



Published Minutes

Audit And Risk Management Committee Meeting

Tuesday, 9 May 2023

Date:	Tuesday 9 May 2023
Time:	9:00am
Location:	Council Chambers, Onslow Shire Complex, Second Avenue, Onslow
Distribution Date:	Friday 12 May 2023



**Shire of Ashburton
Audit And Risk Management Committee Meeting**

The Chief Executive Officer recommends the endorsement of these minutes at the next Audit And Risk Management Committee Meeting.

K Donohoe
Chief Executive Officer
12 May 2023

These minutes were confirmed by Council as a true and accurate record of proceedings at the Audit And Risk Management Committee Meeting held on Tuesday, 9 May 2023.

Presiding Member

Date

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.

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.....	6
5.1	Confirmation Of Previous Minutes	6
5.1.1	Minutes Of The Audit And Risk Management Committee Meeting Held On 4 April 2023.....	6
6	Public Agenda Items	7
6.1	2021-2022 Annual Report.....	7
6.2	Audit Log Status Update.....	11
6.3	2020 Regulation 17 Review Status Update	15
6.4	Internal Audit Roadmap 2023-2026	18
7	New Business Of An Urgent Nature Introduced By Council Decision	23
8	Next Meeting	23
9	Closure Of Meeting	23

1 Declaration Of Opening

The Presiding Member declared the meeting open at 9:10am.

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

Nil

3 Attendance

3.1 Present

Elected Members:	Cr K White Cr M Lynch Cr M Gallanagh Cr L Rumble JP Cr A Sullivan Cr J Richardson Cr A Smith Cr T Mladenovic	Shire President (Presiding Member), Onslow Ward Deputy Shire President, Tom Price Ward Pannawonica Ward Paraburdoo Ward Paraburdoo Ward Tableland Ward Tom Price Ward Tom Price Ward
Employees:	K Donohoe C McGurk T Dayman R Miller J Bray A Furfaro N Cochrane D Weerasingha	Chief Executive Officer Director Community Development Acting Director Corporate Services Director Infrastructure Services Manager Governance Governance Officer Council Support Officer Internal Auditor

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.

3.2 Apologies

Nil

3.3 Approved Leave Of Absence

Cr R De Pledge

Ashburton Ward

9 May 2023 to 9 May 2023

4 Declaration By Members

4.1 Due Consideration By Councillors To The Agenda

Councillors noted 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 –

Nil

5 Confirmation Of Minutes

5.1 Confirmation Of Previous Minutes

5.1.1 Minutes Of The Audit And Risk Management Committee Meeting Held On 4 April 2023

Committee Decision

Moved Cr M Lynch

Seconded Cr T Mladenovic

That the Minutes of the Audit And Risk Management Committee Meeting held 4 April 2023 (Item 5.1.1 Attachment 1) be confirmed as a true and accurate record.

Carried 8/0

6 Public Agenda Items

6.1 2021-2022 Annual Report

File Reference	FM09
Applicant or Proponent(s)	Not Applicable
Author	T Dayman, Acting Director Corporate Services
Authorising Officer	T Dayman, Acting Director Corporate Services
Previous Meeting Reference	Nil
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	<ol style="list-style-type: none"> 1. 2021-2022 Annual Report ⇒ 2. 2021-2022 Audit Report ⇒ 3. 2021-2022 Auditors Report ⇒ 4. Auditors Report Management Letter A ⇒ 5. Auditors Report Management Letter B ⇒

Report Purpose

Council is required to accept the annual report no later than 31 December after that financial year or if not available, no later than 2 months after the auditor's report becomes available.

The purpose of this report is to provide Audit and Risk Management Committee with a copy of the 2021-2022 Annual Report, Audited Financial Statements, and the Auditors General Independent Auditor's report and Auditors Report, including auditors' findings and recommendations.

The Audit and Risk Management Committee is requested to endorse and recommend to Council to accept the Annual Report, Financial Statements and Auditors Report for the period ending 30 June 2022.

Background

In accordance with Section 5.54(1) of the *Local Government Act 1995* Council is required to prepare and accept the annual report for each financial year no later than 31 December after that financial year.

If the auditor's report is not available in time for the annual report for a financial year to be accepted by the 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

As defined within the Audit and Risk Management Committee Terms of Reference, the role of the Committee is to provide guidance and assistance to Council in fulfilling its governance and oversight responsibilities in relation to key areas including review the Shire's draft annual financial report and consider and recommend the Shire's annual financial report to Council for adoption.

On 28 October 2017, the Local Government Amendment (Auditing) Act 2017 was proclaimed, giving the Auditor General the mandate to audit Western Australia's 139 local governments and 9 regional councils.

In April 2021 Council received correspondence from the Office of the Auditor General of the appointment of RSM to conduct the shires annual financial audit for a 3-year period, commencing with the audit for the year ended 30 June 2021.

Comments

On behalf of the Office of Auditor General, RSM conducted an onsite visit to conduct the 2022 audit at the Tom Price Administration Officer from the 24 October 2022 to the 14 October 2022. Remaining testing of the statement of financial position was conducted remotely.

The Office of Auditor General and RSM auditors conducted an exit meeting via teleconference on the 18 April 2023 with the Shire's Audit and Risk Committee Chairperson, Chief Executive Officer, and Acting Director Corporate Services in attendance.

On the 18 April 2023, the Office of Auditor General issued the Auditor General's auditor's report, together with the audited annual financial report, which was forward to the Chief Executive Officer, Shire President, and the Minister for Local Government, as required under the Act.

Two (2) Management letters of findings was received from the Office of Auditor General being.

1. Findings identified during the audit; and
2. Findings indemnified during in the information system audit.

These findings and recommendations have been reviewed by management, and management comments are provided for within the report addressing each finding raised.

While a number of matters raised have been addressed, where there are matters that may or are outstanding, will be added to the Shire's Audit log to ensure that they are progressed, and status update provided to the committee and Council.

Council is required to accept the annual report by the 18 June 2023 being within 2 months of the reports becoming available. Once accepted and as soon as practical, the Chief Executive Officer is required to give local public notice it its availability and publish the annual report of the Shire's official website within 14 days.

In accordance with Section 5.27(2) of the *Local Government Act 1995*, a general meeting of electors is to be held on a day not more than 56 days after the local government accepts the annual report for the previous financial year.

It is proposed that the Electors general meeting is held on the 13 June 2022 in Tom Price.

It is recommended that the Audit and Risk Management Committee recommend Council adopts the 2021-2022 Annual Report, Financial Statements and Auditors report for the period ending 30 June 2022.

Consultation

Executive Leadership Team

Office of Auditor General

RSM Australia

Finance Team

Governance Team

Media and Communication Team

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	4.2 Appropriate, sustainable, and transparent management of community funds
Strategy	4 Ensure financial transactions are accurate and timely.

Council Policy

Nil

Financial Implications

Current Financial Year

Advertising, printing costs are included in the 2022-2023 Annual Budget

Future Financial Year(s)

Nil

Legislative Implications

Local Government Act 1995

5.54. Acceptance of annual reports

- 1) Subject to subsection (2), the annual report for a financial year is to be accepted* by the local government no later than 31 December after that financial year.

* Absolute majority required.

- 2) If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.

5.55. Notice of annual reports

The CEO is to give local public notice of the availability of the annual report as soon as practicable after the report has been accepted by the local government.

5.55A. Publication of annual reports

The CEO is to publish the annual report on the local government's official website within 14 days after the report has been accepted by the local government.

5.27. Electors' general meetings

- 1) A general meeting of the electors of a district is to be held once every financial year.
- 2) A general meeting is to be held on a day selected by the local government but not more than 56 days after the local government accepts the annual report for the previous financial year.
- 3) The matters to be discussed at general electors' meetings are to be those prescribed.

Risk Management

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

Theme	Risk	Likelihood	Consequence	Inherent Risk Rating	Risk Treatment
Compliance	Minor (2)	Rare (1)	Minor (2)	Moderate (5-9)	Audit and Risk Committee recommend the acceptance of the 2021-2022 Annual Report and Financial Statements.

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

Voting Requirements

Absolute Majority

Officer Recommendation

That with respect to the 2021-2022 Annual Report and Financial Statements, the Audit and Risk Management Committee recommends that Council,

1. Accepts the Auditors Report for the year ending 30 June 2022, as provided for in Attachment 3, 4 and 5, and notes the findings and recommendations,
2. Accepts the Annual Report, Financial Statements and Audit Report for the year ended 30 June 2022 as provided for in Attachment 1 and 2, and
3. Holds a general meeting of electors on the 13 June 2023, at the Clem Thompson Sports Pavilion, Tom Price.

Committee Decision

Moved Cr T Mladenovic

Seconded Cr L Rumble JP

That with respect to the 2021-2022 Annual Report and Financial Statements, the Audit and Risk Management Committee recommends that Council,

1. **Accepts the Auditors Report for the year ending 30 June 2022, as provided for in Attachment 3, 4 and 5, and notes the findings and recommendations,**
2. **Accepts the Annual Report, Financial Statements and Audit Report for the year ended 30 June 2022 as provided for in Attachment 1 and 2, and**
3. **Holds a general meeting of electors on the 13 June 2023, at the Clem Thompson Sports Pavilion, Tom Price.**

Carried By Absolute Majority 8/0

6.2 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 04 April 2023 - Item 6.1 – 055/2023
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	1. Internal Audit and Financial Audit Log as at 27 April 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	
		27 Apr	30 Mar	27 Apr	30 Mar	27 Apr	30 Mar
Review of 2019 FMR	4	0	0	4	4	0	0
Procurement Systems and Controls	23	2	2	7	8	14	13
Risk Management Practices	19	3	3	12	12	4	4
Grants Management	11	10	10	0	0	1	1
Records Management 21	15	2	3	8	7	5	5
Records Management 22	32	11	12	7	14	14	6
Cybersecurity	23	8	8	15	15	0	0
Business Continuity	26	23	23	3	3	0	0
Building Permits	26	8	14	0	5	18	7
Contract Management	17	0	0	7	7	10	10
Fraud and Corruption	27	19	19	4	4	4	4
Payroll and HR	8	5	5	3	3	0	0
Total	231	91	99	70	82	70	50

20 recommendations have been completed since last reported to the Audit and Risk Management Committee on 4 April 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	
		27 Apr	30 Mar	27 Apr	30 Mar	27 Apr	30 Mar
30 June 2016	1	0	0	0	0	1	1
30 June 2017	1	0	0	0	0	1	1
30 June 2018	1	0	0	0	0	1	1
30 June 2019	4	0	0	1	1	3	3
30 June 2020	5	2	2	1	1	2	2
30 June 2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	12	2	2	2	2	8	8

No recommendations have been completed since last reported to the Audit and Risk Management Committee on 4 April 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 ImplicationsCurrent 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.

Committee Decision

Moved Cr T Mladenovic

Seconded Cr M Lynch

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

Carried 8/0

6.3 2020 Regulation 17 Review Status Update

File Reference	GV32
Applicant or Proponent(s)	Not Applicable
Author	J Bray, Manager Governance
Authorising Officer	T Dayman, Acting Director Corporate Services
Previous Meeting Reference	Ordinary Council Meeting 8 March 2022 - Item 9.3 – (020/2022) Ordinary Council Meeting 8 September 2020 - Item 9.2
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	1. 2020 Regulation 17 Review Status Update ⇒

Report Purpose

The purpose of this report is to provide a progress update on the findings of the Chief Executive Officer's review of systems and processes relating to legislative compliance, risk management and internal controls undertaken in accordance with regulation 17 of the *Local Government (Audit) Regulations 1996*.

The Audit and Risk Management Committee is requested to receive the final status update on the 2020 Regulation 17 Review.

Background

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

AMD Chartered Accountants was engaged to undertake a review of the appropriateness and effectiveness of risk management, internal controls, and legislative compliance at the Shire, in accordance with the regulation 17 of the *Local Government (Audit) Regulations 1996*, for the period ended 30 June 2020.

At its meeting held 8 September 2020, Council received the Regulation 17 Review.

Comments

Since the receipt of the Regulation 17 Review Report in 2020, a number of status update reports have been presented to the Audit and Risk Management Committee on the progress of matters raised in the review.

The last status update report was presented to the Audit and Risk Management Committee and Council on 8 March 2022.

Of the 11 matters raised in the review, six of these have been closed. The five remaining outstanding matters relate to:

- Risk Register
- Contract Management
- Risk Management Policies and Procedures
- Fuel Card/Fuel Usage
- Complaints Handling Procedure.

Full details on the matters raised and their progress updates are shown in Attachment 1.

The Shire is commencing a new Regulation 17 Review in May 2023. As such, a final status update is provided on the basis that the outstanding matters from the 2020 Regulation 17 Review will be considered as part of the upcoming review. No further updates on the 2020 review are proposed to be presented.

Consultation

The Director Community Development, Manager Communities, Manager Governance, Manager Regulatory Services and Fleet Manager have provided updates on the outstanding items.

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

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

Risk Management

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

Theme	Risk	Likelihood	Consequence	Inherent Risk Rating	Risk Treatment
Compliance	Failure to address areas for improvement identified in the Regulation 17 Review.	Possible (3)	Minor (2)	Moderate (5-9)	Continue to progress outstanding actions.

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

Voting Requirements

Simple Majority

Officer Recommendation

That with respect to the 2020 Regulation 17 Review – Status Update, the Audit and Risk Management Committee recommends that Council,

1. Receives the Status Update as detailed in Attachment 1, and
2. Notes that no further updates on the 2020 Regulation 17 Review will be presented to the Audit and Risk Management Committee as the outstanding matters will be considered as part of the Regulation 17 Review commencing in May 2023.

Committee Decision

Moved Cr A Sullivan

Seconded Cr A Smith

That with respect to the 2020 Regulation 17 Review – Status Update, the Audit and Risk Management Committee recommends that Council,

- 1. Receives the Status Update as detailed in Attachment 1, and**
- 2. Notes that no further updates on the 2020 Regulation 17 Review will be presented to the Audit and Risk Management Committee as the outstanding matters will be considered as part of the Regulation 17 Review commencing in May 2023.**

Carried 8/0

6.4 Internal Audit Roadmap 2023-2026

File Reference	CM53
Applicant or Proponent(s)	Not Applicable
Author	D Weerasingha, Internal Auditor
Authorising Officer	T Dayman, Acting Director Corporate Services
Previous Meeting Reference	Nil
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	1. Internal Audit Roadmap 2023-2026 ↗

Report Purpose

The purpose of this report is to establish an effective internal audit function by setting a roadmap with a time plan. This roadmap also identifies important concepts and core principles of internal audit, in compliance with the risk management and internal audit requirements outlined in:

- The *Local Government Act 1995* and related Regulations;
- The Operational Guidelines provided by the Department of Local Government, Sport, and Cultural Industries (DLGSC);
- The International Professional Practice Framework of the Institute of Internal Auditors - International and Australia;
- Various other Acts and Regulations related to local government;
- Industry Best Practices, including those recommended by the Office of the Auditor General-WA and others; and
- International Standards (ISO).

Audit and Risk Management committee is requested to review and recommend Internal Audit Roadmap 2023-2026 to Council.

Council is requested to receive and adopt the Internal Audit Roadmap 2023-2026.

Background

Previous Regulation 17 Reviews have highlighted that Shire doesn't have an Internal Auditor/function. As response to this finding management had agreed to establish an Internal Audit function internally. As per the Organisational Structure, the position "Internal Auditor" has been created and recruited with effect from 15 February 2023. As per the position description, the Internal Auditor is to autonomously conduct the Internal Audit function.

This Internal Audit Roadmap 2023-2026 has considered the recent past and ongoing discussions of requirements in risk management and expectations of establishing the Internal Audit function as a drive to risk management, internal audits and process improvements.

Comments

The Internal Audit Roadmap 2023-2026 identifies as follows.

Internal Audit Core Principles and Concepts

- The Internal Audit function is established in compliance with the International Professional Practice Framework of the Institute of Internal Auditors, both in Australia and internationally, as well as with various other statutory and best practices
- In the three lines of defence model of governance and risk management, Internal Audit function is considered to be the 3rd line of defence.
- The Internal Audit function is an independent function that operates separately from operational responsibilities and management.
- If the Internal Audit function or an Internal Auditor report to an Operational Manager or Internal Auditor involved with the design and implementation of operational controls, the independence of Internal Audit is impaired. In such cases, Internal Auditors may not be objective enough to provide an independent opinion.
- The Internal Audit function will administratively report to the Chief Executive Officer or a delegate and functionally report to the Audit and Risk Management Committee. (DLGSC Operational Guideline 9).
- Internal auditors can only be involved in a consultative capacity to support management for any management responsibility to preserve the independence of the Internal Audit function.
- Any concern about the independence of the Internal Audit function will be directly discussed with relevant staff, managers, directors, and the Chief Executive Officer. In the absence of a solution, the concerns will be discussed with the Audit and Risk Management Committee in a confidential meeting annually or as appropriate.
- The Internal Audit function has direct access to the Audit and Risk Management Committee and any information required for audit purposes over Shire.
- The implementation and operation of risk management is a responsibility of management. Internal Auditors can assist management in managing risk in a consultative capacity.
- Fraud risk management is a responsibility of management, and not of Internal Auditors. It is not assumed that Internal Auditors have knowledge of managers who primarily manage operational functions, nor is it assumed that they have the skills required to mitigate fraud risk. The role of Internal Auditors is to assess and consult on the implementation of effective fraud risk management throughout Shire. However, if auditors find any indications of unusual activity, they must report them appropriately as part of their internal audit function. Additionally, Internal Auditors may investigate incidents of fraud and provide factual findings as necessary.
- For an effective Internal Audit function based on the risk profile, risk management must be implemented and operated by management. In the absence of an effective risk management function, Internal Audit will base its perceived risk assessment on available information for audit topic selection. However, in such cases, Internal Audit cannot guarantee the effective mitigation of risks, and it will not have a risk-based approach to prioritize areas and resources, which in turn means that it will not be effective or value-added.

- The formal documents for establishing the Internal Audit function, including the Internal Audit Charter and Strategic Internal Audit Plan, will be established within the timeframe mentioned in the Roadmap. (June-August 2023)
- An annual internal performance review on the quality of internal audit work will be provided to the Audit and Risk Management Committee.

Time Plan Summary

- Management Responsibility – establish risk management by the end of August 2023 – minimum need to update existing risk registers – last updated 2019.
- Internal Audit Responsibility – assess the control environment of Shire by the end of May 2023.
- Internal Audit Responsibility – establish Internal Audit Charter June to August 2023.
- Internal Audit Responsibility – establish Strategic Internal Audit Plan with outsourcing requirements for 2023-2024 (with the view up to 2026) June to August 2023.
- Commence 2023-2024 internal audits by September 2023.

Internal Audit Progress Update

The following works have been progressed during the period February-April 2023:

- Regulation 17 Review scope approved by Chief Executive Officer – to be completed by August 2023.
- Financial Management Review 2023 commenced – to be completed by June 2023.
- Review of Risk Management Framework.
- Review of Fraud Risk Policy.
- Review of Cybersecurity Framework.
- Other consultations include Integrity Snapshot and improvements in relations to the Audit Log.

Consultation

This Internal Audit Roadmap 2023-2026 has been discussed with Manager Governance, Acting Director Corporate Services, Executive Leadership Team and the Chief Executive Officer considered any views agreed.

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)

Each financial year the Strategic Internal Audit Plan will identify the budget requirements for process, training, outsourcing (where required) and logistics.

A budget request of \$50,000 has been included for internal audit in the draft 2023/2024 Annual Budget, which will be presented to Council for consideration.

Legislative Implications

Section 7.1A of the *Local Government Act 1995* requires the local government to establish an audit committee. The *Local Government (Audit) Regulations 1996* prescribe the functions of the audit committee and the local government's obligations to ensure an effective Internal Audit function.

Risk Management

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

Theme	Risk	Likelihood	Consequence	Inherent Risk Rating	Risk Treatment
Compliance	Increased exposure to fraud, inadequate risk management, non-compliance with legislation, inefficient use of resources, limited accountability and transparency, reputational damage. Insert risk identified. This needs to relate to the decision presented to Council.	Almost Certain (5)	Catastrophic (5)	Extreme (17-25)	Establish an operate effective Risk Management Framework ISO31000. Establish an effective internal audit function in compliance with the International Professional Practice Framework and regulatory requirements. Insert plans to mitigate the risk (ie. What controls are in place and what actions/treatments will reduce the chance of this risk occurring).

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

Voting Requirements

Simple Majority

Officer Recommendation

That with respect to Internal Audit Roadmap 2023-2026, the Audit and Risk Management Committee recommends that Council, receives and adopts the Internal Audit Roadmap 2023-2026.

Committee Decision**Moved Cr T Mladenovic****Seconded Cr A Smith**

That with respect to Internal Audit Roadmap 2023-2026, the Audit and Risk Management Committee recommends that Council, receives and adopts the Internal Audit Roadmap 2023-2026.

Carried 8/0

7 New Business Of An Urgent Nature Introduced By Council Decision

Nil

8 Next Meeting

The next Audit And Risk Management Committee Meeting will be tentatively held at 9:00am on Tuesday 8 August 2023 at Council Chambers, Onslow Shire Complex, Second Avenue, Onslow.

9 Closure Of Meeting

There being no further business, the Presiding Member closed the meeting at 9:40am.