



Shire of  
Serpentine  
Jarrahdale

# Audit, Risk and Governance Committee Meeting Minutes

Monday, 31 July 2017  
5.30pm

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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](http://www.sjshire.wa.gov.au)



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Minutes of the Audit, Risk and Governance Committee Meeting held in the Council Chambers, 6 Paterson Street, Mundijong on Monday 31 July 2017. The Presiding Member declared the meeting open at 5.30pm and welcomed Councillors, staff and members of the gallery and acknowledged that the meeting was being held on the traditional land of the Noongar People and paid his respects to their Elders past and present.

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

### In Attendance:

**Councillors:** J Erren ..... Presiding Member  
S Hawkins  
S Piipponen (In capacity as Deputy Member)  
M Rich  
J See

**Officers:** Mr K Donohoe ..... Chief Executive Officer  
Mr P Kocian ..... Acting Director Corporate and Community  
Ms K Cornish ..... Governance Advisor  
Ms A Liersch ..... Minutes and Governance Officer (Minute Taker)

**Leave of Absence:** Nil

**Apologies:** Mr D Elkins, Director Engineering; Mr A Schonfeldt, Director Planning

**Observers:** Councillor K Ellis entered the meeting at 5.33pm as an observer. Councillor Ellis did not participate in the meeting.

Shire Officers - Nil

Members of the Public - Nil

Members of the Press - Nil

## 2. Public question time:

Nil

## 3. Public statement time:

Nil

## 4. Declaration of Councillors and Officers interest:

Nil

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



## 5.1 Minutes of previous Audit, Risk and Governance Committee Meeting:

### 5.1.1 Audit, Risk and Governance Committee Meeting – 6 June 2017

Moved Cr Hawkins, seconded Cr See

That the minutes of the Audit, Risk and Governance Committee Meeting held on 6 June 2017 be confirmed (E17/4379).

CARRIED UNANIMOUSLY 5/0

## 5.2 Reports for consideration:

<b>ARG004/07/17 – Present Key Recommendations from the Governance Health Review (E17/4379)</b>	
<b>Author:</b>	Karen Cornish – Governance Advisor
<b>Senior Officer/s:</b>	Kellie Bartley – Manager Corporate Services Peter Kocian – Acting Director Corporate & Community
<b>Date of Report:</b>	14 July 2017
<b>Disclosure of Officers Interest:</b>	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 (the Committee) is being asked to accept the report, the key recommendations and the Officers' response to the Governance Health Review – June 2017.

### Relevant Previous Decisions of Council

AEM009/01/17 – Council authorised the CEO to undertake a health assessment of general compliance provisions of the organisation and the appropriateness and effectiveness of the financial management systems and procedures of the Shire.

### Background

The CEO engaged the services of Gary Martin and Ron Back in April 2017, in response to the decision of Council referred to in the section above. Both Mr Gary Martin and Mr Ron Back have extensive relevant local government experience and a brief synopsis of experience is provided below.

#### Mr Gary Martin

Gary Martin is a Local Government consultant with some 52 years' experience, covering all regions of Western Australia. Mr Martin's experience includes the conduct of Local Government investigations, Code of Conduct allegations, disciplinary matters, Public Interest Disclosure complaints and compliance audits. Mr Martin's most recent roles included the Acting CEO at the Shire of Dowerin following the Corruption and Crime Commission intervention in 2015 and the examination of issues at the Shire of Exmouth arising from the Crime and Corruption Commission's investigation in 2017.



### Mr Ron Back

Mr Back is a specialist Local Government financial consultant with some 37 years of Local Government experience. Mr Back has been actively involved in the development of corporate plans, business plans, policy reviews, advisory services concerning governance, finance and accounting. Mr Back has also developed all components under the integrated planning framework for a number of Local Governments in Western Australia. In 2016, Mr Back undertook a forensic audit for the Shire of Dowerin in conjunction with the Crime and Corruption Commission's investigation as well as an examination of issues at the Shire of Exmouth in 2017.

### **Community / Stakeholder Consultation**

The Governance Health Review was presented at Policy Concept Forum.

#### Policy Concept Forum

<b>Meeting Date</b>	10 July 2017
<b>Councillors in Attendance</b>	Cr Atwell, Cr Ellis, Cr Erren, Cr Gossage, Cr Hawkins, Cr Piipponen, Cr Rich, Cr See

There has been no community consultation in the undertaking of the Governance Health Review (the Review). However, the decision to undertake the Review is in line with a decision made at the Annual Meeting of Electors, held 23 January 2017. Presenting the Review to Council, and consequently the wider community having access to the report, endorses transparency and accountability.

### **Statutory Environment**

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 this Governance Health Review is not bound by a legislative requirement.

### **Comment**

The scope of the Governance Health Review concentrated mainly on the 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. Interaction and discussion with relevant employees occurred during the two weeks that Mr Martin and Mr Back were at the Shire offices. This provided the opportunity to discuss and assist employees in regards to compliance and best practice, and issues effecting roles and responsibilities.

The Review refers to the Shire experiencing a period of instability, a consequence of the Local Government reform process and recent turnover of CEO's and Directors, which adversely affected the organisation and contributed towards a loss of organisational knowledge and momentum. With the appointment of a new CEO in February 2017, the governance health check provides a foundation for the new CEO's management of the Shire going forward.

The key recommendations from the Review are highlighted in this report and the Officers' Response indicates the progress, or the intended action to be carried out in response to the recommendation.



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Key Recommendation 1

It is recommended that a suitable external resource be engaged to review the Shire's Local Laws as soon as possible.

Officers' Response

An amount of \$50,000 has been allocated in the 2017/18 budget for a consultant to undertake a review of the Shire's Local Laws. A project plan will be undertaken by Corporate Services and presented to Executive Management Group (EMG) in September 2017.

Key Recommendation 2

It is recommended that the Risk Assessment Matrix be subject to monthly review by senior management.

Officers' Response

- Training for employees in using the Shire's adopted Risk Assessment Matrix is underway.
- Commencing August 2017 the Risk Assessment Matrix will form part of every agenda item report in accordance with Council decision OCM233/12/16.
- Any item with a risk ranking of greater than '10' categorised as either 'High' or 'Extreme Risk', and apparent to be ongoing, will be listed on the Shire's Risk Register.
- The Risk Register will be reviewed by Executive Management Group and will be a standing item on the agenda for each Audit, Risk and Governance Committee meeting.

Key Recommendation 3

It is recommended that the Council conduct at least an annual Governance Workshop. June each year would be timely in respect of the completion of Annual Returns.

Officers' Response

- The Shire is preparing a comprehensive induction process for Councillors in readiness for the 2017 Local Government Elections.
- Corporate Services shall provide a training session for Councillors on completing Primary Returns following the 2017 Local Government elections.

Key Recommendation 4

It is recommended that the Shire engage a suitable Procurement Manager to control the procurement function.

Officers' Response

The Shire's organisational structure is currently under review and it will be proposed that a Procurement Officer be funded.

Key Recommendation 5

It is recommended that the CEO implement a comprehensive internal audit function.

Officers' Response

An Internal Audit Charter is being developed and will be presented to the ARG Committee in September 2017.



#### Key Recommendation 6

It is recommended that the annual Compliance Return be independently prepared.

#### Officers' Response

A suitable consultant shall be appointed for this process.

Prior to the 2016 Compliance Audit Return, the Shire engaged an external consultant to peer review and audit the Shire's annual Compliance Audit Return. Each year, a copy of the consultant's report was presented to Council when seeking adoption of the Compliance Audit Return.

#### Key Recommendation 7

It is recommended that the CEO develop a process of issuing Shire workplace management directives, work procedures, a program of internal checklists and the regular reporting of the status of internal control compliance.

#### Officers' Response

- Corporate Services is working with all Departments to review and update their processes and relevant Work Procedures. These work procedures support and assist Council's policy position.
- Regular reporting on the progress of the Shire's Regulation 17 report to the Audit, Risk and Governance Committee shall ensure regular updates are provided on internal control compliance.

#### Key Recommendation 8

It is recommended that the Shire review all policies with the view to separating policy from procedures.

#### Officers' Response

- A review of Council's policies is programmed to occur in late 2017.
- A project plan outlining the process is to be presented to Executive Management Group in September 2017. Comment is invited from Councillors on the level of involvement and the stage they would like to be involved in the Policy review before the project plan is to be submitted.

#### Key Recommendation 9

It is recommended that a register be maintained of the status of Elected Member training.

#### Officers' Response

- A register is in place detailing the training each Councillor undertakes, the cost of the training and any on costs is recorded by Executive Services.
- Reporting this information is planned to be included in the Councillor Information Bulletin commencing July 2017.



## Options and Implications

Council has 3 options in relation to this report.

Option 1: Accept the report, the key recommendations and the Officers' response as contained in this report.

Option 2: Reject the report, the key recommendations and the Officers' response.

Option 3: Accept the report, the key recommendations and the Officers' response subject to modifications.

Adopting Option 1 is recommended.

## Conclusion

In summary, the Review notes that: *“the Shire has sound management systems and procedures. The matters noted in this report generally reflect inconsistent or incomplete compliance and human error, and not any systemic failure. The overall level of compliance and management processes is sound, with an obvious awareness of legislation and requirements in some key personnel. But there is a need for constant and rigorous discipline and regular review to counter error and misinterpretation of complex legislative requirements.”*

The Shire notes all matters raised in this Review and intends to capture the recommendations and action required on the Shire's Business Improvement Plan, which is brought before each Audit, Risk and Governance Committee for reporting and assessment.

## Attachments

- [ARG004.1/07/17](#) - Governance Health Review – June 2017 (IN17/14299)

## Alignment with our Strategic Community Plan

<b>Objective 1.1</b>	Strong Leadership
<b>Key Action 1.1.1</b>	Drive a continuous improvement, 'can-do' and creative work culture
<b>Objective 1.4</b>	Listening and Learning
<b>Key Action 1.4.2</b>	Use appropriate tools and methods to maximise opportunities for the community to access and participate in decisions made by Council

## Financial Implications

There are financial implications associated with some of the key recommendations in the Governance Health Review. These costs have been identified and form part of the 2017/18 budget for adoption by Council.





## 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 from the Review	Unlikely (2)	Minor (2)	Low (1-4)	Compliance - 2 Minor - Regular noticeable temporary non-compliances	Accept Officer Recommendation

## Risk Matrix

Consequence / Likelihood		Consequence				
		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:** Simple Majority

**ARG004/07/17 ARG COMMITTEE DECISION / Officer Recommendation**

**Moved Cr See, seconded Cr Hawkins**

**That the Audit, Risk and Governance Committee;**

- 1. Accepts the Governance Health Review as contained in attachment ARG004.1/07/17.**
- 2. Acknowledges and accepts the key recommendations and the Officers' response as contained in this report.**



- 3. Requests that action taken to implement the key recommendations of the Governance Health Review be recorded and reported on at a future meeting of the Audit, Risk and Governance Committee.**

**CARRIED UNANIMOUSLY 5/0**

*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.*



Councillor Ellis entered the meeting at 5.33pm as an observer. Councillor Ellis did not participate in the meeting.

<b>ARG005/07/17 – Report and findings from Department of Local Government and Communities on alleged breaches (SJ2143)</b>	
<b>Author:</b>	Karen Cornish – Governance Advisor
<b>Senior Officer/s:</b>	Kellie Bartley – Manager Corporate Services Peter Kocian – Acting Director Corporate & Community
<b>Date of Report:</b>	14 July 2017
<b>Disclosure of Officers Interest:</b>	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 (the Committee) is being asked to accept the findings of a report from the Department of Local Government and Communities into alleged breaches.

### Relevant Previous Decisions of Council

There is no previous Council decision relating to this issue.

### Background

On 23 December 2016, representatives from the Department of Local Government and Communities (the Department) (now known as Department of Local Government, Sport and Cultural Industries) met with the then Acting Chief Executive Officer (CEO) and Shire Officers, and hand delivered two letters requesting information as a result of complaints received by the Department.

The first request for information related to alleged unauthorised corporate credit card expenditure during 2013, 2014 and 2015 and included some 150 transactions. The second request for information related to 7 allegations that a number of breaches had occurred.

### Community / Stakeholder Consultation

#### Policy Concept Forum

The report from the Department was presented to Councillors at Policy Concept Forum.

<b>Meeting Date</b>	10 July 2017
<b>Councillors in Attendance</b>	Cr Atwell, Cr Ellis, Cr Erren, Cr Gossage, Cr Hawkins, Cr Piipponen, Cr Rich, Cr See

Presenting this report to Council, and releasing it to the public demonstrates the Shire is functioning openly and transparently. Upon advice from the Department, personal information contained within the report is required to be redacted and this is the reason for many blacked out sections within the report.



## **Statutory Environment**

Section 8.2 of the *Local Government Act 1995* requires a Local Government to provide information as specified in a written notice from the Minister or Departmental CEO.

### **Comment**

The Department's findings and the Shire's comment relating to each allegation is presented below.

#### Allegation 1

During the years 2013, 2014 and 2015 former employees used Shire issued credit cards to make multiple unauthorised purchases.

#### Department's Findings

It is noted that the credit card policy has been reviewed and updated, however further tightening of the policy is recommended to ensure consistency, openness and transparency.

It is also recommended that a more detailed explanation should be considered when preparing credit card transaction for acquittal and the process in doing so should be consistent throughout the organisation.

#### Shire's Response

- The Shire has reduced the number of cards to a single card.
- The cardholder signs a Corporate Purchasing Card User Agreement acknowledging and agreeing to the conditions of use.
- The CEO countersigns the monthly purchasing card statement.
- All requests for purchases using the corporate card require a requisition form to be completed, detailing the nature of all transactions.
- Council Policy G917 Corporate Purchasing cards is to be reviewed coinciding with a complete Policy Review scheduled to occur in late 2017.

#### Allegation 2

Expenditure incurred by Shire employees on corporate credit cards is alleged to not have been made available in an open and transparent reporting to Council as per Regulation 13 of the *Local Government (Financial Management) Regulations 1996* (the Regulations).

#### Department's Findings

The Department considers no further action is necessary as the Council has rectified their non-compliance and provided evidence of the amended Policy G917.

#### Shire's Response

A list of all transactions made with a Shire issued Corporate Purchasing Card is reported to Council with the monthly accounts list, this has been in place since July 2016.



### Allegation 3

Two Councillors as well as unnamed Shire employees allegedly failed to disclose financial interests in matters before Council as per the financial interest provisions of the *Local Government Act 1995* (the Act).

### Department's Findings

The allegation is unsubstantiated.

### Allegation 4

Alleged unauthorised expenditure concerning the allocated funding for the relocation of the Byford and Districts Country Club (BDCC) and the Byford and Districts BMX Track (BMX Track).

### Department's Findings

The allegation is unsubstantiated.

The Shire is reminded that a decision to create a Reserve can only be made by Council.

### Shire's Response

Council adopted the 2016/17 budget on 25 July 2016 and the Reserve account was adopted as part of that budget. The Reserve account has been maintained since it was formally established and has a current balance of \$328,583.

### Allegation 5

A former employee allegedly published confidential information namely tender documentation on the Shire's website resulting in a financial loss to the Shire of \$78,488.68 excluding GST.

### Department's Findings

The allegation is unsubstantiated.

### Shire's Response

The Shire paid a total of \$5,777.20 in legal fees. The Shire's insurer, LGIS advise this matter has been successfully resolved and is now finalised.

### Allegation 6

Alleged failure to comply with Policy "G807 - Legal Representation and Cost Indemnification" regarding legal action.

### Department's Findings

The Department recommends that the Shire consider implementing changes to Policy G807 to ensure that Council, the Shire and their legal representatives are of the same opinion with similar matters going forward.



### Shire's Response

A review of Council's policies is programmed to occur in late 2017. A project plan outlining the process is to be presented to Executive Management Group in September 2017. Comment is invited from Councillors on the level of involvement and the stage they would like to be involved in the Policy review before the project plan is submitted.

### Allegation 7

Alleged failure to comply with Policy "G003 - Councillor Entitlements" relating to training undertaken by a Councillor over the course of 2014 and 2015 exceeded the Shire's budget allocation for training of \$3,500.00 per Councillor per year.

### Department's Findings

The Department recommends that Council review Policy G003 to provide consistent and clear guidelines for Councillors, the Council and the CEO going forward.

### Shire's Response

- Whilst the budget was based on an allotted \$3,500 per Elected Member for training, the overall adopted budget for Elected Member training was not exceeded.
- A review of Council's policies is programmed to occur in late 2017. A project plan outlining the process is to be presented to Executive Management Group in September 2017. Comment is invited from Councillors on the level of involvement and the stage they would like to be involved in the Policy review before the project plan is submitted.

### **Options and Implications**

Council has 3 options in relation to this report.

Option 1: Accept the report from the Department and endorse the Shire's response as contained in this report.

Option 2: Reject the report from the Department and the Shire's response as contained in this report.

Option 3: Accept the report from the Department and the Shire's response subject to modifications.

Adopting Option 1 is recommended.

### **Conclusion**

In order to monitor the recommendations made, the Department has requested that the Shire provide the Department with evidence of the progress made towards implementing the recommendations within three months. The Shire will ensure it informs the Department on progress made on policy reviews relating to allegations 1, 6 and 7. Allegations 2, 3, 4 and 5 are considered final with no further action required.

### **Attachments**

- [ARG005.1/07/17](#) - Redacted Report from Department of Local Government and Communities - Findings and recommendations on allegations (E17/6821)



### Alignment with our Strategic Community Plan

<b>Objective 1.2</b>	Progressive Organisation
<b>Key Action 1.2.4</b>	Provide robust reporting that is relevant, transparent and easily accessible by staff and the community.
<b>Objective 2.1</b>	Responsible Management.
<b>Key Action 2.1.1</b>	Undertake best practice financial and asset management.

### Financial Implications

The financial implications of this report was limited to Officers undertaking the relevant research and providing suitable evidence to counter the allegations made against the Shire. It is estimated that, over a period of 4 weeks, some 160 hours of Officer time was dedicated to undertaking research and information gathering in order to provide the Department with the relevant information and evidence to assess the allegations.

Actions required to progress the recommendations and report to the Department will be met from the Shire's operating budget.

### 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 undertaking the recommendations of the Department	Unlikely (2)	Minor (2)	Low (1-4)	Compliance - 2 Minor - Regular noticeable temporary non-compliances	Accept Officer Recommendation

### Risk Matrix

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

**ARG005/07/17 ARG COMMITTEE DECISION / Officer Recommendation:**

**Moved Cr Hawkins, seconded Cr Piipponen**

**That the Audit, Risk and Governance Committee;**

- 1. Accepts the Report - Findings and recommendations on allegations from the Department of Local Government and Communities (as contained in attachment ARG005.1/07/17).**
- 2. Acknowledges and accepts the key recommendations and the Shire's response as contained in this report.**
- 3. Requests that action taken to inform the Department on progress made on policy reviews relating to allegations 1, 6 and 7, of the Department of Local Government and Communities report (as contained in attachment ARG005.1/07/17), be reported on at a future meeting of the Audit, Risk and Governance Committee.**

**CARRIED 4/1**

***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.***





<b>ARG006/07/17 – Audit, Risk and Governance Committee – Terms of Reference – External Independent Member (SJ2196)</b>	
<b>Author:</b>	Peter Kocian, Acting Director Corporate and Community
<b>Senior Officer/s:</b>	Kenn Donohoe, Chief Executive Officer
<b>Date of Report:</b>	18 July 2017
<b>Disclosure of Officers Interest:</b>	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

At the Audit, Risk and Governance Committee meeting of 20 March 2017, the Committee endorsed that the Terms of Reference be amended to include the addition of two (2) external independent members on the Committee.

This report evaluates the expression of interests from community members and makes a recommendation for appointment (s) to the Audit, Risk and Governance Committee.

### Relevant Previous Decisions of Council

AC002/03/17 is applicable:

*COUNCIL DECISION / Audit Committee Recommendation / Officer Recommendation:*

*Moved Cr Rich, seconded Cr See*

*That Council:*

- 1. Endorses and recommends that Council adopt the change of name from Audit Committee to Audit, Risk & Governance Committee.*
- 2. Endorses and recommends that Council adopt the Terms of Reference as contained in attachment AC002.1/03/17.*

*CARRIED UNANIMOUSLY*

### Background

Part 5 of the Terms of Reference for the Audit, Risk and Governance Committee deals with the composition of the Committee and states as follows:

- 5.1 The ARG committee will comprise of seven (7) members, five (5) Elected Members and two (2) external independent members.
- 5.2 An external member will be a person independent of the Shire of Serpentine Jarrahdale, and will not have provided paid services to the Shire either directly or indirectly.
- 5.3 External independent members will be selected based on the following criteria:
  - a) demonstrated high level of expertise and knowledge in financial management, reporting, governance and audit; and
  - b) relevant skills and experience in providing independent expert advice.



- 5.4 Appointments of external independent members will be made following a public advertisement. The Chief Executive Officer (CEO) will evaluate potential members and make a recommendation to Council.
- 5.5 The Council will appoint all members of the ARG committee.
- 5.6 Members shall be appointed for a period of up to two (2) years terminating on the day of the Local Government Ordinary Council Elections, unless Council resolves otherwise.
- 5.10 Reimbursement of expenses approved by Council may be paid to an external person who is a member of the ARG committee.

### **Community / Stakeholder Consultation**

Expressions of Interest calling for community nominations to the Audit, Risk and Governance Committee were advertised in The West Australian Public Notices on 3 May 2017 and the Examiner Newspaper on 4 May 2017. Expressions of Interest closed on 26 May 2017, resulting in three (3) nominations.

### **Statutory Environment**

The Audit, Risk and Governance Committee has been established in accordance with part 7 of the *Local Government Act 1995*. Council has approved the Terms of Reference for the Committee to support the Council in fulfilling its responsibilities in relation to risk management systems, internal control structure, financial reporting, compliance with laws and regulations and internal and external audit functions.

Section 7.1A (2) of the *Local Government Act 1995* states the membership of an Audit Committee must be at least three members and the majority of members must be Council members. Members to the Committee are appointed by an absolute majority vote by Council.

The Committee does not have executive powers or authority. All recommendations of the Committee are to be presented to Council for determination.

Section 5.100 of the *Local Government Act 1995*, states that a person who is not a council member or an employee is not to be paid a fee for attending any committee meeting. Council, can however, determine an amount as reimbursement.

### **Comment**

A summary of the three community nominations received is presented as confidential attachment **ARG006.1/07/17**. All applicants appear suitably qualified to be considered as external independent members on the Audit, Risk and Governance Committee. The Acting Director Corporate and Community did speak directly to one of the applicants, and it is deemed that this person would be a strong contributor on the Committee.

However, remuneration for the external independent members is an issue. Two of the applicants have requested a meeting fee (ranging from \$600 a meeting to \$1,200 a meeting), whilst the other applicant has requested reimbursement of travel costs to attend Committee Meetings. It is suggested that the Committee recommend to Council an annual gratuity of \$2,000 for reimbursement of expenses in attending Audit, Risk and Governance Committee Meetings.

The Terms of Reference provides for a minimum four (4) meetings per year. The proposed gratuity is not considered unreasonable as a significant time commitment is required to prepare for meetings.



### Options and Implications

1. The Committee can recommend to Council to accept a maximum of two (2) external nominations as appointments to the Audit, Risk and Governance Committee pursuant to the Terms of Reference.
2. Should the Committee decide that none of the nominations are suitable as appointments to the Audit, Risk and Governance Committee, the Committee should determine whether the Terms of Reference need to be amended to remove external members from the composition of the Committee.

### Conclusion

Option one is recommended as all applicants are considered suitable for appointment to the Audit, Risk and Governance Committee.

### Attachments

**CONFIDENTIAL ARG006.1/07/17** – Summary of Expressions of Interest (E17/6782)

**CONFIDENTIAL ARG006.2/07/17** – Expression of Interest Forms and Resumes (E17/6784)

### Alignment with our Strategic Community Plan

<b>Objective 1.2</b>	Progressive Organisation
<b>Key Action 1.2.6</b>	Comply with all legislative and statutory requirements

### Financial Implications

Should the Committee, and subsequently Council, accept the Officers Recommendation; the 2017/18 Budget will need to be amended to include the amount of \$4,000 as reimbursements for the external members appointed to the Audit, Risk and Governance Committee.

### Risk Implications

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 the Committee does not endorse the appointment of external members.	Possible (3)	Moderate (3)	Moderate (5-9)	Reputation - 2 Minor - Substantiated, localised impact on key stakeholder trust or low media item	Accept Officer Recommendation



**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 9 has been determined for this item. Should the Committee not endorse the appointment of external members, it may give rise to reputational damage and accusations of limited transparency.

**Voting Requirements:** Simple Majority

**ARG COMMITTEE DECISION**

Moved Cr Piipponen, seconded Cr Hawkins

That Standing Orders 9.5, 9.6, 10.7 and 10.13 be suspended at 5.38pm in order to further discuss item ARG006/07/17.

**CARRIED UNANIMOUSLY 5/0**

**ARG COMMITTEE DECISION**

Moved Cr Piipponen, seconded Cr Hawkins

That Standing Orders be reinstated at 5.48pm.

**CARRIED UNANIMOUSLY 5/0**

**ARG006/07/17 ARG COMMITTEE DECISION / Officer Recommendation**

Moved Cr See, seconded Cr Piipponen

That, with respect to the appointment of external members to the Audit, Risk and Governance Committee, that the Committee recommends to Council the following:

1. That an annual gratuity of \$2,000 as reimbursement for expenses be determined for each external member, inclusive of travel to meetings, and that the 2017/18 Budget be amended to include an allocation of \$4,000 in total reimbursements for external members to the Audit, Risk and Governance Committee.
2. That Ms Eileen Newby and Mr Santo Casilli be appointed as external members to the Audit, Risk and Governance Committee.

**CARRIED UNANIMOUSLY 5/0**

*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.*



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**6. Motions of which notice has been given:**

Nil

**7. Urgent business:**

Nil

**8. Closure:**

There being no further business the Presiding Member declared the meeting closed at 5.50pm.

I certify that these minutes were confirmed at the  
Audit, Risk & Governance Committee Meeting held on 5 September 2017.

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Presiding Member

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Date