



Shire of
Serpentine
Jarrahdale

Audit, Risk and Governance Committee

Confirmed Minutes

Tuesday 15 May 2018
5.30pm

Adopted by Council 28 May 2018 (8.1)

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In Person

Shire of Serpentine Jarrahdale
6 Paterson Street, Mundijong WA 6123
Open Monday to Friday 8.30am-5pm (closed public holidays)



www.sjshire.wa.gov.au



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Minutes of the Audit, Risk and Governance Committee Meeting held in the Council Chambers, Civic Centre, 6 Paterson Street, Mundijong on Tuesday 15 May 2018. The Presiding Member, Councillor See declared the meeting open at 5.30pm.

Minutes

1. Attendances and apologies (including leave of absence):

Councillors: Cr J See Presiding Member
Cr M Byas (arrived at 5.31pm)
Cr M Rich
Cr R Coales
Cr K McConkey

Independent Members: Ms E Newby

Officers: Mr F Sullivan Director Corporate Services
Mr S Harding Director Infrastructure Services
Ms A Liersch..... Agendas and Minutes Officer (Minute Taker)

Apologies: Mr S Casilli, Independent Member
Mr K Donohoe, Chief Executive Officer
Mrs K Bartley, Manager Corporate Services

Observers: Mrs R Jasper, Risk, Health & Safety Advisor

Members of the Public: Nil

2. Public question time:

2.1 Response to previous public questions taken on notice:

Nil

2.2 Public questions:

Nil

3. Public statement time:

Nil

4. Petitions and deputations:

Nil

5. Declaration of Councillors and Officers interest:

Nil



6. Receipt of minutes or reports and consideration of adoption of recommendations from Committee meetings held since the previous Council meetings:

6.1 Minutes of previous Audit, Risk and Governance Committee Meeting:

6.1.1 Audit, Risk and Governance Committee Meeting – 6 March 2018

AUDIT, RISK & GOVERNANCE COMMITTEE DECISION

Moved Cr Coales, seconded Mrs Newby

That the minutes of the Audit, Risk and Governance Committee Meeting held on 6 March 2018 be confirmed (E18/2222).

CARRIED UNANIMOUSLY 5/0

Cr Byas entered the Chambers at 5.31pm.

6.2 Reports for consideration:

ARG004/05/18 – Status Reports on Audit Regulation 17 Improvement Plan Progress, Financial Management Review, Governance Health Review & Statutory Compliance Calendar (SJ2196)	
Author:	Kellie Bartley – Manager Corporate Services
Senior Officer/s:	Frazer Sullivan – Director Corporate
Date of Report:	26 April 2018
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Introduction

The purpose of this report is to provide the Audit, Risk and Governance Committee (ARG) with a progress status reports on the appropriateness and effectiveness of the Shire's systems and procedures in relation to the following:

- Audit Regulation 17 Improvement Plan Progress (Reg 17)
- Financial Management Review (FMR)
- Governance Health Review (GHR)
- Statutory Compliance Calendar (SCC)

Relevant Previous Decisions of Council

ARG002/03/18 – Quarterly Status Reports



Background

Audit Regulation 17 Improvement Plan Progress Report

The Regulation 17 review audit produced a comprehensive “Improvement Plan” sanctioned into the following main compliance areas:

- Risk Management (RM)
- Legislative Compliance (LC)
- Internal Controls (IC)

A cumulative total of 61 framework components and actions items were identified to increase procedural and system effectiveness in accordance with legislative requirements.

Financial Management Review

Moore Stephens (WA) Pty Ltd was engaged to conduct a limited assurance review of the appropriateness and effectiveness of the Shire of Serpentine Jarrahdale’s financial management systems and procedures. The objective of the review is to assist the Chief Executive Officer discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

Governance Health Review

The GHR’s report intends to capture the recommendations and actions that were received by Council at the Ordinary Council meeting on the Monday 28 August 2017 (ARG004/07/17). Presenting the GHR’s report to Council, and consequently the wider community having access to the report, endorses transparency and accountability.

Statutory Compliance Calendar

The SCC has been provide to the Shire from the Western Australia Local Government Association (WALGA), a tool that helps the Council to identify the yearly compliance activities throughout the calendar year. The objective is to assist responsible officers to review monthly the relevant activities that require compliance and accountability across a various legislative components.

Community / Stakeholder Consultation

There has been no community consultation in the undertaking of these reports. Internal stakeholder consultation has occurred with Responsible Officers as designated in the status reports attached to this item.

Statutory Environment

Audit Regulation 17

Section 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer to review the appropriateness and effectiveness of the local government’s systems and procedures in relation to Risk Management, Internal Control and Legislative Compliance separately or all at the one time, on the provision that each matter is reviewed at least once every two years.

Financial Management Review

Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer of the Local Government to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the Local Government



regularly (and not less than once in every 4 financial years) and report to the Local Government the results of those reviews.

Governance Health Review & Statutory Compliance Calendar

Whilst there are many provisions in the *Local Government Act 1995* and associated regulations regarding the auditing of financial records, assessment of risk management, internal control and legislative compliance, the undertaking of the SCC and GHR is not bound by legislative requirements. The legislative imperative for each action is noted in the SCC.

Comment

Audit Regulation 17 Improvement Plan Progress Report

The Improvement Plan provides the organisation with a comprehensive overview of business practices and continuous improvement methodologies that work towards increasing best practice standards across all Shire business units.

There are a number of actions that are partially completed or in progress. Full details are contained in attachment ARG004.1/05/18.

The report in ARG004.1/05/18 outlines recommendations for improvements to increase all identified partially effective and ineffective controls to completion status.

Financial Management Review

A FMR was undertaken by Moore Stephens (WA) Pty Ltd in April 2017. The review included a number of findings that were noted for improvement. The findings and status of progress is outlined in attachment ARG004.2/05/18.

Governance Health Review

The scope of the GHR concentrated on governance, financial and compliance aspects of the Shire's operations, including: local laws, delegations, disclosure of interests, credit card control, risk management, tendering, procurement, compliance and internal control, policies, financial management systems, primary and annual returns.

The actions taken to implement the key recommendations of the GHR is to be recorded and reported to the ARG Committee. The key recommendations and status of progress is outlined in attachment ARG004.3/05/18.

Statutory Compliance Calendar

The SCC is based on the template from WALGA and is presented for consideration by the ARG Committee. It aims to provide a corporate calendar for all compliance requirements over the course of a year, including the next due date where an item is not carried out at least once per year.

The calendar's actions have been recorded and report from Responsible Officers, populating the relevant details as outlined in attachment ARG004.4/05/18.

Conclusion

In summary, the status reports provide the organisation with a comprehensive overview of business practices and continuous improvement activities that work towards increasing best practice standards across all Shire business units.



Attachments

- [ARG004.1/05/18](#) – Audit Regulation 17 Improvement Plan – May 2018 (E18/4365)
- [ARG004.2/05/18](#) – Financial Management Review Status Report – May 2018 (E18/4364)
- [ARG004.3/05/18](#) – Governance Health Review Status Report – May 2018 (E18/4363)
- [ARG004.4/05/18](#) – Statutory Compliance Calendar Status Report – May 2018 (E18/4372)

Alignment with our Strategic Community Plan

Outcome 4.1	A resilient, efficient and effective organisation
Strategy 4.1.1	Provide efficient, effective, innovative, professional management of Shire operations to deliver the best outcome for the community within allocated resources.
Strategy 4.1.2	Maximise the Shire's brand and reputation in the community
Outcome 4.2	A strategically focused Council
Strategy 4.2.1	Build and promote strategic relationships in the Shire's interest
Strategy 4.2.3	Provide clear strategic direction to the administration

Financial Implications

There are financial implications associated with some of the key recommendations in the GHR. These costs have been identified and are part of the 2017/18 budget.

There are no financial implications associated with the status reports for SCC, FMR.

Risk Implications

Risk has been assessed on the basis of the Officer's Recommendation.

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Not proceeding with key recommendations for the individual status reports	Unlikely (2)	Minor (2)	Low (1-4)	Compliance - 2 Minor - Regular noticeable temporary non-compliances	Control through improvements as identified in each status report

Risk Matrix



Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Likelihood	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)	
2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)	
1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)	

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 4 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Moved Mrs Newby, seconded Cr Rich

That the Audit, Risk & Governance Committee suspend Standing Orders clauses 9.5; 9.6; 10.7 and 10.13 at 5.32pm to discuss ARG004/05/18.

CARRIED UNANIMOUSLY 6/0

Moved Cr Byas, seconded Cr Coales

That the Audit, Risk & Governance Committee return to Standing Orders at 6.09pm.

CARRIED UNANIMOUSLY 6/0



Voting Requirements: Simple Majority

ARG004/05/18 AUDIT, RISK & GOVERNANCE COMMITTEE DECISION / Officer Recommendation:

Moved Cr Coales, seconded Mrs Newby

That the Audit, Risk and Governance Committee:

- 1. Receives the Audit Regulation 17 status report as contained in attachment ARG004.1/05/18 on the risk management, legislative compliance and internal controls.**
- 2. Receives the Financial Management Review Status report as contained in attachment ARG004.2/05/18.**
- 3. Receives the Governance Health Review Status report as contained in attachment ARG004.3/05/18.**
- 4. Receives the Statutory Compliance Calendar status report as contained in attachment ARG004.4/05/18.**

CARRIED UNANIMOUSLY 6/0

Please note that the Audit, Risk and Governance Committee does not have delegated authority to make decisions. All recommendations of the Audit, Risk and Governance Committee are presented to Council for ratification.



ARG005/05/18 – Reporting on Corporate Business Plan 2017/2018 (SJ940)	
Author:	Kellie Bartley – Manager Corporate Services
Senior Officer/s:	Frazer Sullivan – Director Corporate Services
Date of Report:	24 April 2018
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Introduction

The purpose of this report is for Council to receive the status and outcomes achieved on the objectives and actions of the Shire's Corporate Business Plan during the 2017/2018 period. This has been developed from the new Corporate Business Plan 2017/2021 adopted by Council in July 2017.

Relevant Previous Decisions of Council

OCM087/07/17 – Adoption of 2017/2021 - Corporate Business Plan.

Background

The Shire's Corporate Business Plan 2017/2021 demonstrates how the objectives of the Shire's Strategic Community Plan will be achieved. The *Local Government Act 1995* requires Local Government to plan for the future of their district. The *Local Government (Administration) Regulations 1996* stipulates that a Local Government is to ensure a Corporate Business Plan is made for its district and covers at least four financial years. Local Government is required to review their Corporate Business Plan every year.

Community / Stakeholder Consultation

No community consultation is required in this instance. Business Unit Managers have reviewed the Corporate Business Plan and provided a status against responsible activities. Further discussions were conducted with each Directorate and endorsed by the Executive Management Group.

Statutory Environment

Local Government Act 1995

Local Government (Administration) Regulations 1996

Regulation 19DA of the *Local Government (Administration) Regulations 1996* refers:

19DA. Corporate business plans, requirements for (Act s. 5.56)

- (1) *A local government is to ensure that a corporate business plan is made for its district in accordance with this regulation in respect of each financial year after the financial year ending 30 June 2013.*
- (2) *A corporate business plan for a district is to cover the period specified in the plan, which is to be at least 4 financial years.*
- (3) *A corporate business plan for a district is to —*



- (a) *set out, consistently with any relevant priorities set out in the strategic community plan for the district, a local government's priorities for dealing with the objectives and aspirations of the community in the district; and*
 - (b) *govern a local government's internal business planning by expressing a local government's priorities by reference to operations that are within the capacity of the local government's resources; and*
 - (c) *develop and integrate matters relating to resources, including asset management, workforce planning and long-term financial planning.*
- (4) *A local government is to review the current corporate business plan for its district every year.*
 - (5) *A local government may modify a corporate business plan, including extending the period the plan is made in respect of and modifying the plan if required because of modification of the local government's strategic community plan.*
 - (6) *A council is to consider a corporate business plan, or modifications of such a plan, submitted to it and is to determine* whether or not to adopt the plan or the modifications.*
 - (7) *If a corporate business plan is, or modifications of a corporate business plan are, adopted by the council, the plan or modified plan applies to the district for the period specified in the plan.*
**Absolute majority required.*

Comment

The Corporate Business Plan 2017/2021 report for 2017/2018 provides information on progress against milestones for the 2017/2018 projects and programs within the Corporate Business Plan.

A commentary is provided against each milestone on the actions completed and project status reported as per attachment (ARG005.1/05/18). The progress table uses a colour coding system where Green is proceeding to plan, Orange is manageable issues exist, Red is serious issues – need help, Blue is completed and Yellow is projects carried forward to the following year. A description of the progress update for each individual project is provided to give a summary of its current status.

The report shows that of the 87 actions identified in the Corporate Business Plan to be commenced or completed in the current financial year.

- Seven (7) have been completed;
- 60 are on track and are proceeding to plan;
- 11 that are manageable with issues that exist and are being addressed in the process;
- Four (4) projects have been identified to be carried forward to the following financial year; and
- Eight (8) are not yet started due to resourcing or budget and/or are not due to commence within this year.

An explanation for each is provided in the report.

Corporate business planning is critical to achieve Council's strategic priorities. Regular progress and updates and review ensures that the Shire's projects, services and operations are aligned to the



strategic direction and priorities of Council, and that workforce and financial resources availability is considered to ensure that commitments can be successfully delivered.

Informing strategies such as the Workforce Plan, Asset Management Plan and the Long Term Financial Plan are being actively reviewed and their preparation will support the Strategic Community Plan. These informing strategies will also help assist the Shire to have some sound documents which will be presented to Council over the coming months.

Attachments

- [ARG005.1/05/18](#) – Report on Corporate Business 2017/2018 (E18/4396)

Alignment with our Strategic Community Plan

Outcome 4.1	A resilient, efficient and effective organisation
Strategy 4.1.1	Provide efficient, effective, innovative, professional management of Shire operations to deliver the best outcome for the community within allocated resources
Strategy 4.1.2	Maximise the Shire's brand and reputation in the community
Outcome 4.2	A strategically focused Council
Strategy 4.2.1	Build and promote strategic relationships in the Shire's interest.
Strategy 4.2.2	Ensure appropriate long term strategic and operational planning is undertaken and considered when making decisions
Strategy 4.2.3	Provide clear strategic direction to the administration

Financial Implications

There are no financial implications as a result of this report.

The Corporate Business Plan 2017-2021 has been guided by the allocation of resources in the 2017/2018 annual budget and ensure Council's Strategic Community Plan can be implemented and budgeted for over the future years.

Risk Implications

Risk has been assessed on the basis of the Officer's Recommendation.

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That Council does not accept the report.	Unlikely (2)	Minor (2)	Low (1-4)	Compliance - 3 Moderate - Non-compliance with significant regulatory requirements imposed	Accept Officer Recommendation



Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 4 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Voting Requirements: Absolute Majority

ARG005/05/18 AUDIT, RISK & GOVERNANCE COMMITTEE DECISION / Officer Recommendation:

Moved Cr McConkey, seconded Cr Byas

That the Audit, Risk and Governance Committee receives the report on the status actions on the Corporate Business Plan 2017/2021 for the period 2017/2018 as per attachment ARG005.1/05/18.

CARRIED BY ABSOLUTE MAJORITY 6/0

Please note that the Audit Risk and Governance Committee does not have delegated authority to make decisions. All recommendations of the Audit Risk and Governance Committee are presented to Council for ratification.



ARG006/05/18 – Internal Audit Charter (SJ2196)	
Author:	Frazer Sullivan – Director Corporate Services
Senior Officer/s:	Kenn Donohoe – Chief Executive Officer
Date of Report:	3 May 2018
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Introduction

The purpose of this report is to present to the Audit, Risk and Governance (ARG) Committee with a discussion paper on an Internal Audit to ensure the implementation and establishment of adequate control systems, appropriate risk management and governance procedures are to meet the Shire's objectives and statutory requirements.

Relevant Previous Decisions of Council

There is no previous Council decision relating to this application.

Background

To ensure the appropriateness of internal control systems in place the Shire in the past initiated ad-hoc internal audits of certain operating segments of the organisation. Following the statutory requirement to conduct regular reviews (Audit Regulation 17 Review and Financial Management Systems Review), the Shire identified a need for a more defined plan that will incorporate the Shire's internal audit objectives and meet the statutory requirements.

Community / Stakeholder Consultation

No community consultation is required in this instance. Discussions have been held with the Executive Management Group.

Statutory Environment

Pursuant to *Local Government Act 1995*:

2.7. Role of council

- (1) *The council —*
 - (a) *governs the local government's affairs; and*
 - (b) *is responsible for the performance of the local government's functions.*
- (2) *Without limiting subsection (1), the council is to —*
 - (a) *oversee the allocation of the local government's finances and resources; and*
 - (b) *determine the local government's policies."*

Pursuant to *Regulations 16 and 17 of the Local Government (Audit) Regulations 1996*:

16. Audit committee, functions of an audit committee —

- (a) *is to provide guidance and assistance to the local government —*
 - (i) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*



- (ii) *as to the development of a process to be used to select and appoint a person to be an auditor; and*
- (b) *may provide guidance and assistance to the local government as to —*
 - (i) *matters to be audited; and*
 - (ii) *the scope of audits; and*
 - (iii) *its functions under Part 6 of the Act; and*
 - (iv) *the carrying out of its functions relating to other audits and other matters related to financial management;*

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.*
- (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 at least once every 2 calendar years.*
- (3) *The CEO is to report to the audit committee the results of that review.”*

Pursuant to *Local Government (Financial Management) Regulations 1996:*

5. CEO's duties as to financial management

- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
 - (a) *for the proper collection of all money owing to the local government; and*
 - (b) *for the safe custody and security of all money collected or held by the local government; and*
 - (c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and*
 - (d) *to ensure proper accounting for municipal or trust —*
 - (i) *revenue received or receivable; and*
 - (ii) *expenses paid or payable; and*
 - (iii) *assets and liabilities;**and*
 - (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments; and*
 - (f) *for the maintenance of payroll, stock control and costing records; and*
 - (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*
- (2) *The CEO is to —*
 - (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
 - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
 - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.*



Comment

Due to increased focus on the accountability of local governments a review of the effectiveness of all business processes is becoming best practice. Internal audit is one way to reduce risk and identify inefficient internal controls; however it brings more than just this reassurance to an organisation. There are many benefits to implementing this value add approach such as:

- Improves the “control environment” of the organisation.
- Makes the organisation process-dependent instead of person-dependent.
- Identifies redundancies in operational and control procedures and provides recommendations to improve the efficiency and effectiveness of procedures.
- Serves as an early warning system, enabling deficiencies to be identified and remediated on a timely basis (i.e. prior to external, regulatory or compliance audits)
- Ultimately increases accountability within the organisation.
- It can support strategic objectives; for example cost reduction initiatives.

To ensure the Shire’s assets are safe guarded and to oversee the allocation of the public resources it is recommended that the Shire will implement an Internal Audit Plan.

Attachments

- [ARG006.1/05/18](#) – Internal Audit Discussion Paper (E18/4319)

Alignment with our Strategic Community Plan

Outcome 4.2	A strategically focused Council
Strategy 4.2.2	Ensure appropriate long term strategic and operational planning is undertaken and considered when making decisions
Strategy 4.2.3	Provide clear strategic direction to the administration

Financial Implications

There are no financial implications arising from the recommendations contained within this report. However, additional resources may be required for the implementation of the Improvement Plan and associated process and systems in a timely manner.

Risk Implications

Risk has been assessed on the basis of the Officer’s Recommendation.

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That Council does not accept this report	Unlikely (2)	Moderate (3)	Moderate (5-9)	Compliance - 3 Moderate - Non-compliance with significant regulatory requirements imposed	Accept Officer Recommendation



Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Unlikely	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)
	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

Risk Ratings have been determined with respect to probability and or consequences of adverse outcomes if action is not taken. Potential adverse outcomes may be quantitative impact (for example financial loss) or qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 6 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Moved Mrs Newby, seconded Cr McConkey

That the Audit, Risk & Governance Committee suspend Standing Orders clauses 9.5; 9.6; 10.7 and 10.13 at 6.17pm to discuss ARG006/05/18.

CARRIED UNANIMOUSLY 6/0

Moved Cr Byas, seconded Cr McConkey

That the Audit, Risk & Governance Committee return to Standing Orders at 6.28pm.

CARRIED UNANIMOUSLY 6/0



Voting Requirements: Simple Majority

**ARG006/05/18 AUDIT, RISK & GOVERNANCE COMMITTEE DECISION / Officer
Recommendation:**

Moved Cr McConkey, seconded Mrs Newby

**That Audit, Risk and Governance Committee accepts the Internal Audit Discussion Paper as
contained in attachment ARG006.1/05/18.**

CARRIED UNANIMOUSLY 6/0

Officers Note

**Should the Audit, Risk and Governance Committee determine that any issues/matters require
urgent attention, Committee Members are encouraged to nominate these in the
recommendation for referral to Council for consideration.**

*Please note that the Audit Risk and Governance Committee does not have delegated authority to
make decisions. All recommendations of the Audit Risk and Governance Committee are presented
to Council for ratification.*



ARG007/05/18 – 2017/2018 Interim Audit Report (SJ2196)	
Author:	Les Mainwaring – Manager Finance
Senior Officer/s:	Frazer Sullivan – Director Corporate Service
Date of Report:	7 May 2018
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Introduction

The Audit, Risk and Governance Committee are being asked to receive the Interim Audit Report as provided by Moore Stephens (WA) Pty Ltd.

Relevant Previous Decisions of Council

There is no previous Council decision relating to this application/issue.

Background

As part of the audit engagement for the period 1 July 2017 to 30 June 2018, Moore Stephens provide an interim audit that focuses on systems and procedures, and compliance in the lead up to the final audit which reviews the preparation of the annual financial report.

Community / Stakeholder Consultation

Nil

Statutory Environment

Regulation 5.(2)(c) of the *Local Government (Financial Management) Regulations 1996* requires the Chief Executive Officer of a local government to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.

A major four yearly review was completed in 2016/2017 however the results of this interim review of April 2018 is a continuation of the focus on the appropriateness and effectiveness of the financial management systems.

Comment

Moore Stephens have completed their interim audit and have commented on those aspects of the Shire of Serpentine Jarrahdale's Financial Management systems and procedures that are assessed as having opportunities for improvement, or have presented matters of compliance. Their findings are summarised as Attachment ARG007.1/05/18 which includes detailed observations and comments.



Options and Implications

Nil

Conclusion

Actions or recommendations have been taken to address each of the four issues raised and Council is commended to accept the Interim Audit Report.

Attachments

- [ARG007.1/05/18](#) – Interim Audit Report April 2018 (Moore Stephens) (IN18/10616)

Alignment with our Strategic Community Plan

Outcome 3.1	A commercially diverse and prosperous economy
Strategy 3.1.1	Actively support new and existing local business within the district.
Outcome 4.2	A strategically focused Council
Strategy 4.2.1	Build and promote strategic relationships in the Shire's interest.

Financial Implications

There are no financial implications associated with this report.

Risk Implications

Risk has been assessed on the basis of the Officer's Recommendation.

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Reconciliation	Unlikely (2)	Moderate (3)	Moderate (5-9)	Financial Impact - 3 Moderate - \$250,000 - 500,000	Manage by resource allocation....
Notice	Unlikely (2)	Minor (2)	Low (1-4)	Compliance - 2 Minor - Regular noticeable temporary non-compliances	Control through report inclusion...
Creditors	Possible (3)	Moderate (3)	Moderate (5-9)	Financial Impact - 3 Moderate -	Treat through control introduction...



				\$250,000 - 500,000	
Depreciation	Unlikely (2)	Moderate (3)	Moderate (5-9)	Financial Impact - 3 Moderate - \$250,000 - 500,000	Manage by resource allocation....

Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Likelihood	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative or a deviation from the expected and may be related to the following objectives; occupational health and safety, financial, service interruption, compliance, reputation and environment. A risk matrix has been prepared and a risk rating of 6 has been determined for this item. Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Voting Requirements: Simple Majority

ARG007/05/18 AUDIT, RISK & GOVERNANCE COMMITTEE DECISION / Officer Recommendation:

Moved Cr McConkey, seconded Mrs Newby

That the Audit, Risk and Governance Committee receives the Interim Audit Report as prepared by Moore Stephens as per Attachment ARG007.1/05/18.

CARRIED UNANIMOUSLY 6/0

Please note that the Audit Risk and Governance Committee does not have delegated authority to make decisions. All recommendations of the Audit Risk and Governance Committee are presented to Council for ratification.

7. Motions of which notice has been given:

Nil

8. Urgent business:

Nil



9. Closure:

There being no further business, the Presiding Member declared the meeting closed at 6.30pm.

I certify that these minutes were confirmed at the
Audit, Risk & Governance Committee Meeting held on 21 August 2018.

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Presiding Member

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Date