement	Undertake a well considered, risk based approach prior to assessing the merits of establishing and subsequently complying with Pre-Qualified Supplier Panels. Ensure robust processes, systems and controls are in place to support and monitor compliance.	12 June 2022

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Procurement	Enforce individual accountability with documented procurement policies and procedures and consider disciplinary action for repetitive compliance breaches.	12 June 2022
Procurement	Update policies and procedures to provide clearer instruction and alignment for exemptions to occur.	12 June 2022
Procurement	Where regional price preferencing is to be applied to tender considerations, ensure policies remain in place which have complied with legislative requirements.	12 June 2022
Risk Management	Appointment of dedicated risk manager who is responsible for the coordination of risk management activities. Regularly consider the resourcing of the risk management function and if it currently meets expectations. This may include the convening of a risk management group to support the risk manager	9 June 2022
Risk Management	Document consideration of the need for a risk expert in the identification and management of key risks.	9 June 2022
Risk Management	Review off boarding processes and ensure risk management processes and controls are updated to remove terminated staff and to identify new risk owners.	9 June 2022

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

Financial Year Ended	Total Recommendations	Not Started	In Progress	Completed
30 June 2021	Not received	Not received	Not received	Not received
30 June 2020	5	5	0	0
30 June 2019	4	4	0	0
30 June 2018	1	1	0	0
30 June 2017	1	1	0	0
30 June 2016	1	1	0	0
Total	12	12	0	0

No recommendations have been completed since last reported to the Audit and Risk Committee on 10 May 2022.

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

Consultation

Executive Leadership Team
Middle Management Group
Moore Australia

Statutory environment

Local Government (Audit) Regulations 1996

Regulation 17 CEO to review certain systems and processes

The Chief Executive Officer is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –

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

The Chief Executive Officer is to report to the Audit and Risk Management Committee the results of each review.

Financial implications

Nil

Strategic implications

Shire of Ashburton Strategic Community Plan 2022-2032

Strategic Objective	Performance – We will lead the organisation, and create the culture, to deliver demonstrated performance excellence to the community.
Strategic Outcome	Visionary community leadership with sound, diligent and accountable governance
Strategy	Provide, and lead in the development of, meaningful policies and processes to ensure sound and compliant delivery of services to the community.

Risk management

Risk has been assessed based on the Officer Recommendation.

Risk	Risk Likelihood	Risk Impact / Consequence	Risk Rating	Principal Risk Theme	Risk Action Plan
Compliance failures if areas identified for improvement are not addressed.	Possible (3)	Major (4)	High (12)	<p><u>Reputation</u> Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions.</p> <p><u>Compliance</u> Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire / Officers.</p>	Implementing process improvements as a result of internal audits/external reviews and regular progress reporting to the Audit and Risk Committee.

The following Risk Matrix has been applied:

		Risk Matrix				
Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		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 “High” as the Shire may be non-compliant with relevant legislation and be at risk of theft, fraud, or corruption if inadequate controls and processes are not improved.

Policy implications

There are no know policy implications for this item.

Voting requirement

Simple majority

Councillor interest declarations

Nil

Officer recommendation

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

8 Confidential matters

8.1 Wittenoom Claims Update to 30 June 2022

File reference	LS34
Author's name	N Cain
Author's position	Director Corporate Services
Author's interest	Nil
Authorising officer's name	K Donohoe
Authorising officer's position	Chief Executive Officer
Authorising officer's interest	Nil
Name of applicant / respondent	Not applicable
Date report written	7 July 2022
Previous meeting reference	Confidential Agenda Item 8.1, 18 June 2019 Audit and Risk Committee

Summary

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 2021-2022 financial year, as well as summary of claims and costs for previous years.

Council is requested to receive the Wittenoom Claims Update to 30 June 2022.

Confidentiality

This report is confidential in accordance with section 5.23 of the *Local Government Act 1995* because it deals with –

“legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.”

9 Next meeting

The next Audit and Risk Committee is tentatively scheduled to be held at 8:30am on Tuesday 9 August 2022 at Council Chambers, Onslow Shire Complex, Second Avenue, Onslow.

10 Closure of meeting

There being no further business, the Presiding Member closed the meeting at x:xxam.