



Shire of Ashburton

Audit and Risk Management Committee Meeting

Agenda

(Public)

**Council Chambers, Onslow Shire Complex, Second
Avenue,
Onslow**

9 August 2022

8:30am



**Shire of Ashburton
Ordinary Council Meeting**

Please be advised an Audit and Risk Committee Meeting will be held at 8:30am on Tuesday 9 August 2022 at Council Chambers, Onslow Shire Complex, Second Avenue, Onslow.

A handwritten signature in blue ink, appearing to read 'K Donohoe', is positioned above a horizontal line.

K Donohoe
Chief Executive Officer
4 August 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 R De Pledge | Ashburton 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 |
| T Dayman | A / Director Corporate Services |
| T Matson | Director People and Place |
| A Sheridan | A / Director Infrastructure Services |
| C McGurk | Director Projects and Procurement |
| J Bray | Manager Governance |
| A Furfaro | Governance Officer |
| M Barnes | Executive Assistant Projects and Procurement |

Guests

To be informed at the meeting.

3.2 Apologies

Nil

3.3 Approved leave of absence

Cr J Richardson

Tableland Ward

9 August 2022

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

That with respect to the confirmation of minutes, Council confirms the minutes of the Audit and Risk Management Committee Meeting held 12 July 2022, as attached.

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 | CM52 |
| 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 | 25 July 2022 |
| Previous meeting reference | Agenda item 7.1 (Minute 008/2022) Audit and Risk Management Committee 12 July 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 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 are detailed in Attachment 7.1A.

Attachment 7.1A

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 |

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 Management Committee on 12 July 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 Management 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.

7.2 Internal Audit Report – Records Management

| | |
|---------------------------------------|-----------------------------|
| File reference | CM52 |
| 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 | 27 July 2022 |
| Previous meeting reference | Not applicable |

Summary

An internal audit of the Shire's records management practices was completed in July 2022.

The audit identified a total of nine (9) findings, three (3) high-risk matters and six (6) medium-risk matters.

The Internal Audit Report details all findings and agreed actions to improve or rectify the findings.

Confidentiality

An attachment to this report is confidential in accordance with section 5.23(2) of the *Local Government Act 1995* because it deals with –

(e) *“Information that has a commercial value to a person”*

(f) *“Endanger the security of the local government's property”.*

Background

The audit of the records management practices was included in the 2021/2022 internal audit program.

Moore Australia (WA) Pty Ltd were engaged to conduct the audits included in the internal audit program.

Comment

The internal audit was completed in July 2022 and identified a total of nine (9) findings, three (3) high-risk matters and six (6) medium-risk matters. Full details of the findings are available in the confidential attachment.

Confidential Attachment 7.2A

In addition, an operational review of the Shire's records management system was undertaken. The results of this review support the internal audit's recommendations for improvements.

All matters identified will be addressed in accordance with the agreed action by the target completion date.

All findings from the internal audit will be included in the Internal Audit Log. Progress on the actions will be provided at each Audit and Risk Management Committee meeting.

Consultation

Chief Executive Officer
Director Corporate Services
Manager Governance
Customer Service Officer – Records
Moore Australia (WA) Pty Ltd

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

Costs associated with the implementation of the agreed actions have been identified as minimal, and can be met within the current operational budget.

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) | <u>Reputation</u> Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions. <u>Compliance</u> Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire / Officers. | Implementing process improvements as a result the internal audit and regular progress reporting to the Audit and Risk Management Committee. |

The following Risk Matrix has been applied:

| Consequence Likelihood | | Risk Matrix | | | | |
|---------------------------|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | 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 “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

As a result of the internal audit conducted, the Shire’s record keeping policies and guidelines will be reviewed.

Voting requirement

Simple majority

Councillor interest declarations

Nil

Officer recommendation

That, with respect to the Internal Audit Report – Records Management, Committee recommends Council,

- a Receives the Internal Audit Report as detailed in Attachment 7.2A, and
- b Notes the actions detailed in the Internal Audit Report will be included on the Internal Audit Log.

8 Confidential matters

Nil

9 Next meeting

The next Audit and Risk Committee is tentatively scheduled to be held at 8:30am on Tuesday 8 November 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.