AGENDA

Audit Committee Meeting

16 March 2023

SHIRE OF BROOMEHILL-TAMBELLUP
NOTICE OF MEETING

A meeting of the Audit Committee will be held in the Tambellup Council Chambers, 46-48 Norrish St, Tambellup on Thursday, 16 March 2023 commencing at 1.30pm.

Anthony Middleton
Chief Executive Officer

DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Broomehill-Tambellup for any act, omission or statement or intimation occurring during Council or Committee meetings. The Shire of Broomehill-Tambellup disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee meetings. Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee meeting does so at that person's or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by a member or officer of the Shire of Broomehill-Tambellup during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Broomehill-Tambellup. The Shire of Broomehill-Tambellup warns that anyone who has any application lodged with the Shire of Broomehill-Tambellup must obtain and should only rely on written confirmation of the outcome of the application, and any conditions attaching to the decision made by the Shire of Broomehill-Tambellup in respect of the application.

This document is available in other formats on request for people with disability.

Audit Committee - Terms of Reference

The Audit Committee shall consist of all members with the quorum to be four members.

The duties and responsibilities of the Audit Committee will be to:

1. Provide guidance and assistance to Council as to the carrying out of the functions of the local government in relation to audits;
2. Develop and recommend to Council an appropriate process for the selection and appointment of a person as the local government's auditor;
3. Develop and recommend to Council –
   - a list of those matters to be audited; and
   - the scope of the audit to be undertaken;
4. Recommend to Council the person or persons to be appointed as auditor;
5. Develop and recommend to Council a written agreement for the appointment of the external auditor. The agreement is to include –
   - the objectives of the audit;
   - the scope of the audit;
   - a plan of the audit;
   - details of the remuneration and expenses to be paid to the auditor; and
   - the method to be used by the local government to communicate with, and supply information to, the auditor;
6. Meet with the auditor once in each year and provide a report to Council on the matters discussed and outcome of those discussions;
7. Liaise with the CEO to ensure that the local government does everything in its power to –
   - assist the auditor to conduct the audit and carry out his or her other duties under the *Local Government Act 1995;* and
   - ensure that audits are conducted successfully and expeditiously;
8. Examine the reports of the auditor after receiving a report from the CEO on the matters to –
   - determine if any matters raised require action to be taken by the local government; and
   - ensure that appropriate action is taken in respect of those matters;
9. Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time;
10. Review the scope of the audit plan and program and its effectiveness;
11. Consider and recommend adoption of the annual financial report to Council. Review any significant changes that may arise subsequent to any such recommendation but before the annual financial report is signed;
12. Address issues brought to the attention of the Committee, including responding to requests from Council, for advice, that are within the parameters of the Committee's Terms of Reference;
13. Seek information or obtain expert advice through the CEO on matters of concern within the scope of the Committee's Terms of Reference following authorisation from the Council;
14. Review the annual Compliance Audit Return and report to the Council the results of that review, and
15. Consider the CEO's biennial reviews of the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance, required to be provided to the Committee, and report to Council the results of those reviews.

Agenda for the Audit Committee Meeting to be held in the Tambellup Council Chambers, 46-48 Norrish St, Tambellup on Thursday, 16 March 2023

TABLE OF CONTENTS

1. DECLARATION OF OPENING

The Chairperson, Cr Barritt, will declare the meeting open at _____pm.

2. ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

Cr DT Barritt Chairperson
Cr ME White
Cr DT Barritt
Cr CM Dewar
Cr CJ Letter
Cr MC Paganoni
Cr SH Penny
Cr J Wills

AP Middleton	Chief Executive Officer
KP O'Neill	Manager Finance & Administration
PA Hull	Strategic Support and Projects Officer

3. DISCLOSURE OF INTEREST

4. PUBLIC QUESTION TIME

5. CONFIRMATION OF MINUTES

5.1 AUDIT COMMITTEE MEETING HELD 18 AUGUST 2022

OFFICER RECOMMENDATION
That the minutes of the Audit Committee meeting held on 18 August 2022 be confirmed as a true and accurate record.

6. KEY PILLAR 1: BROOMEHILL-TAMBELLUP POINT OF DIFFERENCE

Nil.

7. KEY PILLAR 2: BROOMEHILL-TAMBELLUP ECONOMY

Nil.

8. KEY PILLAR 3: BROOMEHILL-TAMBELLUP LIFESTYLE

Nil.

9. KEY PILLAR 4: BROOMEHILL-TAMBELLUP SHIRE SUPPORT

9.1 COMPLIANCE AUDIT RETURN FOR 2022

ATTACHMENT(S)	9.1 Copy of the Compliance Audit Return for 2022
FILE NO	ADM0302
APPLICANT	n/a
AUTHOR	Kay O'Neill – Manager Finance and Administration
DATE	10 March 2023
DISCLOSURE OF INTEREST	Nil

STRATEGIC IMPLICATIONS	
Strategic Community Plan 2023-2033	Corporate Business Plan 2023 -2027
Community Outcomes	Corporate Actions
12.2 SoBT Shire data This is the Shire collecting and releasing specific data on Shire-related activities (such as health provisions, roads, safety, traffic measures). Data is being used to drive advocacy and attract support.	Corporate Business plan is in development.

SUMMARY

The purpose of this report is for the Audit Committee to consider the 2022 Compliance Audit Return and recommend it to Council for adoption.

BACKGROUND

Local Governments are required to complete the Compliance Audit Return (CAR) annually in relation to the period 1 January to 31 December.

Local Government (Audit) Regulations 1996, Regulation 14 requires the Audit Committee to review the CAR and report the results of the review to the Council. Following adoption of the CAR by Council, a certified copy of the return along with the relevant section of the minutes is to be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.

Once adopted by Council, the Shire President and Chief Executive Officer are required to certify that the statutory obligations of the Shire of Broomehill-Tambellup have been complied with.

COMMENT

The CAR is comprehensive and gives an indication of the Shire's level of compliance with legislative requirements, relating only to compliance with the *Local Government Act 1995* and associated Regulations. The current structure of the CAR is restricted to the areas of compliance and reporting considered high risk. The questions contained in the CAR relate to the prescribed statutory requirements in Regulation 13 of the *Local Government (Audit) Regulations 1996.*

The CAR contains 85 questions that are required to be answered, plus 9 optional questions. The following areas of activity are covered by the CAR –

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 Audit Committee is required to review the CAR and report the results of that review to the Council prior to adoption by the full Council and submission to the Department of Local Government Sport and Cultural Industries.

The 2022 CAR has been completed by the Manager Finance and Administration, with assistance from the Senior Management Team.

CONSULTATION

Senior Management Team

STATUTORY ENVIRONMENT

Local Government Act 1995 s7.13(1)(i)
Local Government (Audit) Regulations 1996

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.

FINANCIAL IMPLICATIONS
This issue has no financial implications for Council

POLICY IMPLICATIONS
There is no policy applicable to this item.

RISK MANAGEMENT IMPLICATIONS
The Compliance Audit Return, external audits and risk reviews are an integral part of ensuring that financial and compliance risks are minimised and legislative compliance is maintained.

ASSET MANAGEMENT IMPLICATIONS
Nil

VOTING REQUIREMENTS
Simple Majority

OFFICER RECOMMENDATION
That it be recomended to the Council that following a review of the Compliance Audit Return 2022 by the Audit Committee, the return be adopted and forwarded to the Department of Local Government, Sport and Cultural Industries by 31 March 2023.

9.2 RISK MANAGEMENT – OPERATIONAL RISK SUMMARY REPORT DECEMBER 2022

ATTACHMENT(S)	9.2.1 - Operational Risk Summary Report – December 2022 9.2.2 - Risk Management Procedures – December 2022 9.2.3 – Risk Dashboard
FILE NO	ADM0165
APPLICANT	n/a
AUTHOR	Pam Hull, Strategic Support & Projects Officer
DATE	1 February 2023
DISCLOSURE OF INTEREST	Nil

STRATEGIC IMPLICATIONS	
Strategic Community Plan 2023-2033	Corporate Business Plan 2023 -2027
Community Outcomes	Corporate Actions
12.2 SoBT Shire data This is the Shire collecting and releasing specific data on Shire-related activities (such as health provisions, roads, safety, traffic measures). Data is being used to drive advocacy and attract support.	Corporate Business plan is in development.

SUMMARY

The purpose of this report is to consider the Operational Risk Summary Report dated December 2022.

BACKGROUND

In accordance with the *Local Government (Audit) Regulations 1996*, and the Western Australian Local Government Accounting Manual, risk management is required to be demonstrated as part of planning and decision making for all strategic development, major projects and operations to meet the needs and aspirations of the community.

As risk management is about addressing the effect of uncertainty on objectives, it is critical that an organisation follows the best practice principles of the international standard for risk management AS/NZS ISO 31000:2018. This involves implementing a robust framework, system and processes, underpinned by determining the risk appetite and tolerance of the Organisation and ensuring cultural change approach to ensure effectiveness and sustainability.

This allows for the effective achievement of strategic and operational objectives while minimising the potential for harm or loss.

The Shire's Risk Management Framework was reviewed late in 2022 with the assistance of risk consultant MS Consulting.

The revised Framework comprises the following documents:

- Risk Management Policy (inclusive of Risk Assessment and Acceptance Criteria)
- Risk Management procedures

- Risk Profiles Risk Register.

The Risk Management Policy and procedures were endorsed by the Council at the December 2022 Ordinary Council meeting.

An electronic Risk Profiles Risk Register has been developed to document risks associated with the various areas of Shire operations, being:

Asset Management	Compliance
Business Disruption	Document Management
Community Engagement	Environment
Errors, Omissions, Delays	External Theft and Fraud
Facilities and Venues	Human Resources
IT and Communications	Misconduct
Project-Change Management	Supplier – Contracts
Work Health and Safety	

Staff will regularly monitor the Register, assigning a rating (Effective, Adequate or Inadequate) to key control indicators for each area. This provides an overall Control Rating and Risk level for the area in consideration. If an overall Control Rating is noted as 'Inadequate' or the risk level is outside the Shire's accepted risk acceptance criteria (as per Risk Management Procedures – Appendix B, attached), then treatments or actions must be documented and implemented to lower the risk level.

Staff are able to generate a summary report of the Risk Register, the Risk Dashboard, for the Committee's consideration. A copy of the Dashboard is attached.

COMMENT

Senior staff have worked through the Risk Register in consultation with the risk consultant, and an initial Operational Risk Summary Report has been prepared, as attached.

With reference to the Shire's Risk Assessment and Acceptance Criteria contained in the Risk Management Policy and Procedures, the report notes the following:

'Referencing these Risk Assessment and Acceptance Criteria, the Shire's External Theft and Fraud and Document Management Processes classify as unacceptable operational risk due to having inadequate Controls in place and require prioritised corrective action by the Shire.

External Theft and Fraud is rated as a higher overall risk to Shire operations and should therefore be prioritised ahead of Document Management Processes.

All remaining Risk Profiles fall within appetite, are acceptable operational risk, have adequate controls in place, managed by routine or specific procedures, and are subject to annual or semi-annual monitoring.

- *There are no Operational risk profiles rated 'Extreme'.*
- *There are no Operational risk profiles rated 'High'.*
- *The Likelihood of risks materialising in the current reporting period, across all risk areas, is considered 'Unlikely' to 'Possible'. There are no Operational risk profiles with a Likelihood considered 'Almost Certain'.*

- *There are two Operational Risk profiles with Consequences considered 'Major'. These are in the areas of Business & Community Disruption and Environment Management; however, both are considered unlikely to materialise within the current reporting period.*
- *The overall risk trend between the current and previous reporting periods has not been assessed due to differing risk monitoring methods used in the past.*
- *Thirty-seven improvements or actions were identified to strengthen controls and are listed on the following pages according to due date and responsibility.'*

The report provides a summary list of improvements or actions, along with timeframes and responsible officers, which, once implemented, will improve the risk rating (and subsequently lower the risk of loss or harm to the Council) for each specific area.

Two areas have been assessed as presenting unacceptable operational risk:

- External Theft and Fraud – Loss of funds or assets, (whether attempted or successful) by external parties, through any means (including electronic), for the purposes of:
  - Fraud: benefit or gain by deceit;
  - Malicious Damage: breaking or reducing the integrity or performance of systems.
  - Theft: stealing of assets or information
- Document Management Processes - Failure to adequately capture, store, archive, retrieve, provide or dispose of documentation. This includes:
  - Contact lists.
  - Procedural documents, personnel files, complaints.
  - Applications, proposals or documents.
  - Contracts.
  - Forms or requests.

External Theft and Fraud has been prioritised for treatments, specifically in relation to system security and minor assets. Staff are in discussion with an alternate IT support provider and it is anticipated this will result in upgraded security access protocols to all Shire systems. A register of fixed, minor and attractive assets is to be developed as a priority.

Work is underway at present to review and update procedures around document management, including the training of staff to better utilise the features of the Shire's Synergy Records module. These actions will enhance the quality of the Shire's records, and contribute to reducing the level of operational risk to the Shire.

CONSULTATION

Michael Sparks - MS Consulting
Senior Management Team

STATUTORY ENVIRONMENT

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' 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 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.

FINANCIAL IMPLICATIONS

There are no financial implications directly associated with this matter. Budget provision will be made where required for implementation of treatments to minimise risk levels.

POLICY IMPLICATIONS

New Policy 1.16 – Risk Management was adopted at the December 2022 Ordinary Council meeting.

RISK MANAGEMENT IMPLICATIONS

This report provides the Council with a summary of the assessment of risk levels across all areas of Shire operations, and identification of treatments and actions to be implemented that will reduce risk levels.

ASSET MANAGEMENT IMPLICATIONS

Nil

VOTING REQUIREMENTS

Simple majority

OFFICER RECOMMENDATION

That it be recommended to the Council that the Operational Risk Summary Report dated December 2022, as presented, be received.

10. OTHER ITEMS FOR DISCUSSION

11. CLOSURE