



Shire of
Serpentine
Jarrahdale

Audit, Risk and Governance Committee Meeting

Confirmed Minutes

Monday, 22 August 2022

5:30pm

Received by Council
19 September 2022 – OCM205/09/22

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In Person

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6 Paterson Street, Mundijong WA 6123
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 August 2022.

The Chief Executive Officer, Mr Paul Martin declared the meeting open at 5:35pm and welcomed Councillors, Committee Members and Staff, and acknowledged that the Shire of Serpentine Jarrahdale is located on the traditional land of the Noongar People and paid her respects to the Traditional Owners, Elders Past, Present and Emerging.

Mr Martin advised that the meeting is being audio recorded in accordance with Council Policy. No other visual or audio recording of this meeting by any other means is allowed.

Mr Martin advised that in accordance with sections 5.12 and 5.14 of the *Local Government Act 1995* that as Presiding Member, Councillor Lauren Strange and Deputy Presiding Member, Mr Jacob Curulli have provided apologies for the meeting, he would be presiding over the meeting until the appointment of a Presiding Member for the meeting is chosen.

Minutes

1. Attendances and apologies (including leave of absence)

Councillors:	T Duggin M Rich
External Members:	Kelly Berry Eileen Newby.....Presiding Member from 5:37pm Reinder Ruiters
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 R Najafzadeh.....Director Infrastructure Services Dr K ParkerManager Governance and Strategy (Minute Taker)
Apologies:	Councillor L Strange Councillor D Strautins Jacob Curulli
Observers:	Nil.



1.1 Election of Presiding Member

In accordance with section 5.14 of the *Local Government Act 1995* the Chief Executive Officer, Mr Paul Martin called for nominations for the position of Presiding Member to act in that role following receipt of apologies from the Presiding Member and Deputy Presiding Member.

Mr Martin called for nominations from the floor.

Councillor Rich nominated Ms Eileen Newby. Ms Newby accepted the nomination.

Mr Martin asked if there were any further for nominations from the floor. No further nominations were received.

Ms Newby was elected unopposed.

2. Petitions and deputations:

Nil.

3. Declaration of Councillors and Officer's interest:

Ms Kelly Berry declared a Financial Interest in item 5.1.1 - Strategic Risk Register Quarterly Review Report – August 2022 (SJ2881) as her spouse is a Shire staff member whose department is mentioned in 5.1.1. Ms Berry will leave the Meeting while this item is discussed.

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 Meetings:

4.1.1 - Audit, Risk and Governance Committee Meeting – 23 May 2022

ARG017/08/22

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION

Moved Cr Rich, seconded Cr Duggin

That the minutes of the Audit, Risk and Governance Committee Meeting held on 23 May 2022 be CONFIRMED (E22/6777).

CARRIED UNANIMOUSLY 5/0



5. Reports for consideration:

5.1 Reports:

Ms Kelly Berry declared a Financial Interest in item 5.1.1 and left the Chambers at 5:38pm prior to this item being discussed.

5.1.1 – Strategic Risk Register Quarterly Review Report – August 2022 (SJ2881)	
Responsible Officer:	Manager Governance and Strategy
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

Ordinary Council Meeting – 20 June 2022 – OCM037/03/22 - COUNCIL RESOLUTION - extract

2. ADOPTS Audit, Risk and Governance Committee Resolution ARG013/05/22 and NOTES the Strategic Risk Register Review as contained within this paper; ENDORSES the updated Strategic Risk Register as contained within attachment 1; and ADDS the Project Management Office as an Action in Risk 16.

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

N/A

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 2021-22 financial year and considered by the Committee at its February 2022 meeting. The next review is due no later than 30 June 2025.

Comment

Strategic Risk Register Quarterly Review – August 2022

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 – August 2022

1. Changes to Risk Ratings

- Risk 11 (Community Engagement) risk rating reassessed to LOW (was MODERATE) with a revised consequence rating of MINOR (was MODERATE) and likelihood rating of UNLIKELY (was POSSIBLE). This reduction in risk rating is primarily driven from Council's approval of a dedicated Engagement Officer and the work completed over the last 12 months to align engagement activities to the IAP2 methodology. In accordance with Council Policy – Risk Management, this risk is now within Council's Risk Appetite.
- Risk 13 (Desirable place - Vibrant community in a rural setting) risk rating reassessed to MODERATE (was SIGNIFICANT) with a revised consequence rating of MODERATE (was MAJOR) and likelihood rating of UNLIKELY (was POSSIBLE) and the control environment has also been reassessed to 'Adequate' (was inadequate). This improvement is primarily driven from the establishment of contemporary library services including the Byford Library and Mobile Library Service.



2. New and Emerging Risks

Next reporting period, the Executive Management Group will review Risk 16 (Capital Projects) to broaden its context to capture other challenges and uncertainties associated with the delivery of capital projects in the current environment. With the number of capital projects on the horizon and the organisation's ongoing investment into this area, it is important that the risk adequately reflects all material factors.

Additionally, the Executive have identified that the timelines on actions 15, 16 and 17 relating to data and maintenance schedules for open drains and roadside verges on Risk 6 (Bush Fire Management) may require a review due to other priorities, such as asset data currently being focused on building.

The Committee can expect to receive an update for these two items at the next meeting.

3. Updates to Risk Mitigation Strategies

Actions complete and moved to controls

Risk 2 (Organisational Workforce)

- Action 3 – Review the performance appraisal system is complete and added as control 11. This review has resulted in an enhanced performance appraisal system that aligns closer with the performance objectives of the organisation and provides greater transparency for career development. The completion rate of performance reviews has also increased as a result.

Risk 3 (Financial sustainability)

- Action 2 - Investigate routine reporting to Council on the status of grant funded works is complete. Officers plan to incorporate this requirement into the exception reporting as part of embedding the Project Management Office into the organisation. A new action to this effect has been added. Additionally, control 3 has been updated to reflect the Corporate Business Plan routine reporting already being received by Council and the Project and Contract Management Framework has been added as control 12.

Risk 5 (Organisational Efficiency)

- Action 4 – Policy/procedure review schedule and process is complete and added as control 12. At the June Ordinary Council meeting, Council adopted a 'Council Policy Review Forward Calendar' to set out a timeline for the review of policies that aligns to need and organisational capacity. This is now in place and underway as a matter of course. Under the Calendar policies will be reviewed at least once every six years.

Risk 6 (Bushfire Management)

- Action 10 – Implement the 2021-22 Mitigation Activity Funding (MAF) is complete. The annual acquittal of MAF is listed as control 9 and processes are now established as business as usual. Therefore, 2022-23 MAF funding will not be added as a separate action.
- Action 11 – Record all permits to burn issued by the Shire and ensure community safety team regulate the enforcement of conditions placed on these permits is complete. This process is listed as control 7 and now that processes are embedded as business as usual the action is complete.

Risk 7 (Environment Sustainability)



- Action 8 – Investigate use of recycled material for road construction is complete and added as control 24. Various recycled material has been used in recent projects including recycled concrete for Rowley Road and recycled asphalt for the Tip Shop. The consideration of recycled material is now part of business as usual.
- Action 10 - Present a report to Council on climate change in accordance with OCM039/03/22 is complete. The next steps are outlined at action 5 (see actions amended below).

Risk 9 (Partnerships / Alliances)

- Action 3 - Explore opportunities for alliances with north and west local government groupings is complete. A report will be provided to Council for consideration of membership on the South East Corridor Councils Alliance and a new action to this effect has been added (see new actions below)

Risk 12 (Desirable place - Economy)

- Action 3 - Trails Planning (Masterplan for Equine Trails) is complete and added as control 24.
- Action 8 - Jarrahdale Equine Trails Network Concept Plan is complete and added as control 23.

Risk 15 (Employee Work Health and Safety)

- Action 4 - Review Work Health and Safety review and gap analysis with OSH Committee and Executive Management Group to determine final actions, resources and planning, present the findings to Council and place final actions on the risk register is complete. Five new risk mitigation actions have been added to the risk (see new actions below).

Risk 16 (Capital Projects)

- Action 1 - Ensure the review of the Corporate Business Plan has a particular focus on the timing of major projects cognisant of current market factors is complete. The Corporate Business and its review process is control 3.
- Action 3 – Project and Contract Management Framework is complete and added as control 8.

Actions amended

Risk 1 (Culture)

- Action 2 – Implementation of the Training and Talent and Succession OneComm Modules have been removed. Officers have further investigated the purpose and functionality of the modules and have determined that they are unlikely to lower the level of risk (in the context of culture) as they are simply the administrative tool for the collection of data for existing manual processes. These processes are already listed as controls.
- Action 3 – Review the organisational vision and values due date amended to 30 September 2023 (was December 2022) to align with the revised due date in the recently reviewed Corporate Business Plan.

Risk 2 (Organisational Workforce)



- Action 2 – Develop an Employee Value Proposition due date amended to 30 September 2023 (was December 2022) to align with the revised due date in the recently reviewed Corporate Business Plan.

Risk 3 (Financial Sustainability)

- Action 1 – Progress DCP's for Byford and Mundijong due date amended to 30 September 2022 (was 30 June 2022). The Shire is still awaiting approval of these plans by the WA Planning Commission (endorsed by Council in November 2020). Officers have been informed that the plans are scheduled for the August WAPC meeting. The Shire President and CEO have asked for a meeting with the Minister about this matter.

Risk 4 (Organisational Capability)

- Action 3 – Undertake community consultation on the local heritage survey description updated to *Finalise the new local heritage survey (assessment of places and presentation to Council)* and due date amended to 30 September 2022. This reflects the next steps in the process to finalise the survey.
- Action 4 - Progress DCP's for Byford and Mundijong due date amended to 30 September 2022. As detailed above, the Shire is awaiting approval of these plans by the WAPC.

Risk 6 (Bushfire Management)

- Action 2 – Prepare bush fire management plans for all outstanding Shire reserves and a schedule of implementation works in accordance with management plans due date amended to 30 June 2022 (was 31 December 2022). The extension is required as resources and capacity are redirected to the brigade work, health and safety reforms.
- Action 12 - Preparation of a Register of Properties where an incident must be responded to by career Fire Officers, with a report on the matter being presented to Council due date amended to 31 August 2022 (was 31 July 2022).

Risk 7 (Environment Sustainability)

- Action 5 - Research and report to Council on options for a Climate Change action plan for the Local Government description amended to *'In conjunction with the community, develop an updated Climate Change Strategy and Local Action Plan within two years of the declaration'* and a due date of 30 September 2024 set. This reflects the next steps following a report on climate change to Council in June 2022 (OCM136/06/22).
- Action 7 – Implementation of FOGO due date amended to 30 June 2024 (was 30 June 2023). This aligns to the new implementation timeline for the project.
- Action 9 – Response to the environmental impact assessment regarding bauxite mining within Jarrahdale due date amended to 30 June 2023 (was 30 September 2022). The impact assessment is yet to be released.

Risk 9 (Partnership / alliances)

- Action 2 - As part of the Major Strategic Review, canvas the community's view in building greater alliances north and west of the metro area due date set to 30 September 2023 (was tba). This aligns to the timeline of the Major Strategic Review as set within the latest review of the Corporate Business Plan.



Risk 10 (Stakeholder management)

- Action 1 - Stakeholder matrix / management plan due date amended to 30 September 2022 (was 30 June 2022). The first stage of the project (to undertake a stakeholder audit) is complete however the full plan is yet to be finalised.

Risk 11 (Community Engagement)

- Action 3 - Consult with Council to ascertain mitigation strategies for the community engagement risk and detail these on the register once known is removed. Following Council's decision to proceed with a dedicated Engagement Officer, the risk has been reassessed and is now within appetite (refer to changes to risk ratings above). Further mitigation actions are therefore not required.

Risk 12 (Desirable place - Economy)

- Action 7 – Heritage Park Business Case due date amended to 31 December 2022 (was 30 November 2022) due to a high level of complexity and dependency associated with stakeholders. This date aligns to the due date within the recently reviewed Corporate Business Plan.
- Action 9 - Jarrahdale Oval Master Plan due date extended to 17 October 2022 (was 30 June 2022). The plan was endorsed by Council in June however community consultation is currently underway and the expected adoption date by Council is October.
- Action 10 - Investigate the commercial feasibility of developing LOT 814, Jarrahdale to support the Jarrahdale Trail Town Initiative due date amended to 31 December 2022 (was 30 September 2022) due to the deferral of the Officers recommendation to commence the project in March (subsequently endorsed in April). This date aligns to the due date within the recently reviewed Corporate Business Plan.

Risk 13 (Desirable place - Vibrant community in a rural setting)

- Action 1 - Develop Libraries Strategic Plan outlining lifelong learning and social connection and the plans for a new library premise in Byford is removed. This project has been removed from the Corporate Business Plan and with the new contemporary library services, will not be required until further development of the Byford Town Centre (10+ years).
- Action 6 - Equine Facility Masterplan due date amended to 31 December 2022 (was 31 July 2022). This date aligns to the due date within the recently reviewed Corporate Business Plan.

New actions

Risk 5 (Financial sustainability)

- Action 3 - Implement exception reporting to Council (including risks associated with granted funded projects) through embedding of the Project Management Office (due 30 November 2022)

Risk 9 (Partnerships / alliances)

- Action 4 - Consider membership on the South East Corridor Councils Alliance (due 31 December 2022)



Risk 14 (Emergency Management)

- Action 8 - Develop a Vulnerable Communities Plan as part of the Local Emergency Management Arrangements (due 30 June 2023)

Risk 15 (Employee Work Health and Safety)

- Action 5 - Undertake works necessary to ensure compliance to revised WHS legislation adhering to ISO45001 standard (due 31 March 2023)
- Action 6 - Undertake an internal WHS audit (due 30 September 2023)
- Action 7 - Restructure the WHS business unit to meet resource requirements (due 31 December 2022)
- Action 8 - Delivery of the works outlined on the Corrective Action Register (due 31 March 2023)
- Action 9 - Develop an operational WHS risk register (due 30 November 2022)
- Action 10 - Implementation of agreed actions related to Bushfire Brigades (ARG009/02/22) (due 31 March 2023)

4. Other

- Risk 15 (Employee Work Health and Safety) renamed to *Worker* Work Health and Safety to align with definition within the new legislation.
- The following controls have been added to Risk 7 (Environment Sustainability):
 - 23 - Climate Change Declaration
 - 25 - Continue to implement and report against the Shire's 2015 Climate Change Strategy and Local Action Plan
- The Mobile Library Service and Byford Library have been added as controls to Risk 13 (Desirable place - Vibrant community in a rural setting)

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

Options and Implications

Option 1

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**.

Option 2

That the Audit, Risk and Governance Committee recommends that 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

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

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

Option 1 is recommended.

Conclusion

Progress this quarter towards the mitigation actions on the risk register is again substantial, with 12 actions complete resulting in several new controls and mitigation actions. Consequential to the annual review of the Corporate Business Plan and the development of Service Team Plans, several mitigation actions have had their due dates amended this quarter to align with organisation capacity and resourcing. Pleasingly, two risks have reduced in overall risk rating with one of those now within Council's risk appetite. Two areas of emerging risk have been identified for review by the Executive and the Committee can expect to receive an update on these at the next meeting.

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)

- **5.1.1 - attachment 1** – Strategic Risk Register (E20/8711)
- **5.1.1 – attachment 2** - Strategic Risk Register – Tracked Changes (E22/9802)

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. The recommendation of additional or amended risks or controls by the Committee may be financial implications for Council to consider.



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	There are no significant risks associated with this option.						
2	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.	Nil.	Organisational Performance	Rare	Insignificant	LOW	Nil.
3	If the Committee recommends revision to the register, these may not be informed by sufficient operational information.	Nil.	Organisational Performance	Rare	Insignificant	LOW	Nil.

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.

Presiding Member, Ms Eileen Newby advised the meeting that in accordance with Clause 6.2 of the Standing Orders, that as there was a loss of a quorum in relation to this matter because a member, after disclosing a financial interest, left the meeting, the matter be adjourned until a quorum is present to decide the matter.

Ms Berry returned to the Chambers at 5:39pm.

Presiding Member, Ms Newby advised Ms Berry that the matter had been adjourned in accordance with Clause 6.2 of the Standing Orders.



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.



5.1.2 - Internal Audit – Proposed change in the method of provision of Audit Activities and Audit Program (SJ2895)

Responsible Officer:	Deputy CEO / Director Community and Organisational Development
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

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

To request that the Audit Risk and Governance Committee consider recommending to Council a change in the method of provision of audit activities and endorse an Audit Program 2022 - 2026.

Relevant Previous Decisions of Council

Ordinary Council Meeting – 21 March 2022 - OCM037/03/22 - COUNCIL RESOLUTION ADOPTS Audit, Risk and Governance Committee Resolution ARG010/02/22 and RECEIVES the Internal Audit Plan Update.

Ordinary Council Meeting – 13 December 2021 - OCM332/12/21 - COUNCIL RESOLUTION

- 1. That Council RECEIVES the Unconfirmed Minutes of the Audit, Risk and Governance Committee Meeting held on 15 November 2021 [Rescheduled from 1 November 2021] (E21/13917).*
- 2. That Council ADOPTS Audit, Risk and Governance Committee Resolution ARG014/11/21 and NOTES progress of the reviews conducted in accordance with Regulation 5 of the Local Government (Financial Management) Regulations 1996 and Local Government (Audit) Regulations 1996.*
- 3. That Council ADOPTS Audit, Risk and Governance Committee Resolution ARG015/11/21 and ADOPTS the Internal Audit Plan 2021-2022 to guide Internal Audit Activities for the period November 2021 to November 2022.*
- 4. That Council ADOPTS Audit, Risk and Governance Committee Resolution ARG016/11/21 and REQUESTS the Chief Executive Officer appoint Stantons International as the preferred supplier to conduct the Inquiry into the Abernethy Road project.*
- 5. That Council ADOPTS Audit, Risk and Governance Committee Resolution ARG017/11/21 and NOTES the due diligence actions as detailed in this report,*



pertaining to the Work Health and Safety Reforms and their impact on bushfire brigade volunteers, and REQUESTS the Chief Executive Officer to identify the suitable funding source for the project.

6. *That Council ADOPTS Audit, Risk and Governance Committee Resolution ARG018/11/21 and NOTES the Strategic Risk Register Review as contained within this paper, and ENDORSES the updated Strategic Risk Register as contained within attachment 1, with the inclusion of:*

A new action under Risk Reference 6, being the preparation of a Register of Properties where an incident must be responded to by career Fire Officers, with a report on the matter being presented to Council.

In Risk Reference 8, include future reference to Asset Replacement Funding.

Audit, Risk and Governance Committee – 15 November 2021 - ARG01/10/21 - AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation
The Audit, Risk and Governance Committee recommends Council ADOPTS the Internal Audit Plan 2021-2022 to guide Internal Audit Activities for the period November 2021 to November 2022.

Background

In May 2018 the Audit, Risk and Governance Committee and Council received the findings of a Governance Health Review which recommended that “...the CEO implement a comprehensive internal audit function”.

At the meeting held 15 May 2018 the Audit Risk and Governance Committee and subsequently Council, accepted the Internal Audit Discussion Paper which outlined in the report that “...the implementation of an internal audit function into the Shire of Serpentine Jarrahdale could contribute significantly to ensuring that the resources of the local government are effectively and efficiently managed”.

In 2018 the Shire first employed an Internal Auditor as a permanent FTE of the Shire.

The Internal Audit function has been responsible for the delivery the Shire of Serpentine Jarrahdale Internal Audit Charter and the annual Audit Plan.

In 2021 the Shire advertised to fill the vacant Internal Auditor position and received responses from a limited number of suitable candidates. After interviews the position was filled.

As of July 2022, the position of Internal Auditor is vacant. After giving consideration of the current Internal Audit needs and capacity of the organisation to deliver upon the recommendations of internal audit activities, Officers recommend that the Internal Auditor position not be continued and that the Shire use external services to meet the audit requirements of the Shire.

Community / Stakeholder Consultation

This item has been discussed internally with the organisational functions that would be most impacted by this change.



Statutory Environment

Local Government (Audit) Regulations 1996:

Section 16. Functions of audit committee

An audit committee has the following functions-

- (a) to guide and assist the local government in carrying out
 - (i) its functions under Part 6 of the Act; and*
 - (ii) its functions relating to other audits and other matters related to financial management;**
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;*
- (c) to review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to
 - (i) report to the council the results of that review; and*
 - (ii) give a copy of the CEO's report to the council;**
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under
 - (i) regulation 17(1); and*
 - (ii) the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;*
- (f) to oversee the implementation of any action that the local government
 - (i) is required to take by section 7.12A(3); and*
 - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and*
 - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and*
 - (iv) has accepted should be taken following receipt of a report of a review conducted under the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);**
- (g) to perform any other function conferred on the audit committee by these regulations or another written law*

Section 17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - a. risk management;*
 - b. internal control; and***
 - c. legislative compliance.**



(2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*

(3) *The CEO is to report to the audit committee the results of that review*

Comment

Outstanding audit actions

An update on the outstanding Internal Audit recommendations is included with this report as **attachment 1**.

All recommendations have been completed excluding one which remains ongoing and is expected to be completed in the 2022-2023 financial year.

Ongoing reviews and improvement

As the organisation continues to grow and mature in its operations a number of other projects or business functions are and will continue to drive examination and improvement in processes and policy. These include:

- Maturing the Risk Framework
- Policy and Business Operating Process creation and review
- The Implementation of the OneComm System
- Abernethy Road Inquiry
- COVID-19 pandemic response
- State Government policy proposals and changes
- Work Health and Safety Compliance project
- Bushfire Brigade Work, Health and Safety reforms review
- Regulation 5 and Regulation 17 reviews
- Organisational Development Roadmap

Despite a period without the provision of internal audit activities the organisation has continued to identify and respond to opportunities for improvement through the above processes. Officers anticipate that review of organisational processes will continue as a result of the above activities moving forward.

Suggested approach

Officers suggest that contracting external audit services could be undertaken through the recommendation to Council of the approval of an audit program by the Audit, Risk and Governance Committee. There would be benefits in making this a multi-year program with a resource allocation for unforeseen requests.

Following approval of the audit program, a procurement process could be undertaken to secure the services of an external provider. Respondents could be asked to provide a price for schedule and unit price for other audit work that may arise over the course of the contract period.



Officers have given consideration as to what activities would need to be included in an audit program moving forward:

- Review of the Compliance Audit Return – Whilst this was previously audited by Internal Audit, it is not a requirement to do so. The Compliance Audit Return process is prepared thoroughly by Officers and it is reviewed by the Audit, Risk and Governance Committee (legislative requirement) before being considered by Council. Given the review of the Compliance Audit Return by the Audit, Risk and Governance Committee and Council the annual external Audit of the Compliance Audit Return is not considered to be a priority.
- The Project Management Framework Policy - This policy states that it is to be audited within two years of commencement.
- Regulation 5 and Regulation 17 reviews - In recent times these reviews have been managed by the Governance function of the organisation. These reviews could be incorporated into the audit program however are not due for another three financial years.
- Work, Health and Safety - At the Audit, Risk and Governance Committee meeting held in May 2022, the Committee considered a report on the Work Health and Safety Compliance Project. The report recommended that the Shire works towards the goal of achieving compliance with ISO45001, Occupational Health and Safety Management System. ISO compliance requires regular internal auditing activities of the health and safety management system. This will need to be included in the audit program in the future, once the initial review work has been undertaken and therefore the timing of such an audit is shown indicatively in table 1.
- Any speciality audits that may be identified by the Audit, Risk and Governance Committee and/or Council throughout the year.
- Outstanding audits from the 2021-2022 Internal Audit Plan - Officers recommend that the audits as shown in table 1 and endorsed by Council be completed in the 2022/2023 and 2022/2023 financial year.

Additionally, the Internal Auditor has had responsibility for the contract management of the whistle blower service. The Internal Auditor was also one of the two points of contact for reports. It is proposed that the Governance and People, Development and Wellbeing functions of the organisation take responsibility for the delivery of the whistle- blower service.

Proposed Audit Program 2022

A proposed Audit Program 2022 to 2026 is shown in table 1 below.

Audit Activity	2022/2023	2023/2024	2024/2025	2025/2026
Asset Management		●		
Payroll and Leave Management	●			
IT General Management Controls		●		
Firebreak Inspections		●		
Project Management Framework Policy		●		



Audit Activity	2022/2023	2023/2024	2024/2025	2025/2026
Regulation 5 Review			●	
Regulation 17 Review			●	
Health and Safety Management System audit		●	●	●
Specialty Audits	As required	As required	As required	As required

Table 1 - Proposed Audit Program 2022-2026

The audit activities are those which are listed in the Interim Audit Plan 2021-2022 included with this report as **attachment 2**.

Audits recommended to be included

- Asset Management
- Payroll and Leave Management
- IT General Management and Controls
- Firebreak inspections

Audits not recommended to be included

- Swimming Pool Inspections
- Youth Services
- Event Management

Internal Audit activities were undertaken for the Youth Services audit however the report remains incomplete and in the absence of an Internal Auditor will not be presented to the Audit, Risk and Governance Committee. The only recommendations arising from this audit activity were to consider a central database detailing incident report document numbers to ensure this information is easily and quickly accessible to staff and to record all incidents for registered youth members (youth drop in) that are classed as Repeat Minor or above on the Behaviour Management Matrix. Officers will be addressing these recommendations.

Significant works have been undertaken with review and resourcing of the swimming pool inspections and event management functions. Consideration of Work, Health and Safety requirements for events will included in the organisational Work, Health and Safety review and compliance improvement activities. Recognising these improvements Officers recommend not progressing with internal audits of these two activities at this stage.

Budgeted funds

Available funds are discussed in the finance section of this report.

Officers recommend the retention of an annual budget to support the engagement of external audit services in 2022/2023 this amount is recommended to be \$40,000. This amount will need to be reviewed annually to reflect an amount required to meet the audits to be undertaken.



Officers propose that the remaining funds from the vacant FTE be transferred to the People, Development and Wellbeing business unit.

A recent review of the organisational demands on the People, Development and Wellbeing business unit indicated that the demand for support with recruitment activities dominates the time of the current resources within the business unit. This results in a limited ability for the existing resources to provide human resources and industrial relations support to the organisation and to focus on the delivery of improvement activities outlined in the Organisational Development Roadmap and the delivery of human resources components of the OneComm project.

The Shire of Serpentine Jarrahdale Strategic Risk Register Risk 1 Culture and Risk 2 Organisational Workforce lists a range of causes that continue to be realised due to the lack of available resources to deliver the controls, being the Organisational Development Roadmap and delivery of OneComm.

Additionally the decision of Council at the July 2022 Ordinary Meeting to retain management of the Volunteer Bushfire Brigades along with the need to address the requirements of the new Work, Health Safety legislation in relation to volunteers will greatly increase the demand for support from the business unit.

It is anticipated that along with recruitment activities associated with staff there will be increased recruitment and onboarding activities for the Shire's volunteers including the Volunteer Bushfire Brigade volunteers and volunteers across other business units in the organisation. A dedicated resource to coordinate recruitment activities will increase capacity in the business unit to undertake other core human resources activities, including business improvement activities, the delivery of the Organisational Development Roadmap and OneComm Project. This resource will also allow for a review and improvements in strategic recruitment activities such as a focus on increasing diversity in the organisation.

Without the additional resource it is anticipated that there will continue to be limited capacity in the business unit to undertake the strategic improvement activities through OneComm and the Organisational Development Roadmap and a continued reduced capacity to address risk.

Overall, while the Shire's experience with an internal audit function has been positive, Officers suggest that the greatest future gains in the Shire's journey of continuous improvement at this time will come from investment in the implementation of measures to build capacity rather than the identification of issues. Examples of these initiatives include:

- the Shire's Enterprise Resource Program implementation;
- workplace health and safety reforms, including as they apply to volunteers and contractors; and
- embedding the Project Management Framework.

Implementation of an internal audit program of the scale deliverable from a dedicated internal audit function may work to counter the implementation of the capacity efforts by drawing away intellectual and time resources from key Officers.



Options and Implications

Option 1

The Audit, Risk and Governance Committee recommends Council:

1. ENDORSES the provision of audit services via external contractor;
2. REQUESTS the Chief Executive Officer engage the services of an external contractor as required;
3. ENDORSES the Audit Program 2022-2026 as shown in Table 1; and
4. APPROVES the budget variation below:

Account Number	Type	Account Description	Debit \$	Credit \$
4700-10300-6000-0000	Increase Expenditure	People and Culture - Salaries	78,075.25	
4700-10300-6010-0000	Increase Expenditure	People and Culture – Sick Leave	4,489.42	
4700-10300-6020-0000	Increase Expenditure	People and Culture – Annual Leave	10,614.34	
4700-10300-6030-0000	Increase Expenditure	People and Culture – Superannuation	15,086.22	
4700-10300-6050-0000	Increase Expenditure	People and Culture – Training	1,000	
4700-10300-6059-0000	Increase Expenditure	People and Culture – Workers Compensation Insurance	1,868	
4000-15100-6230-0000	Increase Expenditure	Internal Audit Consultancy	20,000	
4000-15100-6000-0000	Decrease Expenditure	Internal Audit - Salaries		98,075.25
4000-15100-6010-0000	Decrease Expenditure	Internal Audit – Sick Leave		4,489.42
4000-15100-6020-0000	Decrease Expenditure	Internal Audit – Annual Leave		10,614.34
4000-15100-6030-0000	Decrease Expenditure	Internal Audit – Superannuation		15,086.22
4000-15100-6050-0000	Decrease Expenditure	Internal Audit – Training		1,000



Account Number	Type	Account Description	Debit \$	Credit \$
4000-15100-6059-0000	Decrease Expenditure	Internal Audit – Workers Compensation Insurance		1,868
Reason: To allow contracting internal audit activities per the Audit Program and provide resources to People, Development and Wellbeing for strategic improvement activities.				

Option 2

The Audit, Risk and Governance Committee recommends Council ENDORSES the continued provision of audit services through the provision of the Internal Audit function.

Option 1 is recommended.

Attachments (available under separate cover)

- **5.1.2 – attachment 1** – Internal Audit Recommendation Status Report (E22/9249)
- **5.1.2 - attachment 2** - Interim Audit Plan 2021-2022 (E21/11760)

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

Account 4000-15100-6230-0000 Internal Audit Consultancy has a budget in the 2022/2023 financial year of \$20,000, as there is only one audit scheduled, it is recommended to approve a budget variation to increase this amount to \$40,000, allowing for the audit that is scheduled and any unforeseen audit requirements.

An amount reflective of the number of audits to be delivered in each financial year will need be included in the draft budget each financial year for consideration by Council.

Officers recommend the transfer of the balance of Internal Audit Salaries to the People, Wellbeing and Development team to support the creation of an additional resource as discussed in 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	Unable to secure external audit services within provided budget	Dedicated budget provided annually reflective of the number of audits listed in the audit plan	Organisational Performance	Rare	Minor	LOW	Nil
2	Unable to secure an appropriately qualified and suitable person for the role	Use a specialist recruitment agency if required.	Organisational Performance	Possible	Minor	MODERATE	Officers recommendation
2	Ongoing reduced capacity in the People, Wellbeing and Development business unit to deliver improvement activities and address risk	Revised timelines for delivery of activities	Organisational Performance	Likely	Moderate	SIGNIFICANT	Officers recommendation



Voting Requirements: Simple Majority

ARG018/08/22

AUDIT, RISK AND GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation

Moved Cr Rich, seconded Cr Duggin

The Audit, Risk and Governance Committee recommends Council:

- 1. ENDORSES the provision of audit services via external contractor;**
- 2. REQUESTS the Chief Executive Officer engage the services of an external contractor as required;**
- 3. ENDORSES the Audit Program 2022-2026 as shown in Table 1; and**
- 4. APPROVES the budget variation below:**

Account Number	Type	Account Description	Debit \$	Credit \$
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4000-15100-6059-0000	Decrease Expenditure	Internal Audit – Workers Compensation Insurance		1,868
Reason: To allow contracting internal audit activities per the Audit Program and provide resources to People, Development and Wellbeing for strategic improvement activities.				
CARRIED 4/1				

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



6. Motions of which notice has been given:

Nil.

7. Urgent business:

Nil.

8. Closure:

There being no further business, the Presiding Member declared the meeting closed at 5:47pm.

I certify that these minutes were confirmed at the Audit, Risk and Governance Committee Meeting held on 7 November 2022.

..... Presiding Member – Lauren Strange

7 November 2022

..... Date