



MINUTES

AUDIT & RISK MANAGEMENT COMMITTEE

held on

Thursday, 2 March 2023 at 6:00pm

via

eMeeting

also hosted at the

**Shire of Morawa Council Chambers,
26 Winfield Street, Morawa**



WESTERN AUSTRALIA'S
WILDFLOWER COUNTRY

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DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS

Local Government Act 1995 – Section 5.65, 5.70 and 5.71 Local Government (Administration) Regulation 34C

<i>This form is provided to enable members and officers to disclose an Interest in a matter in accordance with the regulations of Section 5.65, 5.70 and 5.71 of the Local Government Act and Local Government (Administration) Regulation 34C</i>			
Name of person declaring the interest			
Position			
Date of Meeting			
Type of Meeting (Please circle one)	Council Meeting/ Committee Meeting/ Special Council Meeting Workshop/ Public Agenda Briefing/ Confidential Briefing		
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality

Signature: _____

Date: _____

Important Note: Should you declare a **Financial** or **Proximity** Interest, in accordance with the Act and Regulations noted above, you are required to leave the room while the item is being considered. For an **Impartiality** Interest, you must state the following prior to the consideration of the item:

“With regard to agenda item (read item number and title), I disclose that I have an impartiality interest because (read your reason for interest). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly.”

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Item 1 Opening of Meeting

Prior to commencement of this electronic meeting Council Members and other attendee connections by electronic means were tested and confirmed.

The Presiding Member declared the meeting open at 6:01pm.

Item 2 Acknowledgement of Traditional Owners and Dignitaries

The Presiding Member acknowledges the traditional custodians, the Yamatji people, and recognises the contribution of Yamatji elders past, present and future, in working together for the future of Morawa.

Item 3 Recording of Attendance**4.1 Attendance**

The Presiding Member asked Council Members and staff to confirm that they are connected and in attendance, with the following attendees so confirmed:

Committee Members

Deputy President Councillor Ken Stokes (Presiding Member)
Councillor Debbie Collins
Councillor Yvette Harris
Councillor Shirley Katona

Staff

Chief Executive Officer	Scott Wildgoose
Executive Manager Corporate & Community Services	Jackie Hawkins
Executive Manager Works & Assets	Paul Devcic

4.2 Apologies

President Councillor Karen Chappel
Councillor Jane Coaker
Councillor Mark Coaker

4.4 Approved Leave of Absence

Nil

4.5 Disclosure of Interests

Nil

Item 5 Applications for Leave of Absence

Nil

Item 6 Response to Previous Questions

Nil

Item 7 Questions from Members without Notice

Nil

Item 8 Announcements by Presiding Member without Discussion

Nil

Item 9 Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting

The Elected Members to declare that they had given due consideration to all matters contained in the agenda.

- Deputy President Councillor Ken Stokes (Presiding Member)
- Councillor Debbie Collins
- Councillor Yvette Harris
- Councillor Shirley Katona

Item 10 Confirmation of Minutes of Previous Meeting**OFFICER'S RECOMMENDATION/RESOLUTION**

230301

Moved: Cr Collins

Seconded: Cr Harris

That the Audit Committee Meeting Minutes held on Thursday, 15 December 2022 are confirmed to be a true and correct record.

CARRIED BY SIMPLE MAJORITY 4/0

Disclaimer

Members of the public are cautioned against taking any action on Council decisions, on items in this agenda in which they may have an interest, until formal notification in writing from the Shire has been received. Decisions made at this meeting can be revoked pursuant to the Local Government Act 1995.

Item 11 Reports of Officers**11.1 Update to Audit & Risk Committee Terms of Reference and Risk Management Framework**

Author: Chief Executive Officer

Authorising Officer: Chief Executive Officer

Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

Procedural Motion to Suspend Standing Orders to allow CEO to summarise the Risk Framework and Regulation 17 Review practical implications.

Moved: Cr Collins Seconded: Cr Katona

ACCEPTED 4/0

Standing Orders Suspended 6:04pm

Motion to Resume Standing Orders

Moved: Cr Harris Seconded: Cr Collins

ACCEPTED 4/0

Standing Orders resumed 6:09pm

OFFICER'S RECOMMENDATION/RESOLUTION

230302 Moved: Cr Collins Seconded: Cr Harris

That the Audit Committee:

- 1. Supports the adoption of the revised Council Policy – CORP01 – Risk Management and the implementation of the Risk Management Framework as described within the Policy**
- 2. Supports the amendment to the Audit & Risk Committee terms of reference to ensure its role in Risk Management is emphasised**

CARRIED BY SIMPLE MAJORITY 4/0

PURPOSE

For the Audit & Risk Committee to review the updated Risk Management Framework and the Committee Terms of Reference to clearly incorporate risk oversight within its functions.

DETAIL**Background**

The Audit & Risk Committee (Committee) is responsible for the oversight of actions related to the Local Government (Audit) Regulations 1996 and is a prescribed Committee under the Local Government Act 1995.

In November 2020 Council adopted policy CORP01 Risk Management. This Policy was due for review in November 2022.

The Shire has recently completed its Regulation 17 review process and Risk Management was found to be an area where improvement was needed.

Review

Attachment 1 is the current Council Policy on Risk Management and Attachment 2 represents the revised Council Policy on Risk Management that the administration recommends for Committee support and Council adoption. Whilst being similar in substance the new policy provides more guidance to the administration on its implementation and provides for an expanded role for the Committee to provide more of a Risk Management oversight.

Attachment 3 is revised terms of reference for this committee that ensure the importance of risk management is recognised and highlights the role of the committee in risk management. Of note is the clear change of name for the committee in the terms to include risk in its title and the inclusion of risk management as a role and responsibility of the Committee.

The Committee will be responsible for annual strategic risk register reviews and the reviewing risk items as they are raised throughout the year.

The new terms of reference also recommend reducing the size of the Committee from seven (7) Councillors to four (4). This will make the Committee more streamlined and allow meetings to be held with a smaller quorum. It also pre-empts the introduction of an independent Chair by the minister – the idea being this independent Chair would become the fifth member of the committee in the next 12 months. Civic Legal in their Reg 17 review suggested reducing the size of the Committee. The Committee recommend that the change in committee size be implemented after the October 2023 elections.

LEVEL OF SIGNIFICANCE

Medium – the enhancement of Risk Management is important to the organization and Council, and a strong overarching framework and oversight committee is key to that.

CONSULTATION

Civic Legal
Senior Management Team

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995
Local Government (Audit) Regulations 1996

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Strategic Community Plan 2022 to 2032

N/A

FINANCIAL AND RESOURCES IMPLICATIONS

N/A

RISK MANAGEMENT CONSIDERATIONS

The introduction of the framework, subsequent operational level policies and registers, and Committee oversight will be key risk management tools.

CONCLUSION

That the Committee support the Risk Management Policy and Committee Terms of Reference being presented to Council for formal adoption as attached.

ATTACHMENTS

Attachment 1 – 11.1a Current Risk Management Policy

Attachment 2 – 11.1b Revised Risk Management Policy

Attachment 3 – 11.1c Audit and Risk Committee Terms of Reference

11.2 2022-2023 Regulation 17 Review

Author: Chief Executive Officer

Authorising Officer: Chief Executive Officer

Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION/RESOLUTION**230303****Moved: Cr Harris****Seconded: Cr Collins**

That the Audit Committee:

- 1. Notes the Systems and Procedures Review report prepared by Civic Legal (attachment 1).**
- 2. Accepts the CEO's system and procedure review based on the report prepared by Civic Legal and endorse the proposed actions and timeframes.**
- 3. Direct the CEO to ensure a Reg.17 actions update is provided to each Audit Committee meeting moving forward.**

CARRIED BY SIMPLE MAJORITY 4/0

PURPOSE

For the Audit Committee to review the findings and proposed actions relating to the 2023 Regulation 17 assessment.

DETAILBackground

The Audit Committee (Committee) is responsible for the oversight of actions related to the Local Government (Audit) Regulations 1996. Regulation 17 states that the CEO is to review certain systems and procedures relating to risk management, internal control, and legislative compliance at least once in every three financial years.

The last Regulation 17 review was conducted in 2019/2020 with inputs from the Town of Victoria Park.

Regulation 17 reviews are not pass or fail and centre around embedding continuous improvement within the organisation.

Current Review

In the 2022/2023 financial year the CEO engaged Civic Legal as an experienced Local Government specialised legal firm to conduct a review of the Shire's systems and procedures. Attachment 1 is the Civic Legal Systems and Procedures Review including their methodology, findings, and suggested actions.

Moving Forward

Attachment 2 represents the CEO's review of Civic Legal's findings and in particular their suggested action areas.

In most areas the CEO has suggested actions that align to those suggested by Civic Legal with minor modifications to reflect the resources and maturity of the Shire's systems and procedures.

The CEO has allocated timeframes against each action with the goal of delivering all actions by the time of the next review in 2026.

LEVEL OF SIGNIFICANCE

Medium – the CEO is obligated to undertake the review and present to the Audit and Risk Committee which has been done. Whether the committee accepts the proposed actions and timeframes is discretionary and the plan is fluid such that the committee is able to request amendments over the next three years if priorities change.

CONSULTATION

Civic Legal
Senior Management Team

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995
Local Government (Audit) Regulations 1996

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Strategic Community Plan 2022 to 2032

N/A

FINANCIAL AND RESOURCES IMPLICATIONS

The Shire had budgeted for consultant support for this review. The delivery of action items will involve consultant support or significant current workload reallocation. This will fall within normal budgetary constraints.

RISK MANAGEMENT CONSIDERATIONS

The Reg. 17 Audit is essentially a risk mitigation/identification measure focussed on providing the Audit Committee with information relating to potential systems or procedure risk areas.

CONCLUSION

The CEO has undertaken a system and procedure review and presents it as attached to the Audit & Risk Committee.

ATTACHMENTS

Attachment 1 – 11.2a Civic Legal System and Procedures Review 2022/2023

Attachment 2 – 11.2b Shire of Morawa CEO review of Civic Legal Review and proposed actions

11.3 2022 Compliance Audit Return

Author: Executive Manager Works & Assets

Authorising Officer: Chief Executive Officer

Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION/RESOLUTION**230304****Moved: Cr Collins****Seconded: Cr Katona**

That with respect to the Local Government Compliance Audit Return 2022 for the Shire of Morawa, the Audit Committee recommend that Council:

1. Note and accept the Compliance Audit Return (Attachment 1) for the Local Government of the Shire of Morawa for the period 1 January 2022 to 31 December 2022; and
2. Request the Chief Executive Officer to submit a certified copy of the Compliance Audit Return to the Director General of the Department of Local Government Sport and Cultural Industries by 31 March 2022.

CARRIED BY SIMPLE MAJORITY 4/0

PURPOSE

The Department of Local Government, Sport and Cultural Industries (the Department) has distributed the 2022 Compliance Audit Return (the Return) for completion by the Shire of Morawa.

The Return is one of the tools that allow the Audit Committee and Council to monitor how the organisation is functioning and must be presented to Council for adoption before its submission to the Department.

Each local government is to carry out a compliance audit for the period 1 January to 31 December annually against the requirements included in the Return set out by the Department.

DETAIL

The Return identifies instances where full compliance was not achieved, providing context and/or remedial action if required, which is then endorsed by Council.

The 2022 Return has been prepared by electronic means and will be submitted via the Department's online portal.

The Shire of Morawa Compliance Audit Report 2022 will be presented for review at the ordinary meeting of Council being held on 16 March 2023.

The Shire has seen gradual improvement across all metrics based on previous reports in recent years.

As with 2021, the 2022 Report remains largely compliant. The areas of non-compliance in 2022 are listed below.

Delegations: One written record of delegated power or duty under the Act, an 'Application to Consume Liquor', was misplaced. The Shire retained information pertinent to the application as well as emailed approval from the CEO. The relevant employees have been counselled on the legal requirement for filing processes to be observed.

Disclosure of Interest: One Councillor submitted their Annual Return past the 31 August 2022 deadline. The Return was received 5 September 2022.

Official Conduct: The Shire has not designated an employee to be its complaints officer. However, as per Section 5.120(2) of the *Local Government Act 1995*, where no designation exists, the CEO of the local government is the complaints officer.

LEVEL OF SIGNIFICANCE

Medium – requirement under *Local Government Act 1995* administered by the Department.

CONSULTATION

Chief Executive Officer
Executive Managers
Senior Staff

LEGISLATION AND POLICY CONSIDERATIONS

- *Local Government Act 1995*
- *Local Government (Administration) Regulations 1996*
- *Local Government (Rules of Conduct) Regulations 2007*
- *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.*

[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]

15. *Compliance audit return, certified copy of etc. to be given to Executive Director*
- (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 Executive Director 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.*

[Regulation 15 inserted in Gazette 23 Apr 1999 p. 1725.]

FINANCIAL AND RESOURCES IMPLICATIONS

Nil

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Strategic Community Plan 2022 - 2032

Be future focused in all we do:

Ensure the Shire and its assets are well resourced and sustainable.

RISK MANAGEMENT CONSIDERATIONS

Shire of Morawa Risk Management Governance Framework

Appropriate governance of risk management within the Shire of Morawa provides:

- Transparency of decision making
- Clear identification of the roles and responsibilities of the risk management functions
- An effective Governance Structure to support the risk framework

CONCLUSION

The 2022 return has seen a continuation of improvement in the Shire's compliance practises and it is hoped this path of improvement will continue. No remediation action above what is already planned, is required.

ATTACHMENTS

Attachment 1 – 11.3a Compliance Audit Return 2022

11.4 Financial Management Review 2022 – Status Report Update

Author: Executive Manager Corporate and Community Services

Authorising Officer: Chief Executive Officer

Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION/RESOLUTION

230305 **Moved: Cr Collins** **Seconded: Cr Harris**

That the Audit Committee:

- 1. Receive the Financial Management Review 2022 status report update.**
- 2. Direct the CEO to present a further update on the Financial Management Review findings and actions taken in June 2023.**

CARRIED BY SIMPLE MAJORITY 4/0

PURPOSE

The purpose of this report is to present to the Audit & Risk Committee (ARC) the Financial Management Review 2022 (FMR) status review update.

DETAIL

In accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996, local government CEOs are to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government not less than once in every three financial years and report to the local government the results of the reviews.

RSM Australia were engaged to undertake the review in January 2022.

From the FMR report provided management have produced a Status Report (***Attachment 1***) that lists all the issues identified and the planned actions to remedy the issues. This report has been updated with the actions taken to date and is presented to the ARC for review.

LEVEL OF SIGNIFICANCE

Moderate– provides a representation of how effective the current controls that have been implemented at the Shire of Morawa are.

CONSULTATION

Internal
Chief Executive Officer

Finance team

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

FINANCIAL AND RESOURCES IMPLICATIONS

There are no financial or resource implications.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Shire of Morawa Community Strategic Plan 2022-2032

Be future focused in all we do:

1. Ensure the Shire and its assets are well resourced and sustainable.

RISK MANAGEMENT CONSIDERATIONS

Findings outlines in the FMR report are assigned a risk rating. These ratings are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. Preparation of a schedule of management actions and reporting progress to the ARC ensures findings are appropriately addressed.

CONCLUSION

Whilst there are several areas where Council's systems and procedures can be improved, there are many areas where the controls in place are of a good standard.

ATTACHMENTS

Attachment 1 – 11.4a Financial Management Review Status Report Update

Item 12 Motions of Which Previous Notice Has Been Given

Nil

Item 13 New Business of an Urgent Nature

Nil

Item 14 Closure

16.1 Date of Next Meeting

The next Audit & Risk Committee will be held on Thursday, 13 July 2023 commencing at 6:00pm.

16.2 Attendance Confirmation

The Presiding Member to reconfirmed Council Members and Employees are still connected and in attendance.

16.2 Closure

There being no further business, the President declare the meeting closed at 6:14pm.