



Published Minutes

Audit and Risk Management Committee Meeting

Tuesday, 8 August 2023

Date:	Tuesday 8 August 2023
Time:	8:30am
Location:	Council Chambers, Onslow Shire Complex, Second Avenue, Onslow
Distribution Date:	Friday 11 August 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
11 August 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, 8 August 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.

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1 Declaration Of Opening

The Presiding Member declared the meeting open at 8:34am.

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 A Sullivan Cr A Smith Cr T Mladenovic	Shire President (Presiding Member), Onslow Ward Deputy Shire President, Tom Price Ward Paraburdoo Ward Tom Price Ward Tom Price Ward
Employees:	K Donohoe D Kennedy R Miller T Sullivan J Bray DW Weerasingha R Marlborough A Furfaro	Chief Executive Officer Director Corporate Services Director Infrastructure Services Acting Manager Media and Communications Manager Governance Internal Auditor Senior Governance Officer Governance Officer
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

Cr L Rumble Paraboroo Ward
Cr M Gallanagh Pannawonica Ward

3.3 Approved Leave Of Absence

Cr R De Pledge	Ashburton Ward	From 8 August 2023 to 12 September 2023
Cr J Richardson	Tableland Ward	From 11 July 2023 to 8 August 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 9 May 2023

Committee Decision

Moved Cr T Mladenovic

Seconded Cr A Sullivan

That the Minutes of the Audit And Risk Management Committee Meeting held 9 May 2023 (Item 5.1.1 Attachment 1) be confirmed as a true and accurate record.

For: Crs K White, M Lynch, L Rumble JP, A Sullivan, A Smith and T Mladenovic

Against: Nil

Carried 6/0

6 Public Agenda Items

6.1 Audit Log Status Update

File Reference	CM52
Applicant or Proponent(s)	Not Applicable
Author	D Weerasingha, Internal Auditor
Authorising Officer	D Kennedy, Director Corporate Services
Previous Meeting Reference	Ordinary Council Meeting 09 May 2023 - Item 6.2 – 084/2023
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	<ol style="list-style-type: none"> 1. Internal Audit Log Follow-up Report - 25 July 2023 - Confidential 2. Internal Audit Log - 25 July 2023 3. OAG Audit Log - 25 July 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 is monitored and recorded.

Comments

M/S Moore Australia WA (MA) have been validating the implementation of the internal audit recommendations since their appointment in 2020. The Shire terminated the internal audit contract with MA in December 2022 however, continued to use MA for the management of the Audit Log until 4 July 2023. The Shire appointed an inhouse Internal Auditor (SOA IA) from 15 February 2023 and the management of the Audit Log has now been assigned to that role from July 2023.

The risk criteria used by MA to rate issues is different from Shire's approved risk criteria. SOA IA has discussed this with management and management is to implement an updated Risk Management Framework. The risk ratings of outstanding Internal Audit Log actions will be reviewed following the implementation of the updated Risk Management Framework. This report maintains the risk ratings as used by MA.

This is the first Audit Log update by the SOA IA.

Within this report we have provided the following for your information:

- a) Issues that have been closed since last report.
 - The Shire's amended Recordkeeping Plan (RKP) 2023014 was recently approved by the State Record Commission after a full review and update. This document represents a large body of detailed work including input from staff in all directorates. The CEO has communicated the RKP via a Shire wide email dated 18 July 2023. This has contributed to the improvement showing under the Records Management internal audit as validated 25 July 2023.
 - The Director Corporate Services has been appointed as Shire's Public Disclosure Officer (PDO) by the CEO and has informed the Public Service Commission to update their records. The Shire's website has been updated with newly appointed PDO's details for public. This has contributed to improvements showing under the Fraud and Corruption internal as validated 25 July 2023.
 - Organisational Development has provided acceptable evidence on the nominated officer for legislative compliance and delegation of authority. This has contributed to improvements showing under the Payroll and HR internal audit as validated 25 July 2023.
 - The Shire has added a training module for staff on Cyber Security and the ICT department has reviewed the backup ICT infrastructure installed at Onslow Airport in late 2016 which has contributed to improvements showing under the Cyber Security internal audit as validated 25 July 2023.
- b) Issues that are yet to be closed.
 - There are 173 issues pending to close over various processes. The significant items which have categorised from "Not Started" to "In Progress" includes review of ICT procedures to rectify the issues highlighted by external auditors on the 2020-21 and 2021-22 audits.
- c) 2 recommendation owners have not provided the status update for the request made by SOA IA on 20 July 2023
- d) There is one serious Internal Audit concern mentioned in the attached report.

Internal Audit

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

Internal Audit Topics	Not Started		In Progress		Validated		Total Item		Total Open	
	25 July	27 Apr	25 July	27 Apr	25 July	27 Apr	25 July	27 Apr	25 July	27 Apr
Review of 2019 FMR	0	0	4	4	0	0	4	4	4	4
Procurement	2	2	6	7	15	14	23	23	8	8
Risk Management	3	3	12	12	4	4	19	19	15	15
Grants Management	10	10	0	0	1	1	11	11	10	10
Records Management [21]	2	2	6	8	7	5	15	15	8	10
Records Management [22]	10	11	5	7	17	14	32	32	15	18
Cyber Security	4	8	16	15	3	0	23	23	20	23
Business Continuity, Disaster Recovery and Incident Management	21	23	2	3	3	0	26	26	23	26
Building Permit Application Process	8	8	0	0	18	18	26	26	8	8
Contract Management	0	0	7	7	10	10	17	17	7	7
Fraud and Corruption	19	19	1	4	7	4	27	27	20	22
Payroll & HR	1	5	5	3	2	0	8	8	6	7
Totals	80	91	64	70	87	70	231	231	144	158

17 recommendations have been completed since last reported to the Audit and Risk Management Committee on 9 May 2023.

Financial Audits

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

Internal Audit Topics	Not Started		In Progress		Validated		Total Item		Total Open	
	25 July	27 Apr	25 July	27 Apr	25 July	27 Apr	25 July	27 Apr	25 July	27 Apr
Financial – 30 June 2016/17/18	0	0	0	0	3	3	3	3	0	0
Financial – 30 June 2019	0	0	1	1	3	3	4	4	1	1
Financial – 30 June 2020	2	2	1	1	2	2	5	5	3	3
Financial – 30 June 2021	8	0	1	0	0	0	9	0	9	9
Financial – 30 June 2022	6	0	0	0	0	0	6	0	6	6
IT General Controls 2021/22	3	0	7	0	0	0	10	0	10	10
Totals	19	2	10	2	8	8	37	12	29	29

No recommendations have been completed since last reported to the Audit and Risk Management Committee on 9 May 2023.

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 (up to 4 July 2023) and the Shire's Internal Auditor have provided updates to the Audit Log and verified evidence provided to close actions.

Strategic Community Plan

Shire of Ashburton Strategic Community Plan 2022-2032

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

Council Policy

Nil

Financial Implications

Current Financial Year

Nil

Future Financial Year(s)

Nil

Legislative Implications

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

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

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

Risk Management

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

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

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

Voting Requirements

Simple Majority

Officer Recommendation

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

Committee Decision

Moved Cr A Sullivan

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.

For: Crs K White, M Lynch, L Rumble JP, A Sullivan, A Smith and T Mladenovic

Against: Nil

Carried 6/0

6.2 Internal Audit Charter and Strategic Internal Audit Plan 2023-2026

File Reference	CM53
Applicant or Proponent(s)	Not Applicable
Author	D Weerasingha, Internal Auditor
Authorising Officer	D Kennedy, Director Corporate Services
Previous Meeting Reference	Nil
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	<ol style="list-style-type: none"> 1. Draft Internal Audit Charter 2. Draft Strategic Internal Audit Plan 2023-2026 - Confidential

Report Purpose

The purpose of this report is to establish Internal Audit Charter (IAC) and Strategic Internal Audit Plan (SIAP) 2023-2026, including a detailed internal audit work plan for 2023-2024. This IAC also identifies important concepts and core principles of internal audit, in compliance with the risk management and internal audit requirements outlined in the:

- Internal Audit Roadmap 2023-2026
- Audit and Risk Management Committee Terms of Reference
- *Local Government Act 1995* and associated Regulations
- Department of Local Government, Sport, and Cultural Industries (DLGSC) Operational Guidelines
- International Professional Practice Framework of the Institute of Internal Auditors – International and Australia.

The Audit and Risk Management Committee is requested to review and recommend the Internal Audit Charter and Strategic Internal Audit Plan 2023-2026 to Council for adoption.

Background

Previous Regulation 17 Reviews have highlighted that Shire doesn't have an Internal Auditor/function. As response to this finding, management has agreed to establish an Internal Audit function internally. As per the Organisational Structure, the Internal Auditor position was 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.

The Internal Audit Roadmap 2023-2026 was adopted on 9 May 2023, which identified the Internal Audit Charter and Strategic Internal Audit Plan 2023-2026 to be presented for Council's consideration in August 2023.

Comments

Internal Audit Charter

The purpose of Shire of Ashburton's (the Shire) Internal Audit department is to provide independent, objective assurance and consulting services designed to add value and improve the Shire's operations.

The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit department helps the Shire accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The IAC details the following internal audit functions:

- Purpose and mission
- Standards for the professional practice of internal auditing
- Authority
- Independence and objectivity
- Scope of internal audit activities
- Responsibility
- Quality assurance and improvement program.

Strategic Internal Audit Plan 2023-2026

The SIAP is a comprehensive blueprint that outlines the audit approach and objectives aligned with Shire's goals in Strategic Community Plan 2022-2032 (SCP) and risk management priorities. This SIAP serves as a roadmap for the internal audit function, providing a clear direction to assess and enhance the effectiveness of the Shire's governance, risk management and internal control processes. By aligning the internal audit activities with the objectives in the SCP, the SIAP ensures that resources are optimally utilised to address critical areas of concern. Moreover, it enables the Audit and Risk Management Committee to oversee the internal audit function's performance, ensuring that it remains agile and responsive to emerging risks while maintaining its independence and objectivity. The SIAP is a key tool in promoting accountability, transparency, and continuous improvement, contributing significantly to the overall success and resilience of the organisation in an ever-evolving community focused business landscape. The SIAP identifies:

- Introduction with code of ethics, standards, IAC, core principles
- Internal audit planning and resourcing
- Risk assessment and prioritisation
- Alignment with SCP objectives
- Specific internal audit work schedule 2023-2024
- Internal audit work plan scope 2024-2025 and 2025-2026
- Resource allocation.

Consultation

The Manager Governance, Director Corporate Services, Executive Leadership Team (ELT) and Chief Executive Officer (CEO) have been consulted in the development of the IAC and SIAP.

On 13 December 2022, Council endorsed the amended Organisational Structure with the inclusion of a Financial Audit Controller position. The Shire is currently in the process of recruiting for this position. In the adopted Organisational Structure, the Internal Auditor was to report to the Financial Audit Controller, and the Financial Audit Controller would report to the Audit and Risk Management Committee.

The purpose of the Financial Audit Controller role is to support management with the implementation of policies, procedures, controls, and plans.

In accordance with the Institute of Internal Auditors (IIA) standards and DLGSC operational guidelines, internal auditors cannot handle and be held responsible for management activities. To ensure that independence and objectivity of internal audit department is upheld, the CEO and ELT have advised that the Internal Auditor will focus on assurance and consulting activities and will be kept independent of the Financial Audit Controller. The Internal Auditor will functionally report directly to the Audit and Risk Management Committee and administratively report to the CEO or his delegate.

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

Budget for the internal audit work plan has been approved in the 2023/2024 Annual Budget.

Future Financial Year(s)

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

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.	Almost Certain (5)	Catastrophic (5)	Extreme (17-25)	Establish an effective internal audit function in compliance with the International Professional Practice Framework and regulatory requirements. Adopt IAC and SIAP and implement. Establish and operate an effective Risk Management Framework ISO31000.

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 Charter and Strategic Internal Audit Plan 2023-2026, the Audit and Risk Management Committee recommends that Council,

1. Adopts the Internal Audit Charter as detailed in Attachment 1.
2. Adopts the Strategic Internal Audit Plan 2023-2026 as detailed in Attachment 2.

Committee Decision

Moved Cr M Lynch

Seconded Cr T Mladenovic

That with respect to Internal Audit Charter and Strategic Internal Audit Plan 2023-2026, the Audit and Risk Management Committee recommends that Council,

1. **Adopts the Internal Audit Charter as detailed in Attachment 1.**
2. **Adopts the Strategic Internal Audit Plan 2023-2026 as detailed in Attachment 2.**

For: Crs K White, M Lynch, L Rumble JP, A Sullivan, A Smith and T Mladenovic

Against: Nil

Carried 6/0

7 New Business Of An Urgent Nature Introduced By Council Decision

Nil

8 Confidential Matters

Committee Decision

Moved Cr T Mladenovic

Seconded Cr A Smith

That Council move behind closed doors at 8:44am, pursuant to clause 6.2 of the *Shire of Ashburton Standing Orders Local Law 2012* to consider the following confidential items.

8.1 Wittenoom Claims Update

Pursuant to sub section 5.23 (2) (c) of the Local Government Act 1995 which provides:

(b) the personal affairs of any person

For: Crs K White, M Lynch, L Rumble JP, A Sullivan, A Smith and T Mladenovic

Against: Nil

Carried 6/0

8.1 Wittenoom Claims Update

File Reference	LS34
Applicant or Proponent(s)	Not Applicable
Author	D Kennedy, Director Corporate Services
Authorising Officer	D Kennedy, Director Corporate Services
Previous Meeting Reference	Audit and Risk Committee Meeting 4 April 2023 - Item 8.1
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	Nil

Reason for Confidentiality

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

Report Purpose

This item provides a summary of open and new claims since the last Wittenoom Claims update which was provided to the 4 April 2023 Audit and Risk Management Committee Meeting.

The Audit and Risk Management Committee is requested to receive the Wittenoom Claims update.

Voting Requirements

Simple Majority

Committee Decision	
Moved	Cr T Mladenovic
Seconded	Cr M Lynch
That with respect to the Wittenoom Claims Update, the Audit and Risk Management Committee recommends to Council that, the report be received.	
For:	Crs K White, M Lynch, L Rumble JP, A Sullivan, A Smith and T Mladenovic
Against:	Nil
Carried 6/0	

Committee Decision

Moved

Cr A Smith

Seconded

Cr T Mladenovic

That the Audit And Risk Management Committee re-open the meeting to the public at 9:00am.

For: Crs K White, M Lynch, L Rumble JP, A Sullivan, A Smith and T Mladenovic

Against: Nil

Carried 6/0

9 Next Meeting

The next Audit And Risk Management Committee Meeting will be held at 8:30am on Tuesday 10 October 2023 at Clem Thompson Sports Pavilion, Stadium Road, Tom Price.

10 Closure Of Meeting

There being no further business, the Presiding Member closed the meeting at 9:00am.