

Audit and Risk Management Committee

AGENDA

FOR THE MEETING TO BE HELD
WEDNESDAY 24 FEBRUARY 2021
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 24 February 2021, 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 9 December 2020

6.0 REPORTS

6.1 COMPLIANCE AUDIT RETURN

LOCATION/ADDRESS	Shire of Augusta Margaret River
APPLICANT/LANDOWNER	Shire of Augusta Margaret River
FILE REFERENCE	COR/80
REPORT AUTHOR	Claire Schiller, Governance Officer / Council Support
AUTHORISING OFFICER	Ian McLeod, Manager Legal and Governance Services

IN BRIEF

- Local governments are required by legislation to complete a statutory compliance return (Compliance Audit Return or CAR) annually and have the return adopted by Council.
- The CAR is a checklist of a local government's compliance with the requirements of the Act and its Regulations, concentrating on areas of compliance considered "high risk."
- The Audit and Risk Management Committee (ARMC) is to review the annual CAR and report the results of the review to Council.

RECOMMENDATION

The Audit and Risk Management Committee:

1. Receives the 2020 Compliance Audit Return, noting that compliance was achieved in all areas with the exception of three compulsory questions and four optional questions;
 2. Reports and presents this result to Council at the 10 March 2021 Ordinary Council Meeting; and
 3. Recommends that Council adopts the 2020 Compliance Audit Return for the Shire of Augusta Margaret River.
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LOCATION PLAN

Nil

TABLED ITEMS

Nil

BACKGROUND

Each local government is required to carry out a compliance audit for the period 1 January to 31 December each year in a form approved by the Minister. The ARMC is to review the CAR and report to Council the results of that review (regulation 14 *Local Government (Audit) Regulations 1996*). The CAR is then presented to Council for adoption, and a certified copy along with the relevant section of the minutes and any additional information explaining or qualifying the compliance audit, is to be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2021.

The 2020 CAR continues in a reduced format, with the areas of compliance restricted to those considered high risk. The questions relate to regulation 13 of the *Local Government (Audit) Regulations 1996*. Optional questions are also included.

CONSULTATION AND ADVICE

External Consultation

Nil

Internal Consultation

- Chief Executive Officer
- Directors
- Relevant officers

DISCUSSION / OFFICER COMMENTS

The 2020 CAR has been completed for the period of 1 January 2020 to 31 December 2020. The ARMC is to consider the 2020 CAR and report the results of their review to the Council.

The 2020 CAR consists of a total of 92 compulsory questions and 10 optional questions, divided into 11 categories, covering various aspects of the Shire's functions and services. These categories include:

1. Commercial Enterprises by Local Governments
2. Delegation of Power/Duty
3. Disclosure of Interest
4. Disposal of Property
5. Elections
6. Finance
7. Integrated Planning and Reporting
8. Local Government Employees
9. Official Conduct
10. Optional Questions
11. Tenders for Providing Goods and Services

The process of gathering responses to the 102 questions includes forwarding relevant officers the questions that relate to their duties and responsibilities. The officer is required to review relevant records, registers, minutes of meetings, advertisements, policies, etc. and provide an informed response to the question. Where the question relates to multiple officer's responsibilities, such as "Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required", all delegated officers provide a response, and the responses are compiled.

From a total of 102 questions, the responses provided by the Chief Executive Officer, Directors and other relevant officers indicate that compliance has been achieved in all areas with the exception of three compulsory questions and four optional questions (outlined below).

Delegation of Power/Duty

Question 13:

Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?

Reference: *Local Government Act 1995 s5.46(3), Local Government (Administration) Regulations 1996 r.19*

Response: No

Comments:

The delegation to declare a vehicle an "abandoned vehicle wreck" under s3.40A was exercised six times over the compliance period but the records of these decisions do not identify the decision maker.

Remedial Action:

Procedure in relation to this process will be updated so that the identity of the delegated officer exercising this power is clear.

Disclosure of Interest

Question 4:

Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?

Reference: *Local Government Act 1995 s5.75, Local Government (Administration) Regulations 1996 r.22, Form 2*

Response: No

Comments:

An acting manager lodged a primary return 8 months and 28 days after becoming a designated employee on 1 October 2019. The officer responsible for distributing primary returns did not identify the 'acting position' as a change of position and therefore did not forward the primary return form to the officer to complete until the oversight was realised on 3 July 2020, 175 days after the due date. As per s.28 of the *Corruption, Crime and Misconduct Act 2003*, the CEO reported the matter to the Corruption and Crime Commission (CCC) and the Director General of the Department of Local Government (DLGSC) on 28 July 2020. No further action was taken by the CCC or DLGSC.

Remedial Action:

The oversight caused review of internal processes for ensuring officers acting as designated employees are aware of their legislative responsibilities. Additional measures and processes have been established to mitigate the risk of this occurring again in the future.

Disclosure of Interest

Question 15:

Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?

Reference: *Local Government (Rules of Conduct) Regulations 2007 r.11(1), (2) & (4)*

Response: No

Comments:

The Local Government Standards Panel found that Cr Earl failed to declare an impartiality interest in the matter of the transition of bushfire brigades to the Department of Fire and Emergency Services at the Council meeting held 12 February 2020.

Remedial Action:

A copy of the Financial Interest and Impartiality Interest register containing Councillor disclosures since 2017 has been uploaded onto the 'Hub', an information sharing platform, which allows Councillors to review their previous disclosures and assists them in deciding whether to disclose an interest before a meeting.

Optional

Question 5:

Did the local government prepare and adopt by absolute majority a policy dealing with the attendance of council members and the CEO at events?

Reference: *Local Government Act 1995 s5.90A(2)*

Response: No

Comment and Remedial Action:

The CEO and Councillor Attendance Policy has been drafted, workshopped with the Executive Leadership Team and will be workshopped and presented to Council in March 2021.

Optional

Question 6:

Did the CEO publish an up-to-date version of the attendance at events policy on the local government's official website?

Reference: *Local Government Act 1995 s5.90A(5)*

Response: No

Comments and Remedial Action:

Once adopted, the policy will be published on the website.

Optional

Question 7:

Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?

Reference: *Local Government Act 1995 s5.96(1), (2), (3) & (4)*

Response: No

Comments:

Tender Register not published on website.

Remedial Action:

The Tender Register will be available on the Shire's website by 30 June 2021. The Shire's legislative compliance calendar has been updated to include quarterly reviews of information published on the website.

Optional

Question 8:

Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?

Reference: *Local Government Act 1995* s5.128(1)

Response: No

Comments:

Policy not reviewed following the 2019 Local Government elections.

Remedial Action:

The Shire's legislative compliance calendar has been updated to include review of this policy following future local government elections.

A copy of the completed CAR for 1 January 2020 to 31 December 2020 is provided in Attachment 1.

STATUTORY ENVIRONMENT / LEGAL IMPLICATIONS

The Annual CAR is required under the provisions of s.7.13(1)(i) of the *Local Government Act 1995* and r.14 & 15 of the *Local Government (Audit) Regulations 1996*. Regulations 14 and 15 are set out below:

14. Compliance audits by local governments

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —
 - (a) presented to the council at a meeting of the council; and
 - (b) adopted by the council; and
 - (c) recorded in the minutes of the meeting at which it is adopted.

15. Certified copy of compliance audit return and other documents to be given to Departmental CEO

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
 - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates.
- (2) In this regulation —

certified in relation to a compliance audit return means signed by —

 - (a) the mayor or president; and
 - (b) the CEO.

STRATEGIC PLAN / POLICY IMPLICATIONS

Community Strategic Plan 2036 (CSP)

Corporate Business Plan 2020-2024

Key Result Area 5: Effective Leadership and Governance

Community Outcome 1: Responsible ownership of outcomes

Strategic Response 5.1.3: Ensure Councillors and employees demonstrate the importance of ethical behaviour and compliance with codes of conduct.

Service level strategy/plan 5.1.3.3: Complete and submit Statutory Compliance Return and remediate any errors within timeframes.

PLANNING FRAMEWORK

Nil

FINANCIAL IMPLICATIONS

Implications

Nil

Long Term Financial Plan

Nil

Whole of Lifecycle considerations

Nil

SUSTAINABILITY IMPLICATIONS

Environmental

Nil

Social

Nil

Economic

Nil

ADVOCACY

Nil

IMPLICATIONS OF ALTERNATIVE MOTION

If the ARMC did not report on the CAR to Council as recommended it would be in breach of r.14 of the *Local Government (Audit) Regulations 1996*. However it would be open to the ARMC to note additional matters in the CAR to be brought to the attention of Council.

VOTING REQUIREMENTS

Simple Majority

RECOMMENDATION

The Audit and Risk Management Committee:

1. Receives the 2020 Compliance Audit Return, noting that compliance was achieved in all areas with the exception of three compulsory questions and four optional questions;
2. Reports and presents this result to Council at the 10 March 2021 Ordinary Council Meeting; and
3. Recommends that Council adopts the 2020 Compliance Audit Return for the Shire of Augusta Margaret River.

ATTACHMENTS

1. Compliance Audit Return 1 January 2020 to 31 December 2020

6.2 RISK MANAGEMENT UPDATE AND ADOPTION OF STRATEGIC RISK REGISTER

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 Councillors and Executive participated in a series of workshops with Michael Sparks, Senior Risk Consultant, LGIS, to develop a strategic risk register for the Shire.
- Identification and assessment of strategic risk forms part of the integrated planning process to inform the Shire's Strategic Community Plan 2040.
- The strategic risk register is presented to the Audit and Risk Management Committee (ARMC) for adoption.
- Shire officers also participated in a series of workshops, to review and redevelop the Shire's whole of organisation operational risk register. The review is still in progress.
- 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 (BCP). The review is still in progress.

RECOMMENDATION

That the Audit and Risk Management Committee:

1. Endorses and recommends that Council adopt the Shire's strategic risk register;
 2. Notes a review and redevelopment of the Shire's operational risk register is in progress;
 3. Notes a review of Shire's Business Continuity Plan is in progress; and reports on the matters to Council.
-

BACKGROUND

The Shire is required to address organisational risk under regulation 17 of the *Local Government (Audit) Regulations 1996*. 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 ARMC. A number of disadvantages were identified with the structure of the Shire's existing operational risk register and it was also identified that the Shire did not have a strategic risk register.

The Shire engaged Michael Sparks, Senior Risk Consultant LGIS, to review and redevelop the Shire's whole of organisation operational risk register in conjunction with a strategic risk register.

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

Strategic Risk Register

Strategic risks are associated with achieving the organisation's long-term objectives (DLG Risk Management Resources 2013). While almost every local government will have an operational risk

register to address its organisations risk requirements, strategic risk registers are considered beneficial but not essential.

A series of workshops facilitated by Michael Sparks – LGIS were held with Executive and Councillors in December 2020 to identify, assess and prioritise the Shire's strategic risks. Five strategic risks were identified, correlating with the five strategic objectives of the Shire's Strategic Community Plan. The risk descriptions are as follows:

1. Degradation of the environment and loss of biodiversity of region.
2. Community is not connected, resilient, or enjoying a high level of wellbeing.
3. Gradual loss of the Shire's distinctive, unique and natural character.
4. Decline in local economy and living standards.
5. Ineffective leadership and governance, and disconnect between community aspirations and service delivery.

For each risk description, the causes, outcomes and existing controls were identified. The risks were assessed with no controls in place (inherent risk), and also with controls in place (residual risk).

Strategic risk can often be external in nature, and caused by, for example, Federal or State Government decisions which the Shire has limited control over. For this reason, the 'ability to mitigate' each strategic risk was identified and rated, to provide a perspective on the Shire's direct ability to influence or control the risk. The register also identifies the controls managed by both the Shire, and Shire partnerships with other government, community or peak bodies. The strategic risk register is a high-level document and should inform Council decision making and strategic direction but should not include operational matters.

How does the Strategic Risk Register relate to integrated planning?

Strategic risk assessment is most effective when integrated with the strategic planning process, providing insight to Council and Executive in the planning and reviewing of the strategic vision and objectives. Attachment 1 provides a flow chart of the process of integrating strategic risk with strategic planning, where the information within the strategic risk register is used to inform the review of the Strategic Community Plan. The strategic risk register is one of the numerous sources used to provide input into the review of the Strategic Community Plan, along with long term strategies such as the Local Planning Strategy, Long Term Financial Plan, and legislation, policies, and the collaboration with community. The next strategic planning day with Council will be held on 3 March 2021.

The strategic risk register will be reviewed biennially, with a major review every four years and desk top review every two years, to coincide with the review of the Community Strategic Plan.

The Strategic risk register is presented for adoption in attachment 2.

Operational Risk Register

Operational risks are associated with delivering the operational plans, the day to day activities, functions and services of the Shire. 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 was incorporated into the business planning process for each business unit, to inform the Corporate Business Plan 2021-25, Long Term Financial Plan 2021-31, and the review of the operational risk register.

The conduct of workshops phase is complete, risk information from five of the 22 business units is summarised, complete, and included in the newly formatted register. Outstanding actions from the existing risk register will also be carried forward to the new register. The new register is proposed to be completed and presented to the ARMC in June 2021.

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. The draft BCP was workshopped with

key staff to ensure it will integrate with the Local Emergency Management Arrangements and Information and Communication Technology Disaster Recovery Plan.

The BCP was recently put into action with the five-day lockdown, from 1 February 2021 to 5 February 2021. The draft BCP proved to be a useful tool during the shutdown, especially in relation to the identification of critical/essential services by the Incident Management Team and the prioritisation of certain communications and procedures. A reviewed BCP will be presented to Executive for adoption in April 2021.

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

IMPLICATIONS OF ALTERNATE RESOLUTION

An objective of the ARMC in the Instrument of Appointment and Delegation is to 'advise Council on significant high-level strategic risk management issues related to the Shire'. Allowing the motion to lapse or failing to make a recommendation to Council would mean this objective would not be met. The objective may be met if an amended recommendation was made to Council.

VOTING REQUIREMENTS

Simple Majority

RECOMMENDATION

That the Audit and Risk Management Committee:

1. Endorses and recommends that Council adopt the Shire's strategic risk register;
2. Notes a review and redevelopment of the Shire's operational risk register is in progress;
3. Notes a review of Shire's Business Continuity Plan is in progress; and reports on the matters to Council.

ATTACHMENTS

1. Strategic Risk Register Information Cover Page
2. Strategic Risk Register

7 CONFIDENTIAL BUSINESS

8 CLOSURE OF MEETING