Agenda

Audit And Risk Management Committee Meeting

Tuesday, 10 October 2023

Date:	Tuesday 10 October 2023
Time:	8:30am
Location:	Clem Thompson Sports Pavilion,, Stadium Road, Tom Price
Distribution Date:	Thursday 05 October 2023

Shire of Ashburton

Audit And Risk Management Committee Meeting

Please be advised an 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.

Kenn Donohoe

Chief Executive Officer

05 October 2023

Disclaimer

The recommendations contained in the agenda are subject to confirmation by Council. 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

The Presiding Member declared the meeting open at enter time.

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 past, present and emerging.

2 Announcement Of Visitors

The Presiding Member welcomed members of the public to the gallery.

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 M Gallanagh	Pannawonica Ward
	Cr L Rumble JP	Paraburdoo Ward
	Cr A Sullivan	Paraburdoo Ward
	Cr J Richardson	Tableland Ward
	Cr A Smith	Tom Price Ward
	Cr T Mladenovic	Tom Price Ward
Employees:	K Donohoe	Chief Executive Officer
	C McGurk	Director Community Development
	D Kennedy	Director Corporate Services
	R Miller	Director Infrastructure Services
	J Bray	Manager Governance
	DW Weerasingha	Internal Auditor
	A Furfaro	Governance Officer
Guests:	Enter names	
Members of Public:	There were enter number members of the public in attendance at the commencement of the meeting.	

Members of media:	There were enter number members of the media in attendance at the commencement of the meeting.

3.2   Apologies

To be informed at the meeting.

3.3   Approved Leave Of Absence

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   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 –

To be advised at the meeting.

5   Confirmation Of Minutes

5.1   Confirmation Of Previous Minutes

5.1.1 Minutes Of The Audit And Risk Management Committee Meeting Held On 8 August 2023

Officer Recommendation

That the Minutes of the Audit And Risk Management Committee Meeting held 8 August 2023 (Item 5.1.1 Attachment 1) be confirmed as a true and accurate record.

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 08 Aug 2023 - Item 6.2 – 084/2023
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	1. Audit Log 2. Follow-up Report - Internal Audit Log - 22 September 2023

Report Purpose

Council is required to review the Audit Log Report and 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

The Internal Auditor (SOA IA) has conducted a follow up internal audit on the Audit Log covering findings reported by internal audits and Auditor General of Western Australia. This report covers actions from 25 July 2023 to 22 September 2023.

This is the third 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.

- Director Corporate Services assumed the responsibility as the officer responsible for fraud controls by his email dated 24th August 2023. Basis of this change is that the agreed action mentioned on the audit log to make Internal Auditor responsible for fraud controls is not in compliance with Internal Audit Charter as Internal Auditor cannot be held responsible for a management responsibility - design, implementation or operation of any control including fraud related controls.

- The procurement department together with the governance department have configured the Attain system to record exercise of delegation of authority. This has contributed to the improvement showing under procurement as validated 22 September 2023.

- The Executive Leadership Team (ELT) has considered, and a business case has been approved within the 2023/2024 Annual Budget for a new record keeping system. The new system considers capturing published social media posts and website notices as recommended in audit report. Also, training timeframes and a new continuous improvement plan has been established for record keeping. Risk assessments for identifying record keeping terms has also been established. This has contributed to improvements showing under the record keeping as validated 22 September 2023.

- A directive for the building permit process has been drafted and is ready for ELT approval. This has contributed to improvements showing under the Building Permit Application Process as validated 22 September 2023.

b)   Issues that are yet to be closed:

There are 160 issues pending to close over various processes as of 22 September 2023 (173 as of 25 July 2023). The significant items which have been categorised from "Not Started" to "In Progress" on this report include:

- Consultation report on waste facility for quantifying rehabilitation provisioning;

- Drafting directives related to building services;

- Further strengthening record keeping controls; and

- Initiating RFQ process for implementation of Risk Management.

c)   One recommendation owner has not provided a status update for the request made by SOA IA on 15 September 2023.

d)   There are no serious Internal Audit concerns mentioned in the attached report.

<u>Internal Audit</u>

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	
	22 Sep	25 July	22 Sep	25 July	22 Sep	25 July	22 Sep	25 July	22 Sep	25 July
Review of 2019 FMR	0	0	4	4	0	0	4	4	0	4
Procurement	2	2	5	6	16	15	23	23	7	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	3	6	10	7	15	15	5	8
Records Management [22]	7	10	6	5	19	17	32	32	13	15
Cyber Security	4	4	16	16	3	3	23	23	20	20
Business Continuity, Disaster Recovery and Incident Management	20	21	3	2	3	3	26	26	23	23
Building Permit Application Process	4	8	1	0	21	18	26	26	5	8
Contract Management	0	0	7	7	10	10	17	17	7	7
Fraud and Corruption	15	19	5	1	7	7	27	27	20	20
Payroll & HR	1	1	5	5	2	2	8	8	6	6
Totals	**68**	**80**	**67**	**64**	**96**	**87**	**231**	**231**	**131**	**144**

17 recommendations have been completed since last reported to the Audit and Risk Management Committee on 25 July 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	
	22 Sep	25 July	22 Sep	25 July	22 Sep	27 Apr	22 Sep	25 July	22 Sep	25 July
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	7	8	2	1	0	0	9	9	9	9
Financial – 30 June 2022	5	6	1	0	0	0	6	6	6	6
IT General Controls 2021/22	3	3	7	7	0	0	10	10	10	10
Totals	**17**	19	**12**	10	**8**	8	**37**	37	**29**	29

No recommendations have been completed since last reported to the Audit and Risk Management Committee on 25 July 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 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 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 as detailed in Attachment 1.

6.2   Regulation 17 Review

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 08 September 2020 - Item 9.2
Disclosure(s) of interest	Author – Nil
	Authorising Officer – Nil
Attachments	1. SOA Regulation 17 Review Report 2023 2. SOA Regulation 17 Review Report 2023 - Airport - Confidential

Report Purpose

Council is required to review the attached Shire of Ashburton Regulation 17 Review report (report).

The purpose of this report is to present the results of the Chief Executive Officer's (CEO) review of the appropriateness and effectiveness of the Shire of Ashburton's (Shire) systems and procedures in compliance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.

Council is requested to receive the Regulation 17 Review report (refer to Attachment 1).

Background

Regulation 17 of the *Local Government (Audit) Regulations 1996* prescribes as follows:

(1)   The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

(a)   risk management.

(b)   internal control; and

(c)   legislative compliance.

(2)   The review may relate to any or all the matters referred to in sub regulation (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.

The last such review was carried out in 2020 by M/S AMD and was presented to the Audit and Risk Management Committee on 8 September 2020.

Management of the Shire has requested Internal Audit (IA), as an independent party, to carry out the review. Council adopted the Internal Audit Charter in accordance with the International Internal Audit Standard 1000. The charter and Department of Local Government, Sport and Cultural Industries (DLGSC) Operational Guidelines no. 9 detail the Internal Auditor functionally reports to Audit and Risk Management Committee while administratively report to CEO or his delegate.

The use of third-party specialist reports was to leverage specialised expertise for informed recommendations. The review was conducted in accordance with the established standards, principles, and guidelines governing review practices.

Review tests and evidence are limited to Annexure 1 which provides factual findings resulting from the review tests, while the main body of the report offers a general assessment based on management information.

Due to the inherent limitations in any internal control structure, it is possible errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that have been reviewed operate, has not been reviewed in its entirety and therefore no opinion is expressed as to the effectiveness of the greater internal control structure. It should also be noted that the review was not designed to detect all weaknesses in control procedures as it was not performed continuously throughout the period subject to review. The review conclusion and any opinion expressed in this report have been formed on the above basis.

Comments

This report presents the findings of the comprehensive review of risk management, internal controls, and legislative compliance within the Shire for the period of July 2020 to March 2023 (referred to as the "engagement period").

The scope of the review included an assessment of the Shire's significant business processes. The review aimed to identify areas of good governance practices (refer to the Review section of the report) and opportunities for performance improvement (refer to Annexure 1 of the report) within each of these processes. To facilitate this evaluation, three key rating criteria were applied.

Risk assessment of the theme: This criterion assessed the level of risk associated with each risk theme. The risk assessments were informed by the Shire's 2022 risk assessment and considered the subsequent control implementations.

Control assessment: The effectiveness of internal controls was evaluated based on audits, assessments conducted during the engagement period, and other relevant assessment tests.

Maturity of the process: The maturity of each business process was assessed based on several factors, including the documentation of policies, directives, frameworks, procedures, the regularity of reviews, the utilisation of computer applications, the segregation of duties, and the corrective actions taken in response to audit findings and other assessment results.

For a comprehensive understanding of the rating criteria used in this assessment, please refer to Annexure 2 of the report.

The review of risk management, internal controls, and legislative compliance for the Shire has revealed both commendable governance practices and areas where enhancements are required. The outcomes of this assessment will serve as a valuable resource for the Shire in its ongoing efforts to enhance risk management, internal controls, and compliance with legislative requirements.

This report provides a foundation upon which the Shire can strategically plan for improvements and address identified issues. It is imperative that the Shire acts upon the findings and recommendations contained in this report, to ensure the continued effectiveness and efficiency of its operations. The summary provided below outlines the ratings assigned to various areas and the number of identified improvement opportunities during the engagement period, along with those that are pending completion at the end of the engagement period.

S/N	Areas of review	Ratings for Engagement Period			No of Open issues as of 25 August	Audited by
		Risk of Theme	Control Assessment	Maturity Assessment of Process		
1	Assets Management and Projects Management	High	Inadequate	2-Repetable but intuitive	3	SOA IA
2	Fleet	High	Inadequate	2-Repetable but intuitive	1	SOA IA
3	Waste Management	High	Inadequate	1-Initial/ Ad hoc	2	SOA IA
4	Natural Environment Related Information	High	Inadequate	2-Repetable but intuitive	1	SOA IA
5	Workplace Health and Safety	High	Inadequate	1-Initial/ Ad hoc	1	SOA IA
6	Organisational Development	Moderate	Adequate	3-Defined	1	SOA IA
7	Swimming Pools	Low	Adequate	3-Defined	2	SOA IA
8	Caravan Parks	Low	Adequate	2-Repetable but intuitive	1	SOA IA
9	Community Grants and Gifts	Low	Inadequate	1-Initial/ Ad hoc	1	SOA IA
10	Onslow Airport	Moderate	Effective	3-Defined	1	SOA IA
11	Risk Management	High	Inadequate	1-Initial/ Ad hoc	15	MA
12	Legislative Compliance	High	Adequate	1-Initial/ Ad hoc	1	MA
13	Procurement	Moderate	Effective	3-Defined	7	MA
14	Grants Management	Low	Inadequate	0-Non-existent	10	MA
15	Records Management	High	Inadequate	2-Repetable but intuitive	18	MA
16	Cyber Security	Moderate	Adequate	1-Initial/ Ad hoc	20	MA
17	Business Continuity, Disaster Recovery and Incident Management	Moderate	Inadequate	1-Initial/ Ad hoc	23	MA
18	Building Permit Application Process	Low	Effective	3-Defined	8	MA
19	Contract Management	Moderate	Adequate	2-Repetable but intuitive	7	MA
20	Payroll and HR	Moderate	Adequate	3-Defined	6	MA
21	Fraud and Corruption	Moderate	Adequate	1-Initial/ Ad hoc	20	MA
Total					**149**	

IA- Shire of Ashburton Internal Audit

MA- Moore Australia

Consultation

As per the Internal Audit Charter, the planning memorandum has been prepared and discussed with the Executive Leadership Team (ELT) and approved by the CEO. Kick off meetings were held with the relevant Director and process owners. After the audit execution, an exit meeting was held with the process owners and directors. The draft report was discussed with ELT and management comments were obtained from process owners and directors. The final report was presented to ELT, where ratings and findings were discussed in detail and the report was approved.

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

Council Policies » Shire of Ashburton

Nil

Financial Implications

Current Financial Year

Nil

Future Financial Year(s)

Nil

Legislative Implications

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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 internal/ 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 medium.

Voting Requirements

Simple Majority

Officer Recommendation

That with respect to the Regulation 17 Review, the Audit and Risk Management Committee recommends that, Council, receives the Shire of Ashburton Regulation 17 Review Report as detailed in Attachments 1 and 2.

7   New Business Of An Urgent Nature Introduced By Council Decision

8   Confidential Agenda Items

9   Next Meeting

The next Audit And Risk Management Committee will be held at 8:30am on Tuesday, 12 December 2023 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 enter time.