



Shire of  
Serpentine  
Jarrahdale

# Audit, Risk and Governance Committee

## Agenda

**Monday, 23 November 2020**

**5.30pm**

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



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## Table of Contents

1. Attendances and apologies (including leave of absence) .....	3
2. Petitions and deputations: .....	3
3. Declaration of Councillor's and Officer's interest: .....	3
4. Receipt of minutes or reports and consideration of adoption of recommendations from Committee meetings held since the previous Council meetings: .....	3
4.1 Minutes of previous Audit, Risk and Governance Committee Meeting: .....	3
4.1.1 Audit, Risk and Governance Committee Meeting – 24 August 2020 .....	3
4.2 Reports for consideration: .....	4
4.2.1 – Internal Audit Plan Update (SJ2895) .....	4
4.2.2 – Audit Recommendations Update (SJ2895) .....	16
4.2.3 – Strategic Risk Register Quarterly Review Report – November 2020 (SJ2881) ....	24
5. Motions of which notice has been given: .....	32
6. Urgent business: .....	32
7. Closure: .....	32



Dear Committee Member

An Audit, Risk and Governance Committee Meeting of the Shire of Serpentine Jarrahdale will be held on Monday, 23 November 2020 in the Council Chambers, Civic Centre, 6 Paterson Street, Mundijong – commencing at 5.30pm.

Paul Martin  
**Chief Executive Officer**

13 November 2020

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## Agenda

- 1. Attendances and apologies (including leave of absence)**
- 2. Petitions and deputations:**
- 3. Declaration of Councillor's and Officer's interest:**
- 4. Receipt of minutes or reports and consideration of adoption of recommendations from Committee meetings held since the previous Council meetings:**
  - 4.1 Minutes of previous Audit, Risk and Governance Committee Meeting:**
    - 4.1.1 Audit, Risk and Governance Committee Meeting – 24 August 2020**

**That the minutes of the Audit, Risk and Governance Committee Meeting held on 24 August 2020 be CONFIRMED (E20/9686).**



## 4.2 Reports for consideration:

4.2.1 – Internal Audit Plan Update (SJ2895)	
<b>Responsible Officer:</b>	Internal Auditor
<b>Senior Officer:</b>	Deputy CEO / Director Community and Organisational Development
<b>Disclosure of Officers Interest:</b>	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

## 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 document is to provide an overview of key activities of Internal Audit within the Shire of Serpentine Jarrahdale (the Shire) to the Audit, Risk and Governance (ARG) and subsequently Council. This document will be continually refined to meet information requirements and direction of ARG.

## Relevant Previous Decisions of Council

*Ordinary Council Meeting – 15 June 2020 - OCM137/06/20 - extract*

- 1. That Council RECEIVES the Unconfirmed Minutes of the Audit, Risk and Governance Committee Meeting held on 25 May 2020 (E20/6256).*
- 3. That Council ADOPTS Audit, Risk and Governance Committee Resolution ARG014/05/20 and RECEIVES the Internal Audit Plan Update and Confidential Attachments 1-3; 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.*

## Background

Internal audit operates as an operationally independent, objective assurance and consulting activity designed to add value and improve the operations within the Shire. The function supports legislative requirements of the Chief Executive Officer (CEO) to review the appropriateness and effectiveness of internal controls within the Shire. This is achieved through undertaking activity in accordance with Council approved planning (or requests) and reporting the output of Internal Audit activities to Council.



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This report seeks to present status against the Shire's Interim Internal Audit Plan 2020.

### **Community / Stakeholder Consultation**

Stakeholder consultation was undertaken between CEO, Deputy CEO / Director Community and Organisational Development, Directors, Managers and supporting staff.

The following provides context around engagement undertaken for Contract Management to date:

- Executive Management Group (all);
- Management Team including; Manager Finance, Manager Governance, Manager Infrastructure and Assets, Manager Waste and Fleet, Manager Information Technology, Manager Community Services; and
- Supporting Staff including; Project Manager – OneComm Project, Coordinator Procurement, Systems Accountant, Senior Project Officer, Project Coordinator Infrastructure and Assets, Senior Project Officer, Finance Officer – Accounts Payable.

The following provides context around engagement undertaken for Grants Management to date:

- Executive Management Group (all);
- Management Team including; Manager Finance, Manager Infrastructure and Assets, Manager Community Services, Chief Bush Fire Control Officer / CESM; and
- Supporting staff including; Senior Project Officer, Financial Accountant, Systems Accountant, Coordinator Community Safety, Coordinator Emergency Services, Bushfire Mitigation Officer.

The following provides context around engagement undertaken for Lease and License Management to date:

- Director Infrastructure Services;
- Management Team including; Manager Finance; and
- Supporting staff including; Senior Property and Facilities Officer, Senior Project Officer, Systems Accountant.

### **Statutory Environment**

*Local Government (Audit) Regulations 1996:*

16. *Audit committee, functions of an audit committee —*

(a) *is to provide guidance and assistance to the local government —*

(i) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*

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- (ii) *as to the development of a process to be used to select and appoint a person to be an auditor; and*
  - (b) *may provide guidance and assistance to the local government as to —*
    - (i) *matters to be audited; and*
    - (ii) *the scope of audits; and*
    - (iii) *its functions under Part 6 of the Act; and*
    - (iv) *the carrying out of its functions relating to other audits and other matters related to financial management;*
- 17. *CEO to review certain systems and procedures*
  - (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
    - (a) *risk management; and*
    - (b) *internal control; and*
    - (c) *legislative compliance.*
  - (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
  - (3) *The CEO is to report to the audit committee the results of that review."*

*Local Government (Financial Management) Regulations:*

5. *CEO's duties as to financial management*

- (2) *The CEO is to —*
  - (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
  - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
  - (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*

**Comment**

Internal Audit Services has continued activities to support the Interim Internal Audit Plan 2020 (January 20 - Feb 21).

Summary:

Internal Audit continues to undertake activities in accordance with the Interim Internal Audit Plan 2020. There are two audit activities seeking additional time and four seeking to



reschedule, details of the rationale and background and provided in this section. Directorate management tone and response to reported weaknesses, recommendations and Internal Audit more generally remain positive.

The following table provides a snapshot of Internal Audit activities for the period July to August 2020:

Area / Reporting Period	Jul-Sep 2020
Planned Audits Completed	0
Planned Audits in Fieldwork Stage	2
Planned Audits in Reporting Stage	1
Planned Audits Requesting Additional Time	2
Planned Audits Requesting Rescheduling	4

*Table 1: Internal Audit Summary Statistics*



The following table provides the current status of Internal Audit Activities against planned for the period July to September 2020:

Internal Audit Activity	Type	Status	2020				2021	
			Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Activities in accordance with the Interim Internal Audit Plan 2020								
Contract / Supplier Management	Internal Audit	Reporting		<div></div>	<div></div>	<div></div> *1		
Grants Management	Internal Audit	Fieldwork		<div></div>	<div></div>	<div></div> *2		
Lease and License Management	Internal Audit	Fieldwork			<div></div>	<div></div>		
Swimming Pool Inspections	Internal Audit	Scheduled				<div></div>		<div></div> *3
Payroll and Leave Management	Internal Audit	Scheduled				<div></div>	<div></div>	
Customer Service	Internal Audit	Scheduled					<div></div> *4	
Firebreak Inspections / Management	Internal Audit	Scheduled					<div></div>	<div></div> *5
Compliance Audit Return	Internal Audit	Annually	<div></div>				<div></div>	
Additional Activities - See additional reporting in Summary section below								
Follow-up Review of CEO to Employee Delegation Recommendations	Follow-up	Scheduled			<div></div>		<div></div> *6	
IT General Computer Controls – Controls Workshopping	Controls Workshop	Scheduled				<div></div>		
Working with Children Checks	Follow-up	Scheduled					<div></div>	
Quarterly Reporting (Council / Audit, Risk and Governance Committee)								
Audit Plan Status Report	Reporting	Quarterly	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Audit Recommendation Report	Reporting	Quarterly	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>

Table 2: Internal Audit Activities for the period January 2020 to March 2021

KEY	●	Ongoing audit activity	●	Completed Audit activity
	●	Scheduled audit activity	●	Delayed / cancelled audit activity
	●	Audit activity unable to be achieved	➡	Rescheduled / Extended activity



*Notes:*

*\*1 – Request for extension of time for reporting - Contract / Supplier Management – Internal Audit*

*\*2 – Request for extension of time for fieldwork – Grants Management – Internal Audit*

*\*3 – Request reschedule of audit commencement – Swimming Pool Inspections*

*\*4 – Request reschedule of audit commencement – Customer Service*

*\*5 – Request reschedule of audit commencement – Firebreak Inspections / Management*

*\*6 – Request reschedule of audit commencement - Delegation Management - Follow-Up Review*

Contract and Supplier Management – Internal Audit – Extension of Time (note 1)

The Contract and Supplier Management Internal Audit has completed the fieldwork stage and is currently in draft reporting being considered by the Executive Management Group (EMG). The following factors contributed to requesting an extension of time for the audit activity:

- Originally, the scope was Corporate Services, but as the fieldwork commenced it was clear that the Shire did not operate using a centralised contract management process which required significantly higher engagement across the organisation than originally planned;
- Additionally, a variation to scope from the Audit Committee relating to inclusion of the contractual arrangement with the recreation centre was included;
- In performing fieldwork, it became clearer that to provide meaningful output to the Shire, a peripheral glance at project management was required;
- This was also the first instance that bespoke fraud testing was built and included within internal audit reports which included additional walkthrough and testing to align with better practice guidance from the Office of the Auditor General;
- As this audit went significantly across the organisation, efforts were made to engage better with Managers and socialise the recommendations. Feedback received in surveys undertaken by Internal Audit included feedback on improving internal communications; and
- The audit is currently in draft reporting stage being considered by the Executive Management Group (EMG).

Endorsement of an extension of time is being requested into the next quarter to complete the reporting process.

Grants Management – Internal Audit – Extension of Time: (note 2)

Originally, the scope was identified Corporate Services and Community Services, but as fieldwork commenced and areas managing grants became clearer, wider engagement was required. It is considered that the extension will not go beyond the next quarter.



Endorsement of an extension of time is being requested in relation to the Grants Management Internal Audit to complete the fieldwork and issue and draft report.

Customer Service – Internal Audit – reschedule (note 4)

The implementation of the Customer Service Module within OneComm has been brought forward to April 2021, this process includes considerable business process review work by the responsible business area. It is considered that Internal Audit activities will provide better value after the implementation of the module within OneComm.

Endorsement is being sought to reschedule this activity into the next Internal Audit Planning cycle.

Swimming Pool Inspections and Firebreak Inspections / Management – Internal Audit – reschedule (note 3 and 5)

The flow on effect from the extensions of time for the above activities is the risk to delivery of other Internal Audit activities. Swimming Pool Inspections and Firebreak Inspections / Management were respectively scheduled for October to December 2020 and January to March 2021, the following

This report presents two options for Council's consideration:

- Additional resourcing to achieve planned timeframe of these audits in line with the Interim Internal Audit Plan; and
- Rescheduling into April-June 2021 to allow in house delivery of these activities.

These options are reflected in the options section of this report.

An additional benefit of both options is being able to phase out the current calendar year approach to planning for the Interim Internal Audit Plan 2020 will be able to harmonise with the financial year reporting of the Corporate Business Plan.

Follow-up Review of CEO to Employee Delegation Recommendations – Internal Audit – reschedule (note 6)

The follow-up Review Delegation Management has not commenced in accordance with planned timeframes. This was an activity requested from the CEO in Management Comments of the Internal Audit – CEO to Employee Delegations presented in the May ARG.

Endorsement is being sought to reschedule this activity activities due to additional time required for other audit activities detailed in this report and to allow recent delegation training facilitated through the Governance business area to embed into business practices.



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### Friday Facts

Internal Audit continues to report weekly on activities in Friday Facts through to Council, this also includes notification when an Office of the Auditor general (OAG) reporting relevant to the Shire.

### Office of the Auditor General (OAG) Reports

The following audit reports have recently been released by the OAG which are considered relevant to the Shire:

[https://audit.wa.gov.au/wp-content/uploads/2020/08/Report\\_3\\_Waste-Management-%E2%80%93-Service-Delivery.pdf](https://audit.wa.gov.au/wp-content/uploads/2020/08/Report_3_Waste-Management-%E2%80%93-Service-Delivery.pdf)

Note: the Shire was not audited as part of this process.

This audit assessed whether local government entities plan and deliver effective waste management services to their communities. The audit also focused on waste management and progress towards achieving targets and objectives set in the first Western Australian Waste Strategy: Creating the Right Environment (Waste Strategy 2012) and subsequent Waste Avoidance and Resource Recovery Strategy 2030 (Waste Strategy 2030). The report includes longer term considerations for waste management within Local Government and recommendations which are specific to the Waste Authority and Department of Water and Environmental Regulation (DWER).

The Shire is legislatively required to establish Waste Planning, the latest iteration of this planning is to be presented to Council by Feb 21 and subsequently submitted to DWER by 31 March 2021.

Internal Audit discussed the report with the responsible business area within the Shire, discussions highlighted the following:

- The report was considered against current and future planning;
- Recommendations were considered consistent with direction for Waste Management within the Shire;
- Current waste planning was considered to align with referenced strategies;
- Re-affirmed commitment to achieving the state's waste targets;
- Current Performance targets were considered to align with current endorsed 5 year waste strategy;
- An area of high focus is Food Organics, Garden Organics (FOGO), this is the centrepiece of both State and Shire Waste Management Strategies; and
- We have recently established a Waste Transfer Station and Recycling Centre for the Shire residents to utilise. The flexible approach of offering a facility all year round with no limitations on (specified) volumes delivered to the facility, will encourage greater recycling and overall improvement to the environment.



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## Options and Implications

### Option 1

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

1. RECEIVES the Internal Audit Plan Update.
2. ENDORSES variations to planned timeframes through:
  - a. an extension for reporting timeframes for the Contract and Supplier Management Internal Audit into the October to December 2020 Quarter to cater for wider scope, organisation wide engagement for recommendations and additional fieldwork;
  - b. an extension of time for fieldwork and reporting for grants management into the October to December 2020 Quarter to cater for wider stakeholder for fieldwork; and
  - c. rescheduling the Delegations – follow-up into the October to December 2020 Quarter to cater for prioritising other fieldwork and allowing embedding of business processes after recent training efforts.
3. ENDORSES extended timeframes into April-June 2021 to deliver Swimming Pool Inspections and Firebreak Inspections / Management with existing resources.

### Option 2

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

1. RECEIVES the Internal Audit Plan Update.
2. ENDORSES variations to planned timeframes through:
  - a. an extension for reporting timeframes for the Contract and Supplier Management Internal Audit into the October to December 2020 Quarter to cater for wider scope, organisation wide engagement for recommendations and additional fieldwork;
  - b. an extension of time for fieldwork and reporting for grants management into the October to December 2020 Quarter to cater for wider stakeholder for fieldwork; and
  - c. rescheduling the Delegations – follow-up into the October to December 2020 Quarter to cater for prioritising other fieldwork and allowing embedding of business processes after recent training efforts.
3. REQUESTS the CEO to list for consideration in the mid-year budget review \$50,000 to deliver Swimming Pool Inspections and Firebreak Inspections / Management with fieldwork and reporting completed by March 2020.

### Option 3

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

1. RECEIVES the Internal Audit Plan Update.
2. DOES NOT ENDORSE variations to planned timeframes through:
  - a. an extension for reporting timeframes for the Contract and Supplier Management Internal Audit into the October to December 2020 Quarter to cater for wider scope, organisation wide engagement for recommendations and additional fieldwork;



- b. an extension of time for fieldwork and reporting for grants management into the October to December 2020 Quarter to cater for wider stakeholder for fieldwork; and
  - c. rescheduling the Delegations – follow-up into the October to December 2020 Quarter to cater for prioritising other fieldwork and allowing embedding of business processes after recent training efforts.
3. DOES NOT ENDORSE extended timeframes or resourcing to deliver Swimming Pool Inspections and Firebreak Inspections / Management Internal Audit Activities.

Option 1 is recommended.

## Conclusion

Revision of timeframes is required for two current and three planned audit activities. The following areas contributed to this requirement:

- Contract / supplier management and grants management audit activities required wider coverage of interlinked areas to provide more meaningful observations and recommendation to the Executive Management Group;
- Contract / supplier management and grants management required wider stakeholder engagement that originally planned;
- Progressing endorsed scope variations for contract / supplier management audit activity;
- Establishing better processes for communication and consideration of organisation wide observations and recommendations;
- Embedding revised testing approaches for internal audit (each internal audit considering dedicated fraud testing).

Options 1 and 2 are considered to address timing issues detailed in this report.

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

## Attachments (available under separate cover)

Nil.

## Alignment with our Strategic Community Plan

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



## Financial Implications

If Option 2 is considered, unbudgeted expenditure of approximately \$50,000 will be required to deliver the services externally and will need to be considered by Council through the mid-year Budget Review. The scope of this work will relate to end-to-end delivery of two outsourced internal audits with provision of reporting which will be presented to the Audit, Risk and Governance Committee.

## Risk Implications

Risk has been assessed on the Officer Options and Implications:

Officer Option	Risk Description	Controls	Principal Consequence Category	Risk Assessment			Risk Mitigation Strategies (to further lower the risk rating if required)
				Likelihood	Consequence	Risk Rating	
1	<i>Ineffective Internal Audit function resulting in inadequate assurance to ARG / Council over key business processes.</i>	<ul style="list-style-type: none"><li>• <i>Endorsed Interim Audit Plan</i></li><li>• <i>Transparency of audit activities through Audit Status Reporting</i></li><li>• <i>Independence controls over Internal Audit Reporting</i></li><li>• <i>Internal Audit engaging with each business area and facilitating status updates to audit recommendation</i></li><li>• <i>Ability to directly engage with Internal Audit through the Audit, Risk and Governance Committee</i></li><li>• <i>Ability to request audit activities through the Audit, Risk and Governance Committee</i></li><li>• <i>Feedback and guidance through ARG</i></li><li>• <i>1:1 engagement with Audit Committee Chair.</i></li></ul>	Organisational Performance	Unlikely	Moderate	MODERATE	No additional strategies



Officer Option	Risk Description	Controls	Principal Consequence Category	Risk Assessment			Risk Mitigation Strategies (to further lower the risk rating if required)
				Likelihood	Consequence	Risk Rating	
2	<i>Unclear purpose and intention of Internal Audit resulting in ARG / Council not understanding of Internal Audit activities</i>	<ul style="list-style-type: none"> <li>• Revised Internal Audit Charter</li> <li>• 2019 Interim Internal Audit Plan</li> <li>• Quarterly reporting processes for Internal Audits and Audit Recommendation</li> <li>• 1:1 engagement with Audit Committee Chair.</li> </ul>	Organisational Performance	Unlikely	Moderate	MODERATE	No additional strategies

**Voting Requirements:** Simple Majority

**Officer Recommendation:**

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

1. **RECEIVES** the Internal Audit Plan Update.
2. **ENDORSES** variations to planned timeframes through:
  - a. an extension for reporting timeframes for the Contract and Supplier Management Internal Audit into the October to December 2020 Quarter to cater for wider scope, organisation wide engagement for recommendations and additional fieldwork;
  - b. an extension of time for fieldwork and reporting for grants management into the October to December 2020 Quarter to cater for wider stakeholder for fieldwork; and
  - c. rescheduling the Delegations – follow-up into the October to December 2020 Quarter to cater for prioritising other fieldwork and allowing embedding of business processes after recent training efforts.
3. **ENDORSES** extended timeframes into April-June 2021 to deliver Swimming Pool Inspections and Firebreak Inspections / Management with existing resources.

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



4.2.2 – Audit Recommendations Update (SJ2895)	
<b>Responsible Officer:</b>	Internal Auditor
<b>Senior Officer:</b>	Deputy CEO / Director Community and Organisational Development
<b>Disclosure of Officers Interest:</b>	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

### 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

That the Audit, Risk and Governance Committee recommends that Council **RECEIVES** the Audit Recommendations Update and Detailed Audit Recommendation Status as contained in **confidential attachment 1**.

### Relevant Previous Decisions of Council

*Ordinary Council Meeting – 15 June 2020 - OCM137/06/20 - extract*

- 1. That Council **RECEIVES** the Unconfirmed Minutes of the Audit, Risk and Governance Committee Meeting held on 25 May 2020 (E20/6256).*
- 3. That Council **ADOPTS** Audit, Risk and Governance Committee Resolution ARG014/05/20 and **RECEIVES** the Internal Audit Plan Update and Confidential Attachments 1-3; **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.*

### Background

This update supports a periodic process for the Chief Executive Officer (CEO) to review the appropriateness and effectiveness of the Shire's systems and procedures in relation to internal control. This is achieved through providing assurance to Council that recommendations are reviewed between relevant business unit management and Internal Audit management, evidenced where available, with appropriate narrative around reduced risk or revised timeframes.



## Community / Stakeholder Consultation

Stakeholder consultation was undertaken between Chief Executive Officer, Deputy CEO / Director Community and Organisational Development, Directors, Managers and supporting staff.

## Statutory Environment

*Local Government (Audit) Regulations 1996:*

16. *Audit committee, functions of an audit committee —*
  - (a) *is to provide guidance and assistance to the local government —*
    - (i) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
    - (ii) *as to the development of a process to be used to select and appoint a person to be an auditor; and*
  - (b) *may provide guidance and assistance to the local government as to —*
    - (i) *matters to be audited; and*
    - (ii) *the scope of audits; and*
    - (iii) *its functions under Part 6 of the Act; and*
    - (iv) *the carrying out of its functions relating to other audits and other matters related to financial management;*
17. *CEO to review certain systems and procedures*
  - (1) *The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
    - (a) *risk management; and*
    - (b) *internal control; and*
    - (c) *legislative compliance.*
  - (2) *The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
  - (3) *The CEO is to report to the audit committee the results of that review."*

*Local Government (Financial Management) Regulations:*

5. *CEO's duties as to financial management*
  - (2) *The CEO is to —*
    - (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
    - (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*



- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

## Comment

All audit recommendations have been reviewed with relevant business areas and are considered to be progressing or completed. Where progress risk was considered to be reduced or timeframes agreed to be extended, this is included within the narrative in the supporting confidential attachment.

The following table details the status of Internal Audit and external review recommendations within the Shire for October 2020:

Reporting Period		RISK RATING:				TOTAL
		<i>This instance of reporting uses the older risk framework of the Shire, for the next iteration of reporting it is planned to review risk items to align with the latest version of the <a href="#">Risk Management Policy</a></i>				
		EXTREME	HIGH	MODERATE	LOW	
SEPTEMBER 2020	Recommendations PROGRESSING	-	5	13	1	19
	Recommendations NOT ACHIEVED	-	-	-	-	-
	Recommendations COMPLETE	-	-	2	-	2
JUNE 2020	Recommendations COMPLETE	-	1	3	2	6
MARCH 2020	Recommendations COMPLETE	-	1	1	5	7
DECEMBER 2019	Recommendations COMPLETE	-	3	-	2	5
SEPTEMBER 2019	Recommendations COMPLETE	-	2	6	3	11
JUNE 2019	Recommendations COMPLETE	-	2	18	3	23

Table 1: Recommendation Summary Statistics



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').

The following is further breakdown of ongoing recommendations within the Shire based on report type and risk:



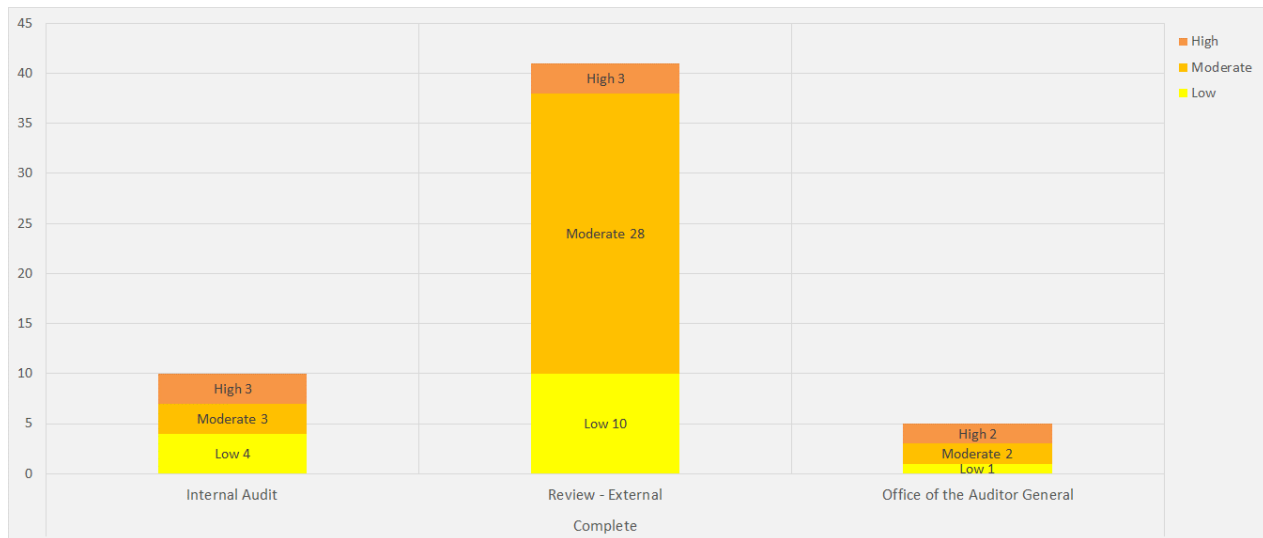
*Diagram 1: Ongoing Recommendations based on report type and risk.*

Please note the following when reading Diagram 1:

- Internal Audit: are recommendations raised through Internal Audit.
- Office of the Auditor General: are recommendations raised by the Office of the Auditor General.
- External Review: are recommendations raised through external review / assurance activities.
- Controls Workshoping: are recommendations raised through controls workshoping activities between Internal Audit and business areas i.e. the recent IT General Computer Controls – Controls Workshoping.



For contract, the following diagrams provides the position of items **COMPLETED** since February 2019 which includes addressing significant volumes of review / audit activities:



*Diagram 2: Complete Recommendations based on report type and risk.*

This can be considered indicative to management within Shire engaging with tracking / accountability of actions of audit activities within the Shire.

A detailed schedule of the status of the audit recommendations, including recommendation, management comments and status update on action is contained in **confidential attachment 1**.

## Options and Implications

### Option 1

That the Audit, Risk and Governance Committee recommends that Council **RECEIVES** the Audit Recommendations Update and Detailed Audit Recommendation Status as contained in **confidential attachment 1**.

### Option 2

That the Audit, Risk and Governance Committee **DOES NOT** recommend that Council: receives the Audit Recommendations Update and Detailed Audit Recommendation Status as contained in **confidential attachment 1**.

Option 1 is recommended.



## Conclusion

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

## Attachments (available under separate cover)

- **4.2.2 - CONFIDENTIAL attachment 1** – Detailed Audit Recommendation Status (E20/11937).

*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 1995. As such, internal audit reports are provided as confidential attachments per Section 5.23(2)(a) of the Local Governance Act 1995 ‘matter affecting an employee or employees’.*

## Alignment with our Strategic Community Plan

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

## Financial Implications

Nil.



## Risk Implications

Risk has been assessed on the Officer Options and Implications:

Officer Option	Risk Description	Controls	Principal Consequence Category	Risk Assessment			Risk Mitigation Strategies (to further lower the risk rating if required)
				Likelihood	Consequence	Risk Rating	
1	<i>Ineffective Internal Audit function resulting in inadequate assurance to ARG / Council over key business processes.</i>	<ul style="list-style-type: none"> <li>• <i>Endorsed Interim Audit Plan</i></li> <li>• <i>Transparency of audit activities through Audit Status Reporting</i></li> <li>• <i>Independence controls over Internal Audit Reporting</i></li> <li>• <i>Internal Audit engaging with each business area and facilitating status updates to audit recommendation</i></li> <li>• <i>Ability to directly engage with Internal Audit through the Audit, Risk and Governance Committee</i></li> <li>• <i>Ability to request audit activities through the Audit, Risk and Governance Committee</i></li> <li>• <i>Feedback and guidance through ARG</i></li> <li>• <i>1:1 engagement with Audit Committee Chair.</i></li> </ul>	Organisational Performance	Unlikely	Moderate	MODERATE	<b>No additional strategies</b>
2	<i>Unclear purpose and intention of Internal Audit resulting in ARG / Council not understanding of Internal Audit activities</i>	<ul style="list-style-type: none"> <li>• <i>Revised Internal Audit Charter</i></li> <li>• <i>2019 Interim Internal Audit Plan</i></li> <li>• <i>Quarterly reporting processes for Internal Audits and Audit Recommendation</i></li> <li>• <i>1:1 engagement with Audit Committee Chair.</i></li> </ul>	Organisational Performance	Unlikely	Moderate	MODERATE	<b>No additional strategies</b>



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**Voting Requirements:** Simple Majority

**Officer Recommendation:**

**That the Audit, Risk and Governance Committee recommends that Council RECEIVES the Audit Recommendations Update and Detailed Audit Recommendation Status as contained in confidential attachment 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.*



4.2.3 – Strategic Risk Register Quarterly Review Report – November 2020 (SJ2881)	
Responsible Officer:	Manager Governance
Senior Officer:	Director Corporate Services
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

### Authority / Discretion

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

### Report Purpose

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

### Relevant Previous Decisions of Council

<p><i>Ordinary Council Meeting – 21 September 2020 - OCM281/09/20 - COUNCIL RESOLUTION - <b>extract</b></i></p> <p><i>2. That Council ADOPTS Audit, Risk and Governance Committee Resolution ARG021/08/20 and NOTES progress towards the Shire's "Risk Maturity Journey" and NOTES this is the completion of reporting against the Risk Maturity Roadmap; ENDORSES the Strategic Risk Register as contained within attachment 1; APPROVES the revised Council Policy Risk Management as contained within attachment 3; REQUESTS the Chief Executive Officer to convene a workshop with Councillors, the Audit, Risk and Governance Committee and Executive Management Group to review the Risk Register before the next scheduled Audit, Risk and Governance Committee Meeting; REQUESTS the Chief Executive Officer provide quarterly updates on the implementation of the Shires Risk Register and Action plan.</i></p>
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### Background

Risk Management is a framework of culture, processes and structures directed towards the effective management of risk. This includes consideration of both potential opportunities and adverse effects on existing operations. As all actions and transactions involve risk, effective Risk Management involves the anticipating, understanding and monitoring of risk. It



contributes to good corporate governance by providing reasonable assurance to Council, Executive Management and the community that the organisational objectives will be achieved within a tolerable degree of residual risk.

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

## Community / Stakeholder Consultation

### Strategic Risk Register Workshop

<b>Workshop Date</b>	4 November 2020
<b>Committee Members and Councillors in Attendance</b>	Cr Rich, Cr Atwell, Cr Byas, Cr Coales, Cr Strange, Mr Casilli, Ms Newby

## Statutory Environment

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

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

## Comment

### **Strategic Risk Register Workshop**

In September 2020, Council, on recommendation from the Committee, requested the CEO to convene a workshop with Councillors, the Committee and Executive Management Group to review the Risk Register before the next scheduled Committee Meeting. This workshop was held 4 November 2020 and the following items were discussed:

<b>Agenda Item</b>	<b>Outcome</b>
1. Strategic Risk Register Quarterly Review Report	Attendees were provided with an overview of the proposed Strategic Risk Register



Agenda Item	Outcome
	Quarterly Review Report including its purpose and structure.  Attendees requested justification be provided for any due dates of mitigation actions that are extended as a result of the review.
2. Feedback into the Strategic Risk Register	An overview on structural changes to the register since adoption was provided.  Attendees requested a new status column be added to identify whether mitigation actions are underway.  Risk 6's context, controls and control rating were discussed with amendments agreed as outlined in the Strategic Risk Register Quarterly Review report below.
3. Continuous Improvement Plan (implementation of stage 3 of the Risk Maturity Journey)	An overview of the proposed continuous improvement plan including its purpose and main focus areas was provided.

In addition to the above items, attendees also requested the CEO consider integrating risk into the Annual Budget and Corporate Business Plan review process. This would be advantageous in ensuring high risk areas with actions that require resourcing are duly considered in the resource allocation process.

### Strategic Risk Register Quarterly Review – November 2020

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.

<p style="text-align: center;"><b>Strategic Risk Register</b> <b>Quarterly Review – November 2020</b></p> <p><b>1. Changes to Risk Ratings</b></p> <p><b><i>Risk Ratings Reduced ↓</i></b></p> <ul style="list-style-type: none"><li>• Risk 6 (Bush Fire Management) reduced to a risk rating of <b>SIGNIFICANT</b> (was <b>HIGH</b>). This change is consequential to the Likelihood Rating reassessed as POSSIBLE (was LIKELY), in light of discussions with Council and the Committee at the Strategic Risk Workshop regarding the context of the risk (i.e. Failure of the Shire to respond reasonably and practicably in the management of bush fires), the</li></ul>
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inclusion of additional controls 18, 19, 20, 21 and 22 and a reassessment of the control rating as ADEQUATE (was INADEQUATE).

Officers note that the reduction in the risk is contingent on the successful delivery of mitigation strategies. The successful delivery of mitigation strategies will require additional and continued support and funding.

- Risk 11 (Community Engagement) reduced to a risk rating of **MODERATE** (was **SIGNIFICANT**). This change is consequential to the Consequence Rating reassessed as MODERATE (was MAJOR), in light of completing mitigation action 1 - Engagement Strategy - which is now a control.

### ***Risk Ratings Increased ↑***

- Nil

### ***Other considerations***

- All risk ratings for the remaining risks were reviewed for currency and were determined as accurate.
- The following changes were made to risk controls without affecting the respective risk rating:
  - New control 'Organisational Development Roadmap (includes Strategic Workforce Plan)' was added to risk 1 (Culture) as control no. 7 and risk 2 as control no. 1 (replacing the 2013 Workforce Plan).
  - New control no. 8 'Finance Dashboards that allows day to day budget monitoring' was added to risk 3 (Financial Sustainability).
  - New controls no. 7 'Finance Dashboards' and no. 8 'Corporate reporting ERP Module' were added to risk 5 (Organisational Efficiency).
  - New control no. 7 'Shire Office Emergency Management Committee' was added to risk 14 (Emergency Management).
  - New control no. 18 'Adequately resource incoming works (full time staff and contract staff)' added to risk 4 (Organisational Capability).

## **2. New and Emerging Risks**

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

- Added "Insufficient resources to undertake the volume of new works as a result of growth, grants, stimulus and election promises" as a cause of Risk 2 (Organisational Workforce).
- Added "Lack of resources to respond to multiple emergencies at the same time (e.g. Bushfire and COVID)" as a cause of Risk 14 (Emergency Management).

## **3. Updates to Risk Mitigation Strategies**



### ***Actions complete and moved to controls***

- Risk 1 (Culture) Action 1 – Strategic Workforce Plan finalised in October 2020 and renamed to 'Organisational Development Roadmap (includes Strategic Workforce Plan)'
- Risk 3 (Financial Sustainability) Action 1 – the Corporate Performance module went live in October 2020.
- Risk 11 (Community Engagement) Action 1 – Engagement Strategy and Council Policy adopted by Council in September 2020.
- Risk 14 (Emergency Management) Action 4 – the Shire Office Emergency Management Committee is now established.

### ***Actions amended***

- Risk 4 (Organisational Capability) Action 1 – Finalisation of the Local Planning Framework (Strategy & Scheme) **due date** amended to 30 June 2021 (was 31 December 2020). This due date is in line with recent advice from the WA Planning Commission.
- Risk 11 (Community Engagement) Action 1 – Engagement Strategy **due date** amended to 30 June 2021 (was 30 September 2020). This due date is in line with resource planning (i.e. development of Service Team Plans) and aligned to the due date of the online engagement platform.
- Risk 14 (Emergency Management) Action 2 – Review of Local Emergency Management Arrangements **due date** amended to 30 November 2020 (was 30 September 2020) and Action 3 – Review Emergency Management Plan **due date** amended to 30 December 2020 (was 30 September 2020). The Shire Office Emergency Management Committee is now up and running, further time is required to ensure the entire arrangements are reviewed.

### ***New actions***

- Nil

## **4. Other**

This quarterly review sees the Register enhanced to include:

- a Controllability column that identifies whether each risk is controllable, partially controllable or uncontrollable.
- linkages against the risk mitigation strategies to their respective Integrated Planning and Reporting document to demonstrate where the further detail including progress reporting can be found.
- a new status column to identify whether mitigation actions are underway as requested by the Council and Committee at the Strategic Risk Workshop.

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



## Options and Implications

### Option 1

The Committee recommend Council:

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

### Option 2

The Committee recommend Council:

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

### Option 3

The Committee recommend Council:

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

Option 1 is recommended.

## Conclusion

The majority of changes to the Strategic Risk Register this quarter are related to aligning the due dates of mitigation actions with recent advice and planning activities (i.e. establishment of the Corporate Business Plan and Service Team Plans). Pleasingly, several key mitigation actions are complete and this has resulted in a reduction of some risk ratings. The ongoing reporting and monitoring of Strategic Risk provides assurance to the Committee and Council that the register is being monitored and mitigation actions are underway. It is also a key tool in supporting the Committee's and Council's responsibilities pertaining to risk management.

## Attachments (available under separate cover)

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

## Alignment with our Strategic Community Plan

<b>Outcome 4.1</b>	A resilient, efficient and effective organisation
<b>Strategy 4.1.1</b>	Provide efficient, effective, innovative, professional management of Shire operations to deliver the best outcome for the community within allocated resources
<b>Outcome 4.2</b>	A strategically focused Council
<b>Strategy 4.2.2</b>	Ensure appropriate long term strategic and operational planning is undertaken and considered when making decisions
<b>Strategy 4.2.3</b>	Provide clear strategic direction to the administration



## Financial Implications

The delivery of mitigation strategies is contingent on adequate resourcing which will be sought during the budget process.

## 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	The Committee could pass a motion to request the CEO to amend the register (option 3)



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	
3	If the Committee recommends revision to the register, these may not be informed by sufficient operational information.	The register was presented at the 4 November 2020 workshop.	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.**

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



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

**6. Urgent business:**

**7. Closure:**