

**Audit and Risk
Management Committee**

AGENDA

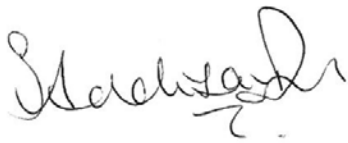
**FOR THE MEETING TO BE HELD
WEDNESDAY 11 NOVEMBER 2020
IN COUNCIL CHAMBERS,
WALLCLIFFE ROAD, MARGARET RIVER
COMMENCING AT 4.30PM**

Meeting Notice

Dear Councillor

I advise that an Audit and Risk Management Committee Meeting of the Shire of Augusta Margaret River will be held in Mainbreak, 41 Wallcliffe Road, Margaret River, on Wednesday 11 November 2020, commencing at 4.30pm.

Yours faithfully



STEPHANIE ADDISON-BROWN
CHIEF EXECUTIVE OFFICER

ATTENTION/DISCLAIMER

This agenda has yet to be dealt with by the Committee. The Recommendations shown at the foot of each item have yet to be considered by the Committee and are not to be interpreted as being the position of the Committee. The minutes of the meeting held to discuss this agenda should be read to ascertain the decision of the Committee.

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Audit and Risk Management Committee

1.0 DECLARATION OF OPENING

2.0 ATTENDANCE

3.0 DISCLOSURES OF INTERESTS

4.0 PUBLIC QUESTIONS

4.1 Public Question Time

5.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETING

5.1 Audit and Risk Management Committee Meeting held 24 June 2020

6.0 REPORTS

6.1 REPORT ON LEGISLATIVE COMPLIANCE REQUIREMENTS FOR 2019 – 2020

LOCATION/ADDRESS	Shire of Augusta Margaret River
APPLICANT/LANDOWNER	Shire of Augusta Margaret River
FILE REFERENCE	GOV/17
REPORT AUTHOR	Claire Schiller, Governance Officer / Council Support
AUTHORISING OFFICER	Ian McLeod, Manager Legal Services and Governance

IN BRIEF

- The *Local Government (Audit) Regulations 1996* requires the CEO to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance [Regulation 17].
- A legislative compliance calendar has been developed to assist the organisation in managing legislative compliance requirements and reducing risk of non-compliance.
- A report on the legislative compliance requirements actioned by officers between 1 July 2019 and 30 June 2020 is presented to the Audit and Risk Management Committee (ARMC).

RECOMMENDATION

That the Audit and Risk Management Committee receives the report on legislative compliance requirements actioned over the 1 July 2019 to 30 June 2020 period, noting a total of 159 compliance actions completed.

LOCATION PLAN

Nil

TABLED ITEMS

Nil

BACKGROUND

Under regulation 17 of *LG (Audit) Regulations 1996*, the CEO is required to annually review the appropriateness and effectiveness of local government's systems and procedures, including those in relation to legislative compliance. The Shire has an electronic compliance calendar and register that notifies the relevant officers when actions or reviews required by legislation need to be undertaken. The compliance calendar and register also provides for Council to review the actions undertaken and outstanding and informs the content of this report.

CONSULTATION AND ADVICE

External Consultation

WALGA – Template Compliance Calendar

Internal Consultation

- Relevant officers responsible for compliance requirements

DISCUSSION / OFFICER COMMENTS

A report of the legislative compliance register showing the compliance requirements actioned, and any requirements due, is presented to the ARMC annually. The table below shows the number of actions completed, not yet started or in progress over each quarter of the 2019-20 financial year.

Table 1: Number of actions completed over 2019-2020

Quarter	Compliance actions completed	Actions not started	in progress	Total actions	% achieved compliance
Q1: July – Sept 2019	53	1	5	59	90%

Q2: Oct – Dec 2019	35	0	10	45	78%
Q3: Jan – Mar 2020	24	2	5	31	77%
Q4: April – Jun 2020	25	0	2	29	87%

Over the 2019-20 financial year, there were a total of 164 compliance actions relating to various legislative requirements under the *Local Government Act 1995*, and other Acts. As at the 30 October 2020, 159 actions were complete and five actions were in progress, each of which are detailed below.

- Review policy register and provide a report to ELT on all policies that require a review (policies reviewed every five years) – Draft procedure on reviewing policies is being developed, following this there will be a bulk review.
- Submit Annual Report on implementation of the Equal Employment Opportunity Plan to Director Equal Employment Opportunity - To be completed by Dec 2020.
- Review of Standing Orders Local Law – Council resolved to defer the review of this local law until the review of the *Local Government Act 1995* and Regulations have been finalised (14 August 2019).
- A review of the *Health Local Laws* - Council resolved on the 28 August 2019 to defer the review of this local law, pending implementation of stage 5 of the *Public Health Act 2016*.
- Annual review of Long Term Financial Plan – The process of updating the LTFP for the 10 years from 2021-22 to 2030-31 commenced in November 2020.

A copy of the full report detailing the compliance requirements actioned over the 2019-20 financial year, and future compliance requirements due is attached.

STATUTORY ENVIRONMENT / LEGAL IMPLICATIONS

Local Government (Audit) Regulations 1996

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.

STRATEGIC PLAN / POLICY IMPLICATIONS

Community Strategic Plan 2036 (CSP)

Corporate Business Plan 2020-2024

Key Result Area 5: Effective leadership and governance

Outcome 2: Effective and integrated strategy, planning, financial and asset management

Strategy 4: Ensure information is managed in accordance with statutory requirements and is available for decision making

PLANNING FRAMEWORK

Nil

FINANCIAL IMPLICATIONS

Effective legislative compliance management ensures compliance responsibilities are carried out and legislative requirements are met, which ultimately reduces risk and liabilities.

Long Term Financial Plan

Nil

Whole of Lifecycle considerations

Nil

SUSTAINABILITY IMPLICATIONS

Environmental

Nil

Social

Nil

Economic

Nil

ADVOCACY

Nil

ALTERNATE OPTIONS

Nil

VOTING REQUIREMENTS

Simple Majority

RECOMMENDATION

That the Audit and Risk Management Committee receives the report on legislative compliance requirements actioned over the 1 July 2019 to 30 June 2020 period, noting a total of 159 compliance actions completed.

ADVICE TO APPLICANT / PROPONENT

Nil

ATTACHMENTS

1. Report of legislative compliance requirements actioned over 1 July 2019 to 30 June 2020 period (as of 30/10/2020)

6.2 REPORT ON OAG FOCUS AUDIT

LOCATION/ADDRESS	Shire of Augusta Margaret River
APPLICANT/LANDOWNER	N/A
FILE REFERENCE	FIN/7
REPORT AUTHOR	Andrew Ross, Manager Corporate Services
AUTHORISING OFFICER	James Shepherd, Director Corporate and Community Services

IN BRIEF

- The Office of the Auditor General (OAG) undertakes focus area audits of a sample of State Government agencies and/or Local Governments.
- Focus audits involve more detailed testing than annual financial audits.
- The Shire was selected by the OAG to participate in an audit of supplier master files relating to data for the 2017-18 and 2018-19 financial years.
- The results of this focus audit were provided to State Parliament by the Auditor General in March 2019.
- The report was also provided to the Shire President and CEO.
- A ratepayer enquiry to a Councillor advised the report should be provided to Council.
- It is not conclusive that this is required however, to allay concerns the report and actions arising are provided to the Committee.
- The Committee are requested to consider this report and the actions arising from the report.

RECOMMENDATION

That the Audit and Risk Management Committee:

1. Notes the West Australian Auditor General's Report "Management of Supplier Master Files" March 2019;
 2. Notes the actions taken by staff; and
 3. Recommends the report be provided to Council.
-

BACKGROUND

The Office of the Auditor General supports the Auditor General in auditing the finances and activities of the Western Australian public sector. In this role the Auditor General reports directly to the West Australian parliament. In addition to annual financial audits, the OAG undertakes other more detailed audits of State Government Agencies and local governments such as focus area audits. In 2018 the Shire along with 9 other agencies and local governments was selected to participate in a focus area audit relating to the management of supplier master files. This audit was conducted in the last quarter of 2018 and included data relating to the 2018-19 and 2017-18 financial years. Shire staff cooperated fully with OAG staff and provided comments on the findings that formed the basis of the report. The final report was tabled in State Parliament in March 2019.

CONSULTATION AND ADVICE

External Consultation

Nil

Internal Consultation

Nil

DISCUSSION/ OFFICER COMMENTS

The period of the audit was from 1 January to 30 September 2018 and the audit was conducted in October 2018 with the findings provided in November 2018. The Finance team met to consider these findings and formulate a response and action plan to address the recommendations. This information was provided to the OAG. Most of these actions were implemented and are being followed although it is acknowledged continued improvement and reinforcement is necessary.

SHIRE OF AUGUSTA MARGARET RIVER
AUDIT AND RISK MANAGEMENT COMMITTEE MEETING AGENDA 11 NOVEMBER 2020

In summary the recommendations associated with the findings and the current status of the actions implemented are shown in the following table.

Recommendation	Action Implemented
<p>The procedure should be updated to provide comprehensive guidance to employees to effectively manage supplier master files. It should also include a requirement for periodic monitoring of supplier master files to assess compliance with the procedures, and identify duplication, errors and incompleteness.</p>	<p>The Finance team have met to determine the amendments required to the procedure. These changes include but are not limited to:</p> <ul style="list-style-type: none"> • recording a reason for all amendments to records; • using a naming convention for creditors; • amendments to be reviewed and approved by an independent officer; • process for deletion and deactivation of creditor records; and • periodic reviews of the complete master files to assess compliance with procedures.
<p>Management should ensure that creation, amendment and deletion of supplier master files is reviewed by an independent officer. Employees with the ability to create/amend supplier master files and also approving payments to the suppliers should be restricted to either of these functions to ensure appropriate segregation of duties.</p>	<p>The Finance team have advised that:</p> <ul style="list-style-type: none"> • the procedure for the Maintenance of Creditor Details Procedure has been updated to require all amendments to be reviewed by an independent officer and approved; and • to ensure appropriate segregation of duties, system settings have been amended so that officers that have the ability to approve payments to suppliers do not also have access to add/amend/delete creditor records.
<p>Management should implement a formal and periodic internal review to ensure compliance, and identify and deactivate duplicate, incorrect or obsolete supplier records.</p>	<p>The following reviews occur:</p> <ul style="list-style-type: none"> • Finance Coordinator conducts a review to identify and deactivate duplicate, incorrect or obsolete supplier records. • the Manager Corporate Services, reviews amendments to creditor banking details prior to every supplier payment run, using an audit report and records the results of this review.
<p>Management should ensure that the Code of conduct is effectively communicated to employees with a view of ensuring that any actual, potential or perceived conflict of interest is identified, disclosed and appropriately managed.</p> <p>Management should review the relevant transactions to confirm whether the Shire obtained value for money from the purchases/services and that no employee received inappropriate benefit.</p>	<p>Part 1: The Staff Code of Conduct can be accessed from the home page of the Shire's Intranet and staff awareness of the Code of Conduct is built at all of staff training days. However, these events occur periodically and to ensure improved staff awareness it is proposed annual Performance Evaluation reports for staff be amended to include acknowledgement or similar of the Code of Conduct.</p> <p>Part 2: Conflicts of Interest forms declared by staff are held in Records and are used as the source for undertaking annual reviews of purchases from suppliers related to staff. Additionally, any conflict of interest declared by an employee is recorded as a note attached to the Creditor's record.</p>

A copy of the report provided to State Parliament is attached for the reference of the Committee. However, it should be noted the information provided in the report is more general and not specifically related to the Shire.

The requirement to provide reports of performance audits or focus audits to Council when the Shire is sampled as a local government is unclear in the Local Government legislation as the Act refers to significant matters identified in audit reports and there were no matters noted as being significant in the audit findings or the final report. However, as a matter of best practice and to avoid any confusion these reports will be provided to the Committee and Council in the future.

STATUTORY ENVIRONMENT / LEGAL IMPLICATIONS

Part 7, Division 3C (sections 7.12AJ and AK) of the *Local Government Act 1995* refer to the Auditor General conducting and reporting on performance audits.

Section 7.12A(4) of the Act states that a local government prepares a report addressing any matters identified as significant by the auditor in the audit report and stating what action has or is to be taken.

STRATEGIC PLAN / POLICY IMPLICATIONS

Community Strategic Plan 2036 (CSP)

Corporate Business Plan 2020-2024

Key Result Area 5: Effective leadership and governance

Community Outcome 2: Effective and integrated strategy, planning, financial and asset management

Strategic Response: Ensure the Shire's financial performance is well managed and leads to a strong financial position

PLANNING FRAMEWORK

Nil

FINANCIAL IMPLICATIONS

Implications

Failure to follow procedures or the absence of procedures relating to management of supplier master files could result in financial loss for the Shire from suppliers being paid incorrectly, if it is not detected.

Long Term Financial Plan

Nil

Whole of Lifecycle considerations

Nil

SUSTAINABILITY IMPLICATIONS

Environmental

Nil

Social

Nil

Economic

Nil

ADVOCACY

Nil

IMPLICATIONS OF ALTERNATIVE RESOLUTION

Nil

VOTING REQUIREMENTS

Simple Majority

RECOMMENDATION

That the Audit and Risk Management Committee:

1. Notes the West Australian Auditor General's Report "Management of Supplier Master Files" March 2019;
2. Notes the actions taken by staff; and
3. Recommends the report be provided to Council.

ATTACHMENTS

1. Western Australian Auditor General's Report "Management of Supplier Master Files" March 2019.

6.3 RISK MANAGEMENT UPDATE - OCTOBER 2020

LOCATION/ADDRESS	Shire of Augusta Margaret River
APPLICANT/LANDOWNER	Shire of Augusta Margaret River
FILE REFERENCE	COR/17
REPORT AUTHOR	Emma Rogers, Governance (Legal and Risk) Officer
AUTHORISING OFFICER	Ian McLeod, Manager Legal and Governance

IN BRIEF

- Shire officers took part in a series of workshops with Michael Sparks, Senior Risk Consultant, LGIS, to review and redevelop the Shire's whole of organisation Operational Risk Register.
- Key officers involved in the Shire's response to COVID-19 participated in two workshops involving a de-brief of COVID-19 and review of the Shire's Business Continuity Plan.
- Shire Councillors and Executive will participate in a series of workshops to develop a Strategic Risk Register for the Shire.
- Identification and assessment of operational and strategic risk, forms part of the integrated planning process to inform the Shire's Corporate Business Plan 2021-25 and Community Strategic Plan 2040.

RECOMMENDATION

That the Audit and Risk Management Committee notes the following is currently taking place:

1. Review and redevelopment of the Shire's Operational Risk Register;
 2. Review of Shire's Business Continuity Plan; and
 3. Workshops with Council and the Executive to develop the Shire's Strategic Risk Register.
-

BACKGROUND

The Shire is obligated to address organisational risk under *Local Government (Audit) Regulations 1996*: regulation 17. The Shire developed a Risk Management Framework and associated Operational Risk Register in 2014. Shire officers have been conducting a rolling review of the risk categories and controls used to manage those risks within the operational risk register and actions identified are reported to the Executive Leadership and Audit and Risk Management Committee (ARMC).

In addition to the actions identified from consulting with relevant staff are the actions identified from internal and external audits. The internal and external audits provide the third line of defence within the Shire's Risk Management Framework, providing independent assurance to the ARMC, Executive Leadership and Council on the effectiveness and adequacy of the systems and controls in place. A hierarchical flowchart of the Shire's Risk Management Framework, detailing the three lines of defence risk management model is attached.

CONSULTATION AND ADVICE

External Consultation

Michael Sparks, Senior Risk Consultant, LGIS

Internal Consultation

- Executive Leadership Team
- Coordinators and Managers from all business units
- Key officers involved in implementation of Business Continuity Plan during COVID-19

DISCUSSION/ OFFICER COMMENTS

Operational and Strategic Risk Register

A number of disadvantages have been identified with the structure of the Shire's current Operational Risk Register. The Shire recently sought quotes to re-develop the register to a format which clearly identifies risks, causes, controls, consequences, and treatments in respect to each risk (as opposed to generalised risk profiles as per the existing register) and incorporate risk for the whole of the

organisation. In addition, the Shire does not currently have a strategic risk register. Both strategic and operational risk are essential components of forward planning and play a role in the Shire's Integrated Planning Framework.

The Shire engaged Michael Sparks, Senior Risk Consultant LGIS, to review and redevelop the Shire's whole of organisation operational risk register and develop a strategic risk register. Throughout October – November 2020, Shire officers participated in a series of workshops to review and assess current operational risks within each business unit and to develop an understanding of embedding risk management into everyday activities. The identification and assessment of operational risks for each business unit formed a dual purpose as it was incorporated into the business planning process for each business unit, to inform the Corporate Business Plan 2021-25 and Long Term Financial Plan 2021-31, and also fed into the newly formatted Operational Risk Register. Outstanding actions from the existing risk register will be carried forward to be included into this new register. The new register is proposed to be completed and presented to the Audit and Risk Management Committee in December 2020.

Proposed dates have been set in the first week of December 2020 for a series of workshops facilitated by Michael Sparks- LGIS, together with Council and Executive to identify, assess and prioritise the Shire's strategic risk. The strategic risks identified will feed into the review of the Shire's Strategic Community Plan 2040 and be the basis for the Shire's Strategic Risk Register. It is proposed a completed Strategic Risk Register will be presented to ARMC in January 2020.

Upon completion of the Shire's Operational and Strategic Risk Registers, a review of the Shire's Risk Management Framework will be implemented, reflecting the Shire's updated operational and strategic risk processes.

Business Continuity Plan

The Shire's Business Continuity Plan (BCP) developed in 2016, forms an element of the wider risk management discipline that aims to prepare the organisation to respond to unexpected events, emergencies or crisis. A series of workshops facilitated by Michael Sparks, LGIS, involving a COVID-19 debrief and review of the BCP were held with relevant Shire officers involved in the implementation of the BCP during COVID-19. Critical services central to the community functioning were prioritised, minimum resource requirements identified to maintain operation continuity and potential improvements were identified, all of which will feed into the review of the BCP. A reviewed BCP will be presented to Executive for approval in December 2020.

STATUTORY ENVIRONMENT / LEGAL IMPLICATIONS

Relevant legislation relating to risk management is detailed below.

Local Government (Audit) Regulations 1996 Regulation 17:

1. The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
2. The review may relate to any or all of the matters referred to in subregulation (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.

Regulation 16(c)(d):

An audit committee has the following functions:

- (c) to review a report given to it by the CEO under regulation 17(3) (the **CEO's report**) and is to —
 - (i) report to the council the results of that review; and
 - (ii) give a copy of the CEO's report to the council;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under —
 - (i) regulation 17(1); and

- (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c).

STRATEGIC PLAN/POLICY IMPLICATIONS

Community Strategic Plan 2036 (CSP)

Corporate Business Plan 2020-2024

Key Result Area 5: Effective leadership and governance

Community Outcome 5.2: Effective and integrated strategy, planning, financial and asset management

Strategic Response 5.2.4: Ensure information is managed in accordance with statutory requirements and is available for decision making.

Service level strategy/plan 5.2.4.4: Review of Risk Management Framework

PLANNING FRAMEWORK

Nil

FINANCIAL IMPLICATIONS

Implications

The cost of engaging a risk consultant was budgeted in the 2020-21 financial budget, however the Shire was able to draw from the Shire's LGIS Member's Experience Fund to cover the costs.

Long Term Financial Plan

Any proposed risk actions or controls that have significant long term financial implications would be considered in a specific Council Report.

Whole of Lifecycle considerations

Nil

SUSTAINABILITY IMPLICATIONS

Environmental

The management of risk is essential to ensure the ongoing sustainability of the Shire and to minimise or eliminate threats to the environment.

Social

The prudent management of risk is important in maintaining social structure within the Shire.

Economic

Incorporating risk management into planning, decision making and operations is essential for the achievement of the Shire's visions, goals and outcomes.

ADVOCACY

Nil

ALTERNATE OPTIONS

Failure to follow the recommendation will result in non-compliance with statutory requirements.

VOTING REQUIREMENTS

Simple Majority

RECOMMENDATION

The Audit and Risk Management Committee notes the following is currently taking place:

1. Review and redevelopment of the Shire's operational risk register;
2. Review of Shire's Business Continuity Plan; and
3. Workshops with Council and the Executive to develop the Shire's Strategic Risk Register.

ATTACHMENTS

1. Hierarchal flowchart of the Shire's Risk Management Framework

7 CONFIDENTIAL BUSINESS

8 CLOSURE OF MEETING