



Shire of
Serpentine
Jarrahdale

Audit, Risk and Governance Committee

Confirmed Minutes

Monday, 25 May 2020
5.30pm

Received by Council – Ordinary Council Meeting
15 June 2020 – OCM137/06/20

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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 Monday, 25 May 2020.

The Chief Executive Officer, Mr Paul Martin declared the meeting open at 5.40pm 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.

The Chief Executive Officer, Mr Martin advised he would be presiding over the meeting until the appointment of the Presiding Member. An outline of the election process to fill the Presiding Member and Deputy Presiding Member positions was provided.

In accordance with public health directives, attendance at the meeting was limited to 20 people comprising Committee Members and Officers. All in attendance at the meeting were physically present.

Minutes

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

Councillors: M Byas.....Presiding Member (from 5.42pm)
M Rich
R Coales
B Denholm
D Strautins (Deputy Member)

Independent Members: Ms E Newby
Mr S Casilli

Officers: Mr P MartinChief Executive Officer
Mr A Trosic..... Director Development Services
Mr S Harding..... Director Infrastructure Services
Dr K ParkerManager Governance
Ms L Zietsman.....Manager Finance
Mr R Gallagher Internal Auditor
Ms C Mortimer.....Coordinator Governance and Risk
Ms A Liersch Agendas and Minutes Officer (Minute Taker)

Apologies: Councillor K McConkey
Ms H Sarcich.....Deputy CEO / Director Community Services
Mr F SullivanDirector Corporate Services



1.1 Election of Presiding Member

The Chief Executive Officer called for nominations for the position of Presiding Member for the period ending at the next Ordinary Local Government Election in October 2021.

One nomination was received in writing prior to the meeting from Councillor Morgan Byas.

The Chief Executive Officer, Mr Martin asked if there were any further nominations.

No further nominations were received.

There being no further nominations, the Chief Executive Officer, Mr Martin declared Councillor Byas as Presiding Member for the period ending at the next Ordinary Local Government Election in October 2021.

Councillor Byas assumed the Chair as Presiding Member of the Audit, Risk and Governance Committee at 5.42pm.

1.2 Election of Deputy Presiding Member

The Presiding Member, Councillor Byas called for nominations for the position of Deputy Presiding Member for the period ending at the next Ordinary Local Government Election in October 2021.

Ms Newby nominated herself from the floor.

The Presiding Member, Councillor Byas asked if there were any further nominations.

No further nominations were received.

There being no further nominations, the Presiding Member, Councillor Byas declared Ms Newby as Deputy Presiding Member of the Audit, Risk and Governance Committee for the period ending at the next Ordinary Local Government Election in October 2021.

2. Public question time:

2.1 Response to previous public questions taken on notice

Nil.

Councillor Rich left the meeting at 5.43pm, and did not return.

2.2 Public questions

No public questions were submitted prior to the meeting.

There were no members of the public in the gallery.



3. Public statement time:

No public statements were submitted prior to the meeting.
There were no members of the public in the gallery.

4. Petitions and deputations:

Nil.

5. Declaration of Councillor's and Officer's 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 – 24 February 2020

ARG009/05/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Ms Newby, seconded Mr Casilli

That the minutes of the Audit, Risk and Governance Committee Meeting held on 24 February 2020 be CONFIRMED (E20/2561).

CARRIED UNANIMOUSLY 6/0



6.2 Reports for consideration:

6.2.1 – Maturing the Risk Frameworks at the Shire of Serpentine Jarrahdale – May 2020 Project Update (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

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.
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Report Purpose

The purpose of this report is to update the Audit, Risk and Governance Committee ('the Committee') on the progress of the Shire of Serpentine Jarrahdale's ('the Shire') "Risk Maturity Journey", and note that due to the response to the COVID-19 Pandemic, the strategic risk workshop with the Committee and Councillors was postponed.

Relevant Previous Decisions of Council

Audit, Risk and Governance Committee – 24 February 2020 - ARG004/02/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

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

- 1. NOTES progress towards the Shire's "Risk Maturity Journey".*
- 2. APPROVES the plan to hold a Strategic Risk Workshop with the Committee and Councillors in April 2020.*
- 3. REQUESTS the CEO to schedule a 90-minute Strategic Risk Workshop with Riskwest for the Committee and those Councillors who wish to attend on 7 April 2020, commencing at 5.00pm.*
- 4. ENDORSES the updated "Risk Maturity Road Map" timeline as detailed in attachment 1.*

Ordinary Council Meeting – 16 March 2020 - OCM044/03/20

COUNCIL RESOLUTION

- 1. That Council RECEIVES the Unconfirmed Minutes of the Audit, Risk and Governance Committee Meeting held on 24 February 2020 (E20/2561).*
- 4. That Council ADOPTS Audit, Risk and Governance Committee Resolution ARG004/02/20 and NOTES progress towards the Shire's "Risk Maturity Journey"; APPROVES the plan to hold a Strategic Risk Workshop with the Committee and Councillors in April 2020;*



REQUESTS the CEO to schedule a 90-minute Strategic Risk Workshop with Riskwest for the Committee and those Councillors who wish to attend on 7 April 2020, commencing at 5.00pm and ENDORSES the updated “Risk Maturity Road Map” timeline as detailed in attachment 1.

Special Council Meeting – 23 March 2020 - SCM077/03/20

That Council

12. AUTHORISES the Chief Executive Officer, in consultation with the Shire President, to cancel any Shire delivered events, programs and activities deemed necessary, up until 30 June.

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.

The Shire has two main documents in place designed to assist the organisation to identify, manage and mitigate risks. These are:

- Council Policy 1.4.2 Risk Management – adopted by Council 18 December 2017 (OCM179/12/17).
- Risk Management Framework (E19/1310) – adopted by Council 21 August 2018 (OCM8.1/09/18).

The Risk Management Framework was developed to address various Regulation 17 Audit Recommendations aimed at improving the Risk Management Framework at the Shire. Whilst the development and subsequent adoption of the Risk Management Framework is an important step forward to improve the risk management processes, additional work is required to truly realise enterprise-wide risk management.

Most importantly, a top down approach through the development of a Strategic Risk Management Register (linked to the Shire’s strategic objectives) will ensure relevance and the ability to cascade risk throughout the organisation. It will also inform the development of a three-year risk based Strategic Internal Audit Plan for the delivery of internal audits over key risk areas including the controls in place to manage these risks.

May 2019

At the 20 May 2019 Ordinary Council Meeting, Council, on recommendation from the Committee, endorsed the Shire’s “Risk Maturity Journey”, including the Risk Maturity Road Map, to improve the Risk Management Framework and realise enterprise-wide risk management (OCM0740519).



The Risk Maturity Road Map outlines the following three stages:

1. Development of a Strategic Risk Register, including the development of Risk Appetite parameters and standard quarterly reporting to the Committee and Council.
2. Implementation and Education – embedding processes from stage one such as regular updating of the register, reporting to the Committee and Council and training for management (Executive and Business Unit levels).
3. Cultural Change and Further Maturity – development and implementation of operational risk.

November 2019

At the November 2019 Committee meeting, the Committee received the following progress update towards the Risk Maturity Journey:

- A scope of works for the provision of strategic risk management services is developed and Riskwest Management Consultants (Riskwest) are engaged to provide these services.
- A project kick off meeting with Riskwest was held and a program of risk workshops with the Management and Executive Team is established.
- The Strategic Risk Register and Risk Appetite Parameters will be available for the Committee's consideration and subsequent Council endorsement in early 2020.

February 2020

At the February 2020 Committee meeting, the Committee received the following progress update towards Stage 1 of the Risk Maturity Journey (Strategic Risk):

- Workshops with Managers, Directors and the CEO were held in November 2019 and January 2020 resulting in the following draft key strategic risk areas:
 - Culture
 - Strategic Direction
 - Bush Fire Management
 - Organisation Capacity to deal with the Shire's Growth
 - Organisational Efficiency
 - Asset Management
 - Financial Sustainability
 - Partnerships & Alliances
 - Economic Growth
 - Workforce and Leadership
 - Stakeholder Expectations
 - Community Relationships and Community Engagement
- A draft register has been developed that identifies each strategic risks owner, ratings and controls.

In addition, the Committee recommended to Council that a Strategic Risk Workshop with the Committee and Councillors be held in April 2020 to provide the Committee and Councillors with an opportunity to have input into the Strategic Risk Register and Risk Appetite Parameters.

The Committee also received the following progress update towards Stage 2 and 3 of the Risk Maturity Journey (Implementation & Operational Risk):

- Establishment of Risk Registers at the Directorate level within Service Plans is underway as part of the Corporate Business Plan Project.



- Risks in relation to Asset Management to support the Asset Management Strategy is complete.

Community / Stakeholder Consultation

Not Applicable.

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

Update towards stage 1 of the Risk Maturity Journey (Strategic Risk)

Since the update provided to the Committee in February 2020, the Shire has undertaken the following activities towards stage 1 of the Risk Maturity Journey:

- Workshops with Directors and the CEO occurred to finalise the draft risk register and establish draft risk appetite statements. The register is now in final draft form with risk ratings, controls and mitigations actions determined and draft risk appetite parameters have also been developed.
- Based on the draft information, the internal auditor has developed a draft Strategic Internal Audit Plan.

At the March 2020 Ordinary Council Meeting, Council resolved to hold the Strategic Risk Workshop with the Committee and Council on 7 April, however due to the response to the COVID-19 pandemic this workshop was postponed. This remains the only outstanding activity to occur before the Strategic Risk Register and Risk Appetite Statements can be provided to the Committee for endorsement. It is recommended that to maintain the opportunity for the Committee and Council to provide input, the Strategic Risk Workshop is rescheduled to a practicable date, in consultation with the Committee and subject to COVID-19 restrictions. The Committee's input into this process is an important part of the Committee's role in supporting Council to fulfill its responsibilities in relation to risk management systems including the establishment of the risk appetite framework for the Shire to operate within.

The Committee should note that the delay to this project does not pose a significant risk for the Shire in relation to risk management as the Shire continues to operate under its existing risk framework in respect to the identification and management of risks. Whilst the existing framework is somewhat cumbersome for staff to use and is not as relevant to



Shire operations as it could be, it nevertheless remains in place whilst this improvement project is underway. Achieving buy-in and input from the Committee and Council towards this new framework outweighs the risk associated with prolonging the use of the existing framework.

Providing the response to the COVID-19 pandemic continues to be wound back it should be practicable to reschedule the workshop in June or July and if so the Committee can expect to receive the documentation (Strategic Risk Register, Risk Appetite Statements and Strategic Internal Audit Plan) at the August Committee meeting. As such, the timeline for Stage 1 in the Risk Maturity Road Map (**attachment 1**) has been updated to reflect this adjustment.

Update towards stage 2 and 3 of the Risk Maturity Journey (Implementation & Operational Risk)

The Risk Registers at the Directorate level within Service Plans is underway as part of the Corporate Business Plan Project and the remaining tasks will commence on adoption of Stage 1. There is currently no impact to the timeline of stages 2 and 3.

Options and Implications

Option 1

The Audit, Risk and Committee recommend Council

- NOTES progress towards the Shire's "Risk Maturity Journey".
- NOTES the Strategic Risk Workshop originally scheduled for 7 April was postponed due to the response to the COVID-19 Pandemic.
- REQUESTS the CEO to reschedule the Strategic Risk Workshop to a practicable date, in consultation with the Audit, Risk and Governance Committee and subject to COVID-19 restrictions.
- ENDORSES the updated "Risk Maturity Road Map" timeline as detailed in attachment 1.

The implications associated with this option is maintaining the opportunity for the Committee and Council to provide input into the Shire's Strategic Risk Register.

Option 2

The Audit, Risk and Governance Committee recommend Council

- NOTES progress towards the Shire's "Risk Maturity Journey".
- NOTES the Strategic Risk Workshop originally scheduled for 7 April was postponed due to the response to the COVID-19 Pandemic and that it will not be rescheduled.
- ENDORSES the updated "Risk Maturity Road Map" timeline as detailed in attachment 1.

The implication associated with this option is that the Committee and Council do not have an adequate opportunity to provide input into the Shire's Strategic Risk Register.

Option 1 is recommended.



Conclusion

Due to the cancellation of the Strategic Risk Workshop, the Strategic Risk Register, Risk Appetite Statements and Strategic Internal Audit Plan have not been provided to the Committee at the May meeting as planned. Providing the response to the COVID-19 pandemic continues to be wound back and the Strategic Risk Workshop is rescheduled in June or July, the Committee can expect to receive the documentation at the August meeting. The timeline within the Risk Maturity Road Map has been updated to reflect this adjustment. There is minimal risk associated with delaying this project as the Shire continues to operate under its existing risk framework in respect to the identification and management of risks. Achieving buy-in and input from the Committee and Council towards this new framework outweighs the risk associated with prolonging the use of the existing framework.

There are no changes to the timelines of stages 2 and 3.

Attachments (under separate cover)

- - 6.2.1 - attachment 1 – Risk Maturity Road Map (E19/3283)

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 4.2.3	Provide clear strategic direction to the administration

Financial Implications

There is no additional cost to the Shire to facilitate a Strategic Risk Workshop with the Committee and Councillors as the cost to do so is within the \$20,000 Project Budget approved by Council in May 2019.



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 holding the Strategic Risk Workshop and consequently not providing the Committee and Council an adequate opportunity to provide input into the Shire's Strategic Risk Register. This may lead to areas of risk not being identified that are important to Council which would ultimately result in the register not being adopted and delays to project as well as inadequate Council oversight of risk management.	Possible (3)	Minor (2)	Moderate (5-9)	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
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 rating of 6 has been determined for this item.

ARG010/05/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Cr Strautins, seconded Mr Casilli

That Standing Orders 9.5, 9.6, 10.7 and 10.13 be suspended at 5.46pm in order to further discuss item 6.2.1.

CARRIED UNANIMOUSLY 6/0

ARG011/05/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Cr Strautins, seconded Cr Denholm

That Standing Orders be reinstated at 5.53pm.

CARRIED UNANIMOUSLY 6/0



Voting Requirements: Simple Majority

ARG012/05/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation

Moved Ms Newby, seconded Mr Casilli

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

- 1. NOTES progress towards the Shire’s “Risk Maturity Journey”.**
- 2. NOTES the Strategic Risk Workshop originally scheduled for 7 April was postponed due to the response to the COVID-19 pandemic.**
- 3. REQUESTS the Chief Executive Officer to reschedule the Strategic Risk Workshop to a practicable date, in consultation with the Audit, Risk and Governance Committee and subject to COVID-19 restrictions.**
- 4. ENDORSES the updated “Risk Maturity Road Map” timeline as detailed in attachment 1.**

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.



6.2.2 - Review of Delegations and Authorisations 2019 / 2020 (SJ538)

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 for the Audit, Risk and Governance Committee to recommend to Council that Council considers and approves the findings of the review of delegations and authorisations pursuant to section 5.46 of the *Local Government Act 1995* (the Act).

Relevant Previous Decisions of Council

Ordinary Council Meeting – 16 March 2020 - OCM044/03/20 - extract

3. That Council **ADOPTS** Audit, Risk and Governance Committee Resolution ARG003/02/20 and **NOTES** the scope of the 'Register of Delegations and Sub-delegations 2019-20 Review'.

Background

This report deals with two separate but related concepts:

- delegations; and
- authorisations.

Delegation is a formal means of empowering one entity to perform functions and duties that are otherwise reserved in legislation for another entity. Delegation is a tool used in government at all levels to enable the efficient and effective delivery of services while ensuring clarity regarding who is permitted to perform specific discretionary functions.

The appointment of authorised persons is a similar but distinct concept. Legislation occasionally enables a decision-making body or source of authority to appoint persons to perform specific tasks on their behalf. In this case, the authorising entity does not have the power themselves to perform the task and can only authorise others to do so. Legislative provisions related to enforcement often employ the appointment of authorised persons.



Local government exercises many of its functions through a combination of delegated powers and authorisations. This includes functions under the Act but also legislation related to planning, dogs, cats, health, building, bush fire prevention and management and food safety.

Both delegations and authorisations must be in writing. In line with the principles of good governance, delegations and authorisations should be regularly reviewed. As noted below, delegations made under the Act must be reviewed annually.

The Shire's delegations and authorisations are recorded in a register available on the Shire's website. The Shire's register contains over 120 delegations and authorisations across a dozen pieces of legislation.

Community / Stakeholder Consultation

Policy Concept Forum

Meeting Date		6 May 2020
Councillors Attendance	in	Cr Rich, Cr Atwell, Cr Byas, Cr Coales, Cr Dagostino, Cr Denholm, Cr McConkey, Cr Strange, Cr Strautins

Statutory Environment

The power to delegate or appoint authorised persons is drawn from legislation. Legislation that permits delegation or the appointment of authorised persons has a specific section, regulation, or clause known as the 'head of power'. In the case of the Act, the head of power for Council to delegate certain functions is section 5.42 and to appoint authorised persons is section 9.10.

Importantly, each separate Act requires its own head of power. The head of power provided by section 5.42 of the Act permitted Council to delegate certain functions cannot be used to delegate functions in other pieces of legislation. The ability to use the Act's head of power more widely, is a common misconception in local government.

Another source of confusion is section 5.45 of the Act, which introduces the concept of 'acting through'. Section 5.45 of the Act states that provisions concerning delegations do not prevent a local government from performing any of its functions by acting through a person or a CEO from performing any of his or her functions through the actions of another person. While what constitutes an 'acting through' arrangement is not defined in legislation, the Department's published guidance on the matter states that acting through arrangements can be employed where an Officer performs tasks at the direction of the authority holder. While some examples of this approach are straightforward, the varying approaches employed across local government demonstrate that this can be a grey area, and wherever there is doubt and it is practicable, formal delegations or appointments as authorised officers should be used.

Regulation 19 of the *Local Government (Administration) Regulations 2005 (the Admin Regulations)* requires the exercised use of a delegated power under the Act to be recorded. The requirement to record exercised use of delegations from other legislation varies. Legislation does not require exercised use to be published or available for inspection.



Regulation 29 of the *Admin Regulations* requires a local government to make its delegations register available to the public for inspection. The Shire exceeds this legislative requirement by publishing the register on the Shire's website and unlike many of its peers, includes information in the published register pertaining to delegations by the CEO and the instruments used to appoint authorised officers.

While legislation requires the authorisation of people as authorised officers or people to be in writing, there is no general requirement to keep this information in a single register. In this way, the Shire's current approach exceeds legislative requirements.

Comment

As part of the Shire's commitment to continuous improvement and governance maturity, a comprehensive review of each of these delegations and authorisations has been conducted. The review has systematically considered each of the delegations and authorisations and asked:

- is the head of power used to delegate or authorise the activity correct?
- are the specific sections, regulations or clauses of each instrument correct?
- are the appropriate officers delegated or appointed?
- are the conditions placed on delegation or authorisation correct?
- are the reporting requirements commensurate to good governance, risk and efficient practice?

The review has identified opportunities to strengthen the Shire's register. These changes will provide confidence to the organisation that the administrative functions being conducted align to legislative requirements and best practice and has already enhanced understanding with the organisation of this important but technical matter. Most of the changes are juristic, semantic or even pedantic. However, if accepted, the changes will result in the Shire having a register that is class-leading in the Western Australian local government for comprehensiveness and accuracy. The comprehensiveness of this review will reduce the investment required for future reviews required by statute.

While each local government is required to have a written register of delegations, the standard across the sector varies considerably. Even prior to review, the Shire's register was more comprehensive and detailed than many of its larger counterparts and peers. Delegations and authorisations are a complex area that is complicated by the nuances of occasionally contradictory drafting techniques used in State legislation over decades. Both the Department of Local Government, Sport and Cultural Industries and Western Australian Local Government Association publish advice related to delegations but there are limitations on the comprehensiveness, currency and accuracy of the advice. This complexity is reflected in the different and occasionally technically incorrect approaches used by even leading local governments.

The review proposes to introduce three new Council delegations and remove ten Council delegations. The three new Council delegations proposed are:



1.1.32 Delegation of certain functions related to local laws

This new delegation does not provide Officers with new powers but instead replaces powers related to the administration of several local laws that previously had been performed under the instrument of an authorisation. The technical drafting of these occasionally older local laws means that it is more appropriate that they be classified in the register as the exercising of a delegation.

3.1.14 Notify Fire and Emergency Services Commissioner of losses caused by Bushfire

This new delegation formally enables Shire Officers to perform the administrative task required by legislation to notify the Department of Fire and Emergency Services of losses caused by bushfire annually. The conditions of this delegation will require a copy to be provided to the Bush Fire Advisory Committee for information.

11.1.2 Administer Development Contribution Plans

This new delegation is proposed to enable effective administration of development contribution schemes under the Shire's Town Planning Scheme. The current lack of a formal delegation related to development contribution plans results in a lack of clarity regarding which functions Council should perform and which are administrative.

The new delegation resolves this clarity by formally establishing that Council has the discretionary power to adopt a Development Contribution Plan and set the cost contribution to be paid. The delegation further provides power to Officers to administer that Development Contribution Plan through the accepting of payments, appointing an independent person to review cost estimates and the valuation of land, certifying that the obligations under the Plan have been met, and lodging a caveat on land if the development contributions are not made.

Other proposed changes

The review proposes extensive changes to most of the delegations and authorisations in the register but as noted above, the majority of these changes have been made to update terminology, better align with heads of power or simplify the delegations and authorisations. The proposed changes are described in the report available in **attachment 1**. A version showing every proposed change in mark-up is available at **attachment 2**.

In respect to the recording of exercised use of delegations, the review concurs with the findings of the Shire's internal audit that the Shire's approach to recording exercised use can be streamlined to remove duplication of reporting. Under legislation, only exercised use of delegated powers under the Act are required to be recorded. The Shire's current approach of recording and reporting every exercised use is not aligned with practices used by State, Commonwealth or other local governments or based on risk. The review proposes to continue to record and report exercised use of delegations in accordance with legislation and for delegations that involve the exercising of discretion on the part of Officers. This approach is intended to strike a balance between transparency and reporting burden that is achievable and aligned to public interest.

The Committee should note there is no legislative requirement for the Shire's register of exercised delegations to be published.



Training in use of delegations and authorisations

If adopted, the new register will be accompanied with mandatory training for all staff with an authorisation or delegation to ensure that they are aware of the conditions and application of their delegated or authorised powers.

The training will be delivered by Officers in a manner similar to inductions currently performed with new employees. With almost forty different positions in the Shire either empowered by a delegation and/or authorisation the training is expected to be delivered in the coming months in line with competing priorities.

Upon receiving training, staff will be required to sign-off that they have received training and are cognisant of their powers and obligations exercising delegations and authorisations.

The training will be complemented by continuing support and oversight by Officers within the Corporate Services Directorate. With the improvements identified in the register, the need for intensive support should decrease as refresher training is delivered.

In line with the commitment to continuous improvement, Officers will work with the Shire's internal audit function to review on use of delegations and authorisations and report to the Audit, Risk and Governance Committee. This aspect is also discussed in the related report detailing Internal Audit's review of the exercising of delegations.

Options and Implications

Option 1

That the Audit, Risk and Governance Committee recommends to Council that it NOTES the findings of the review pursuant to section 5.46 of the Act and APPROVES the register of delegations and authorisations shown in **attachment 4**.

Option 2

That the Audit, Risk and Governance Committee recommends to Council that it NOTES the findings of the review pursuant to section 5.46 of the Act and does NOT APPROVE the register of delegations and authorisations shown in **attachment 4**.

Option 1 is recommended.



Conclusion

Delegations and the appointment of authorised officers is an important mechanism used by all tiers of government to conduct business effectively and efficiently. The systematic review of the Shire’s register has identified opportunities to strengthen the instruments used and improve understanding of the powers and responsibilities associated with delegations and authorisations. This review is considered to be an important step in the maturing of the organisation from a governance perspective.

Attachments (available under separate cover)

- **6.2.2 - attachment 1** – Review report (E20/5258)
- **6.2.2 - attachment 2** – Mark up version of register (E20/5256)
- **6.2.2 - attachment 3** – Register of Delegations and Sub-delegations 2019 - Current version (E14/5516)
- **6.2.2 – attachment 4** – Register of Delegations and Authorisations - New register version (E20/5259)

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

There are no financial implications associated with the implementation of 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)
That the Committee does not recommend that Council notes the findings of the review.	Rare (1)	Minor (2)	Low (1-4)	Compliance - 2 Minor - Regular noticeable temporary non-compliance	Compliance with the requirement to annually review delegations is tested in the Department’s Annual Compliance Return. Council noting the



					review's findings gives effect to the legislative requirement.
That the Committee does not recommend that Council approve the new register	Possible (3)	Minor (2)	Moderate (5-9)	Compliance - 2 Minor - Regular noticeable temporary non-compliance s	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 rating of 6 has been determined for this item.

Voting Requirements: Simple Majority

While the Committee's decision is determined by simple majority, if the matter is considered by Council, an Absolute Majority decision will be required.

ARG013/05/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation

Moved Mr Casilli, seconded Ms Newby

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

- 1. NOTES the findings of the review of delegations pursuant to section 5.46 of the Act content; and**
- 2. APPROVES the register of delegations and authorisations as contained within attachment 4.**

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.



6.2.3 – Internal Audit Plan Update (SJ2895)

Responsible Officer:	Internal Auditor
Senior Officer:	Chief Executive Officer
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 for the Audit, Risk and Governance Committee to recommend that Council RECEIVES the Internal Audit Plan Update and ADOPTS the Interim Internal Audit Plan 2020.

Relevant Previous Decisions of Council

OCM74/05/19 - Council Resolution

That the minutes and resolutions contained therein of the Audit, Risk and Governance Committee held on 6 May 2019 be endorsed. (E19/5477). CARRIED UNANIMOUSLY 8/0

Audit, Risk and Governance Committee - ARG006/05/19

AUDIT, RISK & GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation

That the Audit, Risk and Governance Committee recommends that Council: ADOPTS the 2019 Interim Internal Audit Plan to guide Internal Audit activities to December 2019.

Background

This update supports a periodic process for the Chief Executive Officer to review the appropriateness and effectiveness of internal controls within the Shire, through presenting results of internal audit activities.

Community / Stakeholder Consultation

Stakeholder consultation was undertaken between Chief Executive Officer, Directors, Managers and supporting staff.



Statutory Environment

Local Government (Audit) Regulations 1996:

- Section 16 - Functions of audit committee
- Section 17 – Chief Executive Officer to review certain systems and procedures

Local Government (Financial Management) Regulations 5.2(c):

- Section 5 – Chief Executive Officer's duties as to financial management.

Comment

The following is an overview of activities in relation to the endorsed Internal Audit Plan 2019:

Reporting Period	March 2020	December 2019	August 2019	June 2019
Planned Audits COMPLETED	3	2	0	3
Planned Audits IN-PROGRESS	0	3	3	0
Planned Audits DELAYED / CANCELLED	-	-	1	0
Additional Internal Audits / Reports	0	2	1	2

SUMMARY

The following three audits were completed and presented as confidential attachments to this agenda report:

- Internal Audit - Delegations Management
- Internal Audit - Asset Management (Road Infrastructure Assets)
- Advisory - IT General Computer Controls.

The above reports represent the last of the scheduled activity in the 2019 Interim Internal Audit Report.

Presentation of an additional draft Interim Internal Audit Plan for 2020 is included with this report for consideration. The content of this plan was generated from postponed audit activity from the 2019 plan, risk areas identified through a questionnaire processes with Management of the Shire and supported by CEO / Internal Audit input. This plan guides Internal Audit activities for a one year period until the draft risk-based Strategic Internal Audit Plan can be presented.

Presentation of a three year risk-based Strategic Internal Audit Plan has been delayed risk pending risk workshopping with Council and final outputs of the Shire's "Risk Maturity Journey". It is expected that a draft risk-based Strategic Internal Audit Plan covering 2021-2023 will be presented later this year.



The following is an overview of final audit activity within the Shire in accordance with the 2019 Interim Internal Audit Plan:

Internal Audit Activity	Area	Status	2019				2020
			Jan / Mar	Apr / Jun	Jul / Sep	Oct / Dec	Jan / Mar
Consolidate and track previous Internal Audits (quarterly) Maintain Audit Register	Internal Audit	Quarter Complete Separate Report	●	●	●	●	●
Delegation Management Performance <u>[additional audit]</u>	Internal Audit	Summary below / Complete Report Attached					●
Asset Management – Road Infrastructure Assets Performance / Financial Audit	Internal Audit	Summary below / Complete Report Attached					●
IT General Computer Controls Preliminary Controls Assessment	Advisory	Summary below / Complete Report Attached					●
Contract and Supplier Management Performance / Financial Audit	Internal Audit	Considered in the next audit plan				●	●

KEY	Ongoing audit activity		Completed Audit activity	
	●		●	
●	Scheduled audit activity		Postponed / cancelled audit activity	
●	Audit activity unable to be achieved			

Delegation Management – Internal Audit Report SUMMARY

An internal audit was undertaken of the exercising of delegations by Officers from the Chief Executive Officer (also known as sub-delegations) within the Shire. Areas reviewed included; policy, procedures processes and was supported by sample based testing. This was a precursor to a larger holistic review of delegations and detailed testing and findings were provided during fieldwork to Governance.

Scope	The scope of the Internal Audit was management of delegations within the Shire.
Objectives	The objective of the activity was to review the following: <ul style="list-style-type: none"> Identify policies, procedure and practices in relation to delegation management Determine the adequacy of delegation policy, procedure and processes Sample based testing across all Directorates within the Shire to determine if delegations are being exercised in accordance with documented expectations and conditions.
Exclusions	<ul style="list-style-type: none"> N/A.



Summary of Report

There are opportunities to improve and streamline the management of delegations across the Shire. Observations were noted of processes not being followed, data entry errors, full and partially missing exercised delegations, delegations exercised by the incorrect staff members and opportunities to build more efficient processes.

In accordance with the *Local Government Act 1995 Section 5.46(3) Register of, and records relevant to, delegations to CEO and employees*, the CEO is to keep a register of the delegations made by the CEO and employees under the Act. The Shire maintains a Register of Delegations and Sub-delegations (which is a matrix of delegations) to satisfy these requirements. The register goes beyond the legislative requirement by recording delegations made under heads of power beyond that in the *Local Government Act 1995*.

The document details CEO to employee delegations, conditions, processes and reporting requirements. The following is the current model for delegations within the Shire:

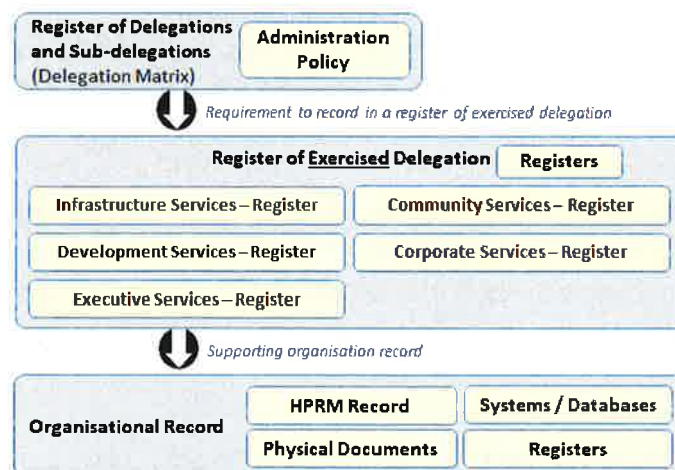


Diagram 1: Delegations Model

Note: review of the five Register of Exercised Delegations outlined that were 3,718 exercised recorded delegations for 2019.

One observation with a risk rating of High and one Moderate were identified with subsequent recommendations, the overall report rating is as follows:

Overall CONTROL RATING	Inadequate	Overall RISK RATING	High
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The following areas of strength and good practice were noted during the audit process:

- The Governance area was undertaking a holistic review of delegation management. Results, feedback and outcomes of the Internal Audit testing were provided to Governance during the course and conclusion of fieldwork for consideration. Internal Audit was satisfied all detailed areas were considered.

There is a recognition of the importance of exercising delegations correctly and a commitment for continuous improvement in the area.



Asset Management – Road Infrastructure Assets – Internal Audit Report SUMMARY

An internal audit was undertaken of Asset Management – Road Infrastructure within the Shire. The audit activity focused on policy, procedures, processes and was supported by sample based testing. The audit also included review of enabling strategy and governance for road asset management within the Shire.

Scope	The scope of the audit focused on road infrastructure asset management processes, planning and strategy within the Shire.
Objectives	Provide reasonable assurances that adequate controls are in place for road assets, including: <ul style="list-style-type: none">• Alignment to Council Policy• Alignment to asset management plans to asset management strategies and organisational strategies• Alignment of operational activities to strategic initiatives i.e. are roads built and maintained in accordance with planned activities• Efficiency and effectiveness of asset management processes and IT systems• Adequacy of monitoring, recording and reporting of asset management activities• Approach to road classifications and assessment.
Exclusions	<ul style="list-style-type: none">• N/A.

Summary of Report

In 2019, the WA Local Government Association (WALGA) published a Report on Local Government Road Assets & Expenditure 2017/18 in 2019, the report re-iterated the following in relation to road assets:

“It is clear that the Local Government sector in WA does not have the financial resources required to fully maintain its road network and to keep up with its road improvement needs.”

“In 2017-18, there was a shortfall of \$132 million between expenditure on road maintenance and what is required to keep the road asset in its current condition, a 14% increase over the previous year. This gap has a noticeable impact on the road network. Having current and valid data on the condition of roads and bridges is critical to Councils, State and Federal Governments to allow them to make effective investment decisions.”

“The highest priority of Local Government road managers is to provide a network that is as safe as possible.”

Effective strategy, planning, governance, processes and supporting information technology (IT) systems are required for the Shire to successfully manage roads assets. Road assets are in a constrained environment of shortfall and require careful balancing of safety, risk, community and stakeholder expectations.



Overall, the Shire should progress enabling governance, processes and IT systems to effectively manage road infrastructure assets, key areas include:

- Finalising the draft Asset management Strategy
- Migration of road asset data to the centralised OneComm IT system
- Identifying and working towards asset management standards
- Progressing with a shorter term view of road asset management (working through priorities whilst enabling processes are being implemented)
- Establishing services levels for road assets based off reliable asset data
- Identifying critical assets based on utilisation, condition and risk
- Progression to a position where robust decisions can be made around renewal, inspection, maintenance, valuation and financial management.

Three observations with risk ratings of Moderate were identified with subsequent recommendations, the overall report rating is as follows:

Overall CONTROL RATING	Adequate	Overall RISK RATING	Moderate
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This is the first instance that the Internal Audit function has reviewed road asset management processes within the Shire.

The following areas of strength and good practice were noted during the audit process:

- Improvement activities for asset management were identified within the draft Asset Management Strategy

Asset Coordinator working with Internal Audit to document key controls and maturity against recognised ISO standards in relation to asset management.



IT General Computer Controls – Controls Workshopping Report SUMMARY

Controls workshopping was undertaken in relation to the Shire's IT General Computer Controls in accordance with the following scope and objectives:

Scope	The scope of the controls assessment will focus on the Shire's Information Technology (IT) internal control environment including: <ul style="list-style-type: none">• Information security• IT operations• Change control• Physical security• Management of IT risks.
Objectives	The objective of the controls workshopping will be to provide ongoing internal controls observations and recommendation into IT control environment focusing on confidentiality, integrity, and availability of information systems. Controls workshopping will be undertaken with a view to a full audit in 2020.
Exclusions	Scope exclusion: IT Disaster Recovery Planning.

Summary of Report

Information security is a critical component of internal controls for ICT, it focuses on the protection of sensitive information (or data) from unauthorised access, use, misuse, disclosure, destruction, modification, or disruption.

Controls workshopping was undertaken between the Manager Information and Communication Technology (ICT) and Internal Auditor to identify observations in relation to information Technology (IT) controls within the Shire. Workshopping was based on recognised ISO standards in relation to information security and process maturity rated. For the purposes of this controls assessment strong reliance has been placed on the workshopping processes to identify, map and prioritise activities for the next 12 months.

The ISO standard utilised was ISO/IEC 27002 Information technology — Security techniques — Code of practice for information security controls (ISO 27002) which provides guidelines for organisational information security standards and information security management practices. The scope of this assessment was considered to be fully covered within the standard.

ICT have developed an Information Security – Business Operating Procedure (Information Security BOP), which specifically references adequate ISO standards to strive towards, the following is an extract:

The Shire's information security procedure is to:...

Use the International Standard Organisation's (ISO) standard for Information Security to guide the implementation of this business operating procedure. These standards include:

- *ISO 27001 for implementing an Information Security Management System; and*



- *ISO 27002 as a guiding framework for the implementation of commonly accepted information security controls.*

Additionally, the BOP details the following:

- *External review of alignment with the ISO 27002 information security standard every 3 years*
- *The Shire's information security arrangements should be independently reviewed (audited) and reported to management.*

Overall, ICT are in a position of building internal processes where historically ICT was an outsourced function / model. One observation was raised in the report to support maturing ICT processes, discussions with ICT outlined that the indicative timeframe for maturity controls is 12 months.

For future audit activity, the workshopping highlighted four areas which will be considered for Internal Audits within a Strategic Internal Audit Plan, these include:

- ICT Access controls – Section 9
- ICT Asset management (Information Assets) – Section 8
- ICT Communication Security – Section 13
- Human Resource Security – Section 7.

The following areas of strength and good practice were noted during the audit process:

- Strong baseline governance standards referenced in the ICT Information Security – BOP

Significant volumes of initiatives in progress and identified as to progress.

Options and Implications

Option 1

That the Audit, Risk and Governance Committee recommends that Council

1. RECEIVES the Internal Audit Plan Update and Confidential Attachments 1-3.
2. ADOPTS the Interim Internal Audit Plan 2020 to guide Internal Audit activities to December 2020.

Option 2

That the Audit, Risk and Governance Committee recommends that Council

1. RECEIVES the Internal Audit Plan Update and confidential attachments 1-3.
2. DOES NOT ADOPT the Interim Internal Audit Plan 2020 to guide Internal Audit activities to December 2020.

Option 1 is recommended.



Conclusion

Internal Audit will continue to report audit activities quarterly in the formats presented and further refined through feedback of Council / the Committee.

Attachments

- **6.2.3 - CONFIDENTIAL attachment 1** - Internal Audit Report 1 – CEO to Employee Delegation Management
- **6.2.3 - CONFIDENTIAL attachment 2** - Internal Audit Report 2 – Asset Management – Roads
- **6.2.3 - CONFIDENTIAL attachment 3** – Internal Audit Report 3 – IT General Computer Controls – Controls Workshopping
- **6.2.3 - attachment 4** – Interim Internal Audit Plan 2020.

Internal audit status reporting and internal audit reporting is provided as confidential attachments per Section 5.23(2)(a) of the Local Governance Act 'matter affecting an employee or employees'. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of the Shire. In providing assurance to the ARG and subsequently Council, detailed operational information relating to recommendations, responsible officers, agreed management actions and status updates is presented. Whilst not the intention, this information could be considered to be or attributed to performance of staff within the Shire. On this basis, it is considered to relate to Section 5.23(2)(a) of the Local Governance Act.

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

Nil



Risk Implications

Option	Risk Description	Risk Assessment (with existing controls considered)			Risk Rating	Action Plan (Controls or Treatment proposed)
		Likelihood	Consequence	Rating		
All	Inadequate Audit Planning resulting in Internal Audit not supporting Council oversight responsibilities	Unlikely (2) <i>The event could occur at some time.</i>	Moderate (3) <i>Substantiated, public embarrassment, moderate impact</i>	Medium (6)	<ul style="list-style-type: none"> Internal Audit Status reporting 2019 Interim Internal Audit Plan Development of a risk based Strategic Internal Audit Plan 	
All	Internal Audit reporting does not provide adequate assurance to ARG / Council leading to less robust decision making	Unlikely (2) <i>The event could occur at some time.</i>	Moderate (3) <i>Substantiated, public embarrassment, moderate impact</i>	Medium (6)	<ul style="list-style-type: none"> Endorsed Interim Audit Plan Feedback and guidance through ARG Transparency of audit activities through Audit Status Reporting Increased information and updates to Council. 	
All	Unclear purpose and intention of Internal Audit resulting in reduced ARG / Council understanding of Internal Audit activities	Unlikely (2) <i>The event could occur at some time.</i>	Moderate (3) <i>Substantiated, public embarrassment, moderate impact</i>	Medium (6)	<ul style="list-style-type: none"> Revised Internal Audit Charter 2019 Interim Internal Audit Plan 1:1 Audit Committee Chair Increased information and updates to Council. 	

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)
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 rating of **6** has been determined for this item.



ARG014/05/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Mr Casilli, seconded Cr Strautins

That the meeting be closed to members of the public whilst item 6.2.3 is discussed pursuant to section 5.23(2)(a), (c) and (e) of the *Local Government Act 1995*.

CARRIED UNANIMOUSLY 6/0

At 6.21pm, the meeting went behind closed doors.

ARG015/05/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Mr Casilli, seconded Cr Strautins

That the meeting be reopened to members of the public.

CARRIED UNANIMOUSLY 6/0

At 6.43pm, the doors were reopened.

Voting Requirements: Simple Majority

Officer Recommendation

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

1. RECEIVES the Internal Audit Plan Update and Confidential Attachments 1-3
2. ADOPTS the 2019 Interim Internal Audit Plan to guide Internal Audit activities to December 2020 as contained within attachment 4.

ARG016/05/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Cr Strautins, Seconded Cr Coales

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

1. RECEIVES the Internal Audit Plan Update and Confidential Attachments 1-3
2. ADOPTS the 2019 Interim Internal Audit Plan to guide Internal Audit activities to December 2020 as contained within attachment 4, to include a review of the YMCA Management of the Serpentine Jarrahdale Community Recreation Centre as part of the scope of No. 3 – Lease and Licence Management.

CARRIED UNANIMOUSLY 6/0

Reason for difference to Officer Recommendation

Recent events have identified issues and the review is required to ensure better service delivery in all circumstances.

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.



6.2.4 – Audit Recommendations Update (SJ2895)	
Responsible Officer:	Internal Auditor
Senior Officer:	Chief Executive Officer
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 for the Audit, Risk and Governance Committee to recommend to Council that Council to RECEIVE the internal audit recommendation status and confidential attachment.

Relevant Previous Decisions of Council

OCM74/05/19 - Council Resolution

That the minutes and resolutions contained therein of the Audit, Risk and Governance Committee held on 6 May 2019 be endorsed. (E19/5477)

Audit, Risk and Governance Committee - ARG006/05/19

AUDIT, RISK & GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation

That the Audit, Risk and Governance Committee recommends that Council: ADOPTS the 2019 Interim Internal Audit Plan to guide Internal Audit activities to December 2019.

Background

This update supports a periodic process for the CEO to review the appropriateness and effectiveness of internal controls within the Shire, through the status and potential areas of risk in relation to audit recommendations within the Shire.



Community / Stakeholder Consultation

Stakeholder consultation was undertaken between CEO, Directors, Managers and supporting staff.

Statutory Environment

Local Government (Audit) Regulations 1996:

- Section 16 - Functions of audit committee
- Section 17 - CEO to review certain systems and procedures

Local Government (Financial Management) Regulations 5.2(c):

- Section 5 - CEO's duties as to financial management.

Comment

The following is an overview of the status of Internal Audit and external review recommendations within the Shire:

Reporting Period		RISK RATING:				TOTAL
		EXTREME	HIGH	MODERATE	LOW	
MARCH 2020	Recommendations PROGRESSING	-	5	7	2	14
	Recommendations NOT ACHIEVED	-	-	-	-	-
	Recommendations COMPLETE	-	1	1	5	7
DECEMBER 2019	Recommendations COMPLETE	-	3	-	2	5
AUGUST 2019	Recommendations COMPLETE	-	2	6	3	11
JUNE 2019	Recommendations COMPLETE	-	2	18	3	23

Note: Risk Ratings are based off a residual rating (i.e. these consider risk to the Shire based on what is being undertaken or completed. Where a rating may have originally been based on 'High' a progress or completion of an action may reduce this to 'Moderate').



SUMMARY

All recommendations were reviewed with relevant business areas. Items were considered to be adequately progressing. Where progress against a recommendation and risk considered to be reduced or timeframes agreed to be extended, this is included within the narrative of the supporting attachment.

Options and Implications

Option 1

That the Audit, Risk and Governance Committee recommends that Council RECEIVES the Internal Recommendations Update and confidential attachment.

Option 2

That the Audit, Risk and Governance Committee recommends that Council DOES NOT RECEIVE the Internal Recommendations Update and confidential attachment.

Option 1 is recommended.

Conclusion

Internal Audit will continue to provide audit recommendation status quarterly in the format presented. This will continue to be refined based on information requirements of the Committee.

Attachments (available under separate cover)

- **6.2.4 - CONFIDENTIAL - attachment 1** – Detailed Audit Recommendation Status (E20/5090).

Internal audit status reporting and internal audit reporting is provided as confidential attachments per Section 5.23(2)(a) of the Local Governance Act 'matter affecting an employee or employees'. Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the operations of the Shire. In providing assurance to the ARG and subsequently Council, detailed operational information relating to recommendations, responsible officers, agreed management actions and status updates is presented. Whilst not the intention, this information could be considered to be or attributed to performance of staff within the Shire. On this basis, it is considered to relate to Section 5.23(2)(a) of the Local Governance Act.



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

Nil.

Risk Implications

Option	Risk Description	Risk Assessment (with existing controls considered)			Risk Action Plan (Controls or Treatment proposed)
		Likelihood	Consequence	Rating	
All	That Council does not support management actions and recommendations from Internal Audits resulting in reduced accountability to progress audit observations	Unlikely (2) <i>The event could occur at some time.</i>	Major (4) Substantiated, public embarrassment, high impact, high news profile, third party actions	Medium (8)	<ul style="list-style-type: none"> Adoption of Internal Audit Status reporting ARG feedback processes
All	Internal Audit reporting does not provide adequate assurance to ARG / Council leading to less robust decision making	Unlikely (2) <i>The event could occur at some time.</i>	Moderate (3) <i>Substantiated, public embarrassment, moderate impact</i>	Medium (6)	<ul style="list-style-type: none"> Endorsed Interim Audit Plan Feedback and guidance through ARG Transparency of audit activities through Audit Status Reporting
All	Unclear purpose and intention of Internal Audit resulting in ARG / Council not understanding of Internal Audit activities	Unlikely (2) <i>The event could occur at some time.</i>	Moderate (3) <i>Substantiated, public embarrassment, moderate impact</i>	Medium (6)	<ul style="list-style-type: none"> Revised Internal Audit Charter 2019 Interim Internal Audit Plan 1:1 Audit Committee Chair.



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 rating of 8 has been determined for this item.

Voting Requirements: Simple Majority

ARG017/05/20

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation

Moved Cr Coales, seconded Mr Casilli

That the Audit, Risk and Governance Committee recommends that Council RECEIVES the Internal Recommendations Update and confidential attachment 1.

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 6.50pm, and thanked all Committee Members for their attendance.

I certify that these minutes were confirmed at the
Audit, Risk and Governance Committee Meeting held on 24 August 2020.

..... Presiding Member – Councillor M Byas

24 Aug 2020

..... Date