



Shire of
Serpentine
Jarrahdale

Audit, Risk and Governance Committee

Confirmed Minutes

Monday, 22 February 2021

5.30pm

Received by Council
15/03/21 – OCM045/03/21

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Open Monday to Friday 8.30am-5pm (closed public holidays)



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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 Monday, 22 February 2021.

The Presiding Member, Councillor Byas declared the meeting open at 5.30pm and welcomed Councillors, Committee Members and Staff, and acknowledged that the meeting was being held on the traditional land of the Noongar People and paid his respects to the Traditional Owners, Elders Past, Present and Emerging

Minutes

1. Attendances and apologies (including leave of absence)

Councillors: M Byas.....Presiding Member
M Rich
R Coales
B Denholm
D Strautins (Deputy Member)

Independent Members: Ms E Newby
Mr S Casilli

Officers: Mr P Martin..... Chief Executive Officer
Ms H Sarcich.....Deputy CEO / Director Community and
Organisational Development
Mr F SullivanDirector Corporate Services
Mr A Trosic.....Director Development Services
Mr S Harding.....Director Infrastructure Services
Dr K ParkerManager Governance
Ms A LierschAgendas and Minutes Officer (Minute Taker)

Apologies: Councillor K McConkey;

2. Petitions and deputations:

Nil.

3. Declaration of Councillors and Officer's interest:

Nil.



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

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

4.1.1 Audit, Risk and Governance Committee Meeting – 23 November 2020

ARG002/02/21

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Cr Rich, seconded Ms Newby

That the minutes of the Audit, Risk and Governance Committee Meeting held on 23 November 2020 be CONFIRMED (E20/13662).

CARRIED UNANIMOUSLY 7/0

4.1.2 Special Audit, Risk and Governance Committee Meeting – 1 February 2021 [rescheduled 8 February 2021]

ARG003/02/21

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Cr Rich, seconded Ms Newby

That the minutes of the Special Audit, Risk and Governance Committee Meeting held on 1 February 2021 [rescheduled 8 February 2021] be CONFIRMED (E21/1643).

CARRIED UNANIMOUSLY 7/0



4.2 Reports for consideration:

4.2.1 – Strategic Risk Register Quarterly Review Report – February 2021 (SJ2881)	
Responsible Officer:	Manager Governance
Senior Officer:	Director Corporate Services
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> .

Authority / Discretion

Information	For the Council / Committee to note.
Executive	The substantial direction setting and oversight role of the Council such as adopting plans and reports, accepting tenders, directing operations and setting and amending budgets.

Report Purpose

The purpose of this report is to provide the Audit, Risk and Governance Committee (the Committee) an overview of the quarterly review undertaken on the Shire's Strategic Risk Register and provide the Committee with the updated Strategic Risk Register for recommendation to Council for endorsement.

Relevant Previous Decisions of Council

<i>Ordinary Council Meeting – 14 December 2020 - OCM381/12/20 - COUNCIL RESOLUTION - extract</i> <i>4. That Council ADOPTS Audit, Risk and Governance Committee Resolution ARG028/11/20 and NOTES the Strategic Risk Register Review as contained within this paper; ENDORSES the updated Strategic Risk Register as contained within attachment 1.</i>
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Background

Risk Management is a framework of culture, processes and structures directed towards the effective management of risk. This includes consideration of both potential opportunities and adverse effects on existing operations. As all actions and transactions involve risk, effective Risk Management involves the anticipating, understanding and monitoring of risk. It contributes to good corporate governance by providing reasonable assurance to Council, Executive Management and the community that the organisational objectives will be achieved within a tolerable degree of residual risk.

In September 2020, Council, on recommendation from the Committee, endorsed the Shire's new Strategic Risk Register and approved the revised Council Policy Risk Management (OCM281/09/20). These are important achievements towards improving the risk management processes at the Shire as they provide a mechanism for Shire executives to



manage risk at a strategic level and an avenue for the Committee and Council to monitor strategic risk through quarterly reporting.

Community / Stakeholder Consultation

Nil.

Statutory Environment

Regulation 17 of the *Local Government (Audit) Regulations 1996 (WA)* (“the Regulations”) require the CEO to review the appropriateness and effectiveness of the Shire’s systems and processes in relation risk management, internal control and legislative compliance (r. 17(1)). The review may include any or all of the abovementioned matters (r. 17(2)) and the results of any review must be reported to the Shire’s Audit, Risk and Governance Committee (r. 17(3)). Each matter must be the subject of a review not less than once in every 3 financial years (r. 17(2)).

The most recent review of risk management was completed by the Shire in the 2018-19 financial year and led to Council’s adoption of the Risk Maturity Journey in May 2019. The next review is due no later than the 2021-22 financial year.

Comment

Strategic Risk Register Quarterly Review – February 2021

In accordance with Council Policy Risk Management, the Executive Management Group reviewed the Strategic Risk Register. Following this, Officers have prepared the following quarterly report for the Committee’s noting. Committee members and Councillors agreed to the structure of this report at the Strategic Workshop held 4 November 2020.

Strategic Risk Register Quarterly Review – February 2021

1. Changes to Risk Ratings

Risk Ratings Reduced ↓

Risk 14 (Emergency Management) – Consequential to the following updates and on reassessment, the risk is reduced by one level to **MODERATE** (was **SIGNIFICANT**):

- Completion of Risk Mitigation Strategy 2 (Review of the Local Emergency Management Arrangements and Local Recovery Plan)
- Inclusion of the process to review the abovementioned plans as a control (no. 8)
- Consideration of the Shire’s response and management to recent emergencies.

Risk Ratings Increased ↑

Risk 2 (Organisational Workforce) - Consequential to the following updates and on reassessment, the risk is increased by one level to **SIGNIFICANT** (was **MODERATE**):

- Added “Insufficient resources to meet recruitment demand” as a cause to Risk 2. The Shire is currently experiencing a significant increase in the demand for recruitment and due to a lack of resources within the Human Resources team,



there is an increased risk that the Shire's will be unable to sufficiently resource the workforce. Additionally, the under resourcing of the Human Resources team and demand on the limited resources is resulting in an inability to begin work on the mitigation strategies already identified on Risk 2. A general review in terms of causes, controls and current environment also occurred.

- In light of the above, reassessed the likelihood from UNLIKELY to POSSIBLE.
- Added several mitigation strategies underway to address this risk.

All risk ratings for the remaining risks were reviewed for currency and were determined as accurate.

2. New and Emerging Risks

Emerging risks are newly developing risks that cannot yet be fully assessed but could, in the future, affect the Shire's strategy. The Executive Management Group have not identified any new risks however considering recent events, have updated the Strategic Risk Register as described in this report.

3. Updates to Risk Mitigation Strategies

Actions complete and moved to controls

Risk 4 (Organisational Capability)

- Action 5 - *Modernise standard condition lists for improved notices of determination* is complete and added as control 18.

Risk 5 (Organisational Efficiency)

- Action 2 - *Reporting on OneComm implementation efficiencies* is complete and added as control 9.
- Action 3 - *Implement Dashboard Reporting in ERP* is complete and added to control 7.

Risk 6 (Bush Fire Management)

- Action 1 - *Rural Verge Policy education campaign to require adjoining landowners to actively manage rural verges* is complete and added as control 23.
- Action 3 - *Annual calendar of community education and training to assist in preparation and preparedness activities* is complete and added as control 24.

Risk 8 (Asset Management)

- Action 4 - *Develop and implement an asset inspection process (condition, remaining quantity, utilisation) and distribute across the shire* is partially complete with the condition survey program for each asset class added as control 9. Implementation will begin once the Works Management module of OneComm is in place (see actions amended).

Risk 12 (Desirable Place – Economy)



- Action 2 - *Develop a Business Case that identifies a location and a strategy to secure land and funding for the development of a TAFE in Byford* is complete with the Byford TAFE Feasibility Study endorsed by Council at the December 2020 Ordinary Council Meeting. Added as control 17.
- Action 3 - *business case for Trails Development* is complete and endorsed by Council at the August 2020 Ordinary Council Meeting. Added as control 18.

Risk 14 (Emergency Management)

- Action 2 - *Review of the Local Emergency Management Arrangements and Local Recovery Plan* is now complete and added to control 3 and 4. Consequently the risk rating has been reduced (refer section 1 of this report).

Actions amended

Risk 1 (Culture)

- Action 2 – *Implementation of the e-recruitment module* **due date** amended to 1 May 2021 (was 28 February 2021). The project is currently on hold whilst the Shire seeks additional resources in the Human Resources team.

Risk 3 (Financial Sustainability)

- Action 1 – *Progress developer contribution plans* **due date** amended to 1 May 2021 (was 31 December 2020). The Community Infrastructure Development Contribution Plan was adopted by Council on 18 May 2020. The Byford Development Contribution Plan and the Mundijong Development Contribution Plan were adopted by Council on 16 November 2020. The Shire is still awaiting final approval for all three plans by the WA Planning Commission.
- Action 2 – *Undertake the Rates Equity Project* **removed** in accordance with Council's decision at the Special Council Meeting 14 December 2020 and replaced by Action 3 (refer new actions below).

Risk 4 (Organisational Capability)

- Action 2 - *Finalisation of community infrastructure development contribution plan* **due date** amended to 1 May 2021 (was 31 December 2020). Council approved the plan in May 2020 and the item was considered at the WAPC Statutory Planning Committee in November 2020, however the Shire is still awaiting final approval by the WA Planning Commission.

Risk 8 (Asset Management)

- Action 4 - *Develop and implement an asset inspection process (condition, remaining quantity, utilisation) and distribute across the shire* **updated** to “Begin implementing the condition survey program for each asset class” and the **due date** extended to 30 June 2021 (was 31 December 2020). This allows time for the Works Management module of OneComm to be in place and utilised.

Risk 11 (Community Engagement)

- Action 2 - *Implement IAP2 engagement methodology and training* **status** amended to “In Progress (was Not Started)”. This action is now underway and on track to be complete by the target date.



Risk 12 (Desirable place – Economy)

- Action 1 - *Move towards a place making model for Byford and Jarrahdale town centres status* amended to In Progress (was Not Started). An agenda report on Byford will be provided to Council in February 2021.

Risk 14 (Emergency Management)

- Action 1 - *Develop a new Business Continuity Plan (incorporating lessons learned through COVID-19) due date* extended to 28 February 2021 (was 30 December 2020). The Plan has been provided to the Shire's Employee Emergency Management Committee to enable integration into internal evacuation and emergency procedures.
- Action 3 - *Review the Emergency Management Plan (Shire Office) due date extended to 28 February 2021 (was 30 December 2020)*. The plan is in final draft stage however additional time is required for finalisation through the Employee Emergency Management Committee.

New actions

Risk 2 (Organisational Workforce)

- Action 5 - *Appoint new human resources staff to assist with immediate backlog and allow commencement of mitigation strategies for Risk 2* added as per new cause.
- Upon review, the following actions were added as key strategies to further address this risk in general:
 - Action 6 - Review parity of salaries across the organisation
 - Action 7 - Implement the new office accommodation plan in line with Council resolution
 - Action 8 - Implement actions within the Organisational Development Roadmap
 - Action 9 - Incorporate election outcomes into the annual Corporate Business Plan Review

Risk 3 (Financial Sustainability)

- Action 3 - *Engage with the State Government to identify options and a way forward to address rating inequity in the Shire in the longer term*. Added in accordance with Council's decision at the Special Council Meeting 14 December 2020.

4. Other

- Nil

The updated Strategic Risk Register incorporating the amendments from the above review is contained within **attachment 1**.



Options and Implications

Option 1

The Committee recommend Council:

1. NOTES the Strategic Risk Register Review as contained within this paper.
2. ENDORSES the updated Strategic Risk Register as contained within attachment 1.

Option 2

The Committee recommend Council:

1. DOES NOT NOTE the Strategic Risk Register Review as contained within this paper.
2. DOES NOT ENDORSE the updated Strategic Risk Register as contained within attachment 1.

Option 3

The Committee recommend Council:

1. NOTES the Strategic Risk Register Review as contained within this paper.
2. REQUESTS that the CEO make revisions as specified by the Committee to the Strategic Risk Register.

Option 1 is recommended.

Conclusion

This quarterly report outlines nine mitigation actions now complete, the reduction in one risk rating and the increase in another. Some actions that were previously 'not started' are now 'in progress' and although several actions have had due dates extended, most are within their final stages of completion. The ongoing reporting and monitoring of Strategic Risk provides assurance to the Committee and Council that the register is being monitored and mitigation actions are underway. It is also a key tool in supporting the Committee's and Council's responsibilities pertaining to risk management.

Attachments (available under separate cover)

- **4.2.1 - attachment 1** – Strategic Risk Register (E20/8711)



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
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 associated with this report.

Risk Implications

Risk has been assessed on the Officer Options and Implications:

Officer Option	Risk Description	Controls	Principal Consequence Category	Risk Assessment			Risk Mitigation Strategies (to further lower the risk rating if required)
				Likelihood	Consequence	Risk Rating	
1	<i>There are no significant risks associated with this option.</i>						



Officer Option	Risk Description	Controls	Principal Consequence Category	Risk Assessment			Risk Mitigation Strategies (to further lower the risk rating if required)
				Likelihood	Consequence	Risk Rating	
2	<i>If the Committee recommend Council DO NOT note this report or endorse the updated register <u>without reason</u>, then there is a risk the committee will be seen as non-compliant with its responsibility to monitor risk and support Council. This could lead to impacts on organisational performance as specialist input is not obtained.</i>	<i>Nil.</i>	<i>Organisational Performance</i>	<i>Rare</i>	<i>Insignificant</i>	<i>LOW</i>	<i>Nil.</i>
3	<i>If the Committee recommends revision to the register, these may not be informed by sufficient operational information.</i>	<i>Nil.</i>	<i>Organisational Performance</i>	<i>Rare</i>	<i>Insignificant</i>	<i>LOW</i>	<i>Nil.</i>



Voting Requirements: Simple Majority

Officer Recommendation

That the Audit, Risk and Governance Committee recommends that Council:

1. NOTES the Strategic Risk Register Review as contained within this paper.
2. ENDORSES the updated Strategic Risk Register as contained within attachment 1.

ARG004/02/21

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Mr Casilli, seconded Cr Coales

That the Audit, Risk and Governance Committee recommends that Council:

1. **NOTES the Strategic Risk Register Review as contained within this paper.**
2. **ENDORSES the updated Strategic Risk Register as contained within attachment 1.**
3. **REQUESTS the Chief Executive Officer review the risks related to contract management and project management.**

CARRIED UNANIMOUSLY 7/0

Reason for difference to Officer Recommendation
Possible identified risk area.

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.



4.2.2 – 2020 Compliance Audit Return (SJ2895)	
Responsible Officer:	Manager Governance
Senior Officer:	Director Corporate Services
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> .

Authority / Discretion

Legislative	Includes adopting local laws, local planning schemes and policies.
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Report Purpose

The purpose of this report is to enable the Committee to consider and make recommendations to Council regarding adoption of the 2020 Compliance Audit Return.

Relevant Previous Decisions of Council

There is no previous Council decision relating to this matter.

Background

The Compliance Audit Return is a legislative requirement used to self-evaluate compliance with elements of the *Local Government Act 1995* (the Act). The Compliance Audit Return takes the form of a questionnaire which, once completed and certified, is provided to the Department of Local Government, Sport and Cultural Industries.

Community / Stakeholder Consultation

Nil.

Statutory Environment

Section 7.13(1)(i) of the Act requires local governments to carry out a compliance audit in a manner specified in the Regulations. Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996* require:

- a local government to carry out a compliance audit return for the period 1 January to 31 December each year;
- the local government's audit committee is to review the compliance audit return and report to Council the results of that review;
- following Council's approval, the compliance audit return is to be certified by the President and the Chief Executive Officer; and



- the certified copy of the Compliance Audit Return is to be provided to the Department of Local Government, Sport and Cultural Industries' Chief Executive Officer by 31 March of that year.

Comment

The Compliance Audit Return provides a means to self-evaluate compliance with many of the requirements of the Act. The 2020 Compliance Audit Return contains questions related to:

- Delegation of Power/Duty;
- Disclosure of Interest;
- Commercial Enterprises by Local Governments;
- Disposal of Property;
- Integrated Planning and Reporting;
- Local Government Employees;
- Tenders of Providing Goods and Services;
- Finance;
- Official conduct;
- Optional Questions.

The 2020 Compliance Audit Return was made available to local governments in the first week of January 2021. Due to the resignation of the Shire's Internal Auditor which occurred at the same time, it was not possible for the internal auditor to review responses prepared by Officers as had occurred in previous years or for the responses to be reviewed by an external auditor in time for consideration by the Committee. Recruitment for a new Internal Auditor is underway.

Overall, the 2020 Compliance Audit Return demonstrates strong compliance with legislative requirements contained in the Act.

There are two negative responses in the 2020 Compliance Audit Return.

The negative responses relate to the publication of an election gift register and the tender register on the Shire's website. On 6 November 2020, regulations were amended to require these registers to be published on the local government's website. These requirements commenced on the following day.

While the Shire maintained both registers in accordance with legislation and had the registers available for public inspection, they were not published online until January and February 2021 which was outside the period covered by the 2020 Compliance Audit Return. The registers have been published on the Shire's website as follows:

- Tender register on 14 January 2021; and
- Electoral gift register on 3 February 2021.



Options and Implications

Option 1

That Audit, Risk and Governance Committee recommends that Council:

1. APPROVES the Compliance Audit Return for the period 1 January 2020 to 31 December 2020, as shown in attachment 1; and
2. AUTHORISES the Shire President and Chief Executive Officer to certify the Compliance Audit Return; and
3. AUTHORISES the certified 2020 Compliance Audit Return being submitted to the Department of Local Government, Sport and Cultural Industries.

Option 2

That the Audit, Risk and Governance Committee recommends that Council DOES NOT approve the Compliance Audit Return for the period 1 January 2020 to 31 December 2020 and REQUESTS that the Chief Executive Officer seek the services of an external auditor to review the Compliance Audit Return. Note this option would result in non-compliance as the Compliance Audit Return must be submitted by 31 March 2021.

Option 1 is recommended.

Conclusion

The 2020 Compliance Audit Return demonstrates the Shire's overall strong compliance with legislative requirements and is commended to the Audit, Risk and Governance Committee for consideration and approval by Council.

Attachments (available under separate cover)

- 4.2.2 - attachment 1 – 2020 Compliance Audit Return (E21/1136)

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

Financial Implications

Nil.



Risk Implications

Risk has been assessed on the Officer Options and Implications:

Officer Option	Risk Description	Controls	Principal Consequence Category	Risk Assessment			Risk Mitigation Strategies (to further lower the risk rating if required)
				Likelihood	Consequence	Risk Rating	
1	<i>There are no risks associated with this option</i>						
2	<i>The Shire would be non-compliant with the Local Government Act 1995 resulting in reputational impact</i>	<i>Nil</i>	<i>Reputation</i>	<i>Unlikely</i>	<i>Moderate</i>	<i>LOW</i>	<i>Nil</i>

Voting Requirements: Simple Majority

Officer Recommendation

That Audit, Risk and Governance Committee recommends that Council:

1. APPROVES the Compliance Audit Return for the period 1 January 2020 to 31 December 2020, as shown in attachment 1;
2. AUTHORISES the Shire President and Chief Executive Officer to certify the Compliance Audit Return; and
3. AUTHORISES the certified 2020 Compliance Audit Return being submitted to the Department of Local Government, Sport and Cultural Industries.



ARG005/02/21

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Mr Casilli, seconded Ms Newby

That Audit, Risk and Governance Committee recommends that Council:

1. **APPROVES** the Compliance Audit Return for the period 1 January 2020 to 31 December 2020, as shown in attachment 1, subject to the following amendments:
 - a. To amend the comments to reflect that information contained in the tender register was available to the public (p6);
 - b. To include the respondent in response number 3 in the category of elections (p9).
2. **AUTHORISES** the Shire President and Chief Executive Officer to certify the Compliance Audit Return; and
3. **AUTHORISES** the certified 2020 Compliance Audit Return being submitted to the Department of Local Government, Sport and Cultural Industries.

CARRIED UNANIMOUSLY 7/0

Reason for difference to Officer Recommendation
To update the Compliance Audit Register.

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.

5. Motions of which notice has been given:

Nil.

6. Urgent business:

Nil.

7. Closure:

There being no further business, the Presiding Member declared the meeting closed at 6.06pm.

I certify that these minutes were confirmed at the Audit, Risk and Governance Committee Meeting held on
24 May 2021.


..... Presiding Member – Councillor M Byas

..... 24.05.21 Date