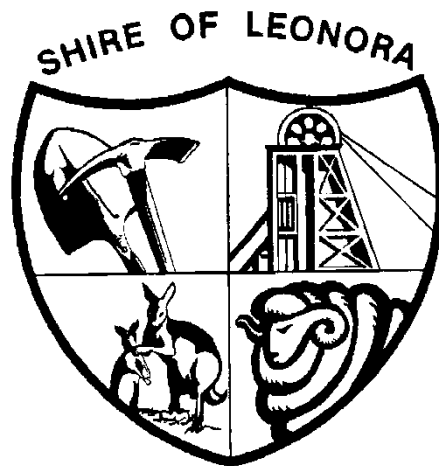# SHIRE OF LEONORA

AUDIT AND RISK COMMITTEE MEETING

TO BE HELD 16 JUNE 2015, AT THE CONCLUSION OF THE ORDINARY MEETING OF COUNCIL, TO COMMENCE AT 9:30AM.

1.0   DECLARATION OF OPENING / FINANCIAL INTEREST DISCLOSURE

1.1   Cr PJ Craig declared the meeting open, the time being 10:25am

2.0   RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

2.1   Present

President	**PJ Craig**
Deputy President	**RA Norrie**
Councillors	**RM Cotterill**
	MWV Taylor
	AE Taylor
	GW Baker
	LR Petersen
Chief Executive Officer	**JG Epis**
Deputy Chief Executive Officer	**TM Browning**
Manager of Community Services	**SG Butson**

2.2   Apologies
Nil

3.0   CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

Draft motion: That the Minutes of the Ordinary Meeting held on 17th March, 2015 be confirmed as a true and accurate record.

Moved **Cr LR Petersen**, Seconded **Cr RA Norrie** that the minutes of the Audit and Risk Committee Meeting held on the 17th March, 2015 be confirmed as a true and accurate record.

CARRIED (7 VOTES TO 0)

4.1   REPORTS OF OFFICERS
**   4.1   CHIEF EXECUTIVE OFFICER**
**   4.1.1   INTERNAL AUDIT FRAMEWORK UP DATE**

SUBMISSION TO: Meeting of Audit Committee
                             Meeting Date: 16th June 2015

AGENDA REFERENCE: 4.1.1 Jun 2015

SUBJECT: Internal Audit Framework Up Date

LOCATION / ADDRESS: Nil

NAME OF APPLICANT: Nil

FILE REFERENCE: Nil

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: James Gregory Epis

OFFICER: Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 12th June 2015

BACKGROUND

At the last meeting of the Audit Committee, the Committee resolved:

COMMITTEE DECISION:

Moved Cr MWV Taylor, seconded Cr AE Taylor, that Committee NOTES:
   1. *Draft Strategic Risks and Controls*
   2. *Draft Operational Risks and Controls*

DETAILS

The Audit Committee at its last meeting noted the strategic and operational risks and controls.

A Risk Services Program has been established to encompass monitoring and reporting on the operational and strategic risks noted. These risks have been discussed with the Shire's external auditor. A review of the appropriateness and effectiveness of existing controls has been undertaken as part of the recent Financial Management Review. Once presented to Council, any outcomes and recommendations from the review will be included and considered in the operational and strategic risks and controls. Where required, appropriate and effective controls will be put in place for nay risks identified as high or medium.

The table below details the evaluation undertaken for the Shire's current level of risk in accordance with the risk matrix adopted by Council.

Risk Level Matrix

Likelihood (L)			Insignificant 1	Minor 2	Major 3	Critical 4	Catastrophic 5
	Almost Certain	5	5	10	15	20	25
	Likely	4	4	8	12	16	20
	Possible	3	3	6	9	12	15
	Unlikely	2	2	4	6	8	10
	Rare	1	1	2	3	4	5
			Consequences (C)				

Overall Risk Score = (L x C)	
Score	Description
1 - 5	Low
6 - 12	Moderate
13 - 19	High
20 - 25	Extreme

Current Risk Evaluation vs Proposed

Risk Level	Current Risk Evaluation	Proposed Risk Evaluation
Extreme Risk	• Action **must not** proceed until corrective action has taken place. • Develop specific management plan for immediate implementation to address extreme risks • Allocate actions and budget for implementation within quarterly budget reviews • Report immediately to CEO or Senior Management; regular internal reporting required	The risks that fall in **Extreme** are the risks that are most critical and that must be addressed on a **high priority** basis. The council should gear up for **immediate action**, so as to eliminate the risk completely.
High Risk	• Action **must not** proceed until corrective action has taken place. • Develop and implement a specific management plan for high risks • Allocate actions and budget to minimise risk; monitor implementation • Report to Senior Management; report to be made during the half yearly budget review; regular internal reporting required	The risks that fall in **High** are the risks that require risk management strategies. Here in addition to thinking about eliminating the risk, **substitution strategies** may also work well. If these issues cannot be resolved immediately, strict timelines must be established to ensure that these issues get resolved before the create hurdles in the progress.
Medium Risk	• Action can only proceed if the risk level has been reduced as low as reasonably practicable. • Develop and implement a specific Management Plan for medium risks • Allocate actions and budget to minimise risk where existing controls deemed inadequate; monitor implementation • Report to Senior Management; • Management to consider additional controls; report within the quarter	For the risks that fall in **Medium** it is best to take some reasonable steps and **develop risk management strategies in time**, even though there is no hurry to have such risks sorted out early. Such risks do not require extensive resources; rather they can be handled with smart thinking and logical planning.
Low Risk	• This risk is acceptable, but any risk control measures need monitoring to ensure the risk level does not increase during the activity. • Accept and Monitor low-priority risks • Manage via routine procedures where possible; Monitor via normal internal reporting mechanisms	For the risks that fall in **Low**, they can be given low priority as they usually do not pose any significant problem. However still, if some **reasonable steps** can help in fighting these risks, such steps should be taken to improve overall performance of the project.

Level	Definition	Proposed % of occurrence
Rare	Only ever occurs under exceptional circumstances	<10%
Unlikely	Conceivable but not likely to occur under normal operations; no evidence of previous incidents	10 – 35%
Possible	Not generally expected to occur but may under specific circumstances	35 – 65%
Likely	Will probably occur at some stage based on evidence of previous incidents	65 – 90%
Almost Certain	Event expected to occur at most times	>90%

A number of actions have been completed in order to achieve regulatory compliance. These include:

- Utilisation of LGIS for ongoing employment education, as well as improvement of plans and processes

- Procurement Policy and delegations recently reviewed

- Actual results compared to budget regularly and provided in management reports. Management reviews and investigates significant variances

- Management reviews debtors ageing profile on a regular basis and investigates any outstanding items.

- All fixed asset acquisitions and disposals are approved in accordance with delegation of authority and relevant procurement and fixed asset policies

- Asset management plans under review for improvement and clarity as part of ongoing improvement plan.

- Backup of data on all servers is taking place regularly and stored off site

It is proposed that a review of the operational and strategic risks be undertaken in July taking into consideration the financial management review (FMR) and internal audit of the appropriateness and effectiveness of existing controls not considered in the (FMR)

This review will be presented to the Audit Committee and the strategic and operational risks will then be reported quarterly to the Committee and monthly to the CEO during 2015/2016.

POLICY IMPLICATIONS
The Risk Management Policy outlines the Shire's commitment and approach to managing risks that may impact on its day-to-day operations and threaten the achievement of its objectives

FINANCIAL IMPLICATIONS
N/A

STRATEGIC IMPLICATIONS

The Chief Executive Officer should play a key role in the establishment and development of an effective risk management framework, as it ultimately sets the operational tone of the Council, and should reflect the ethics, integrity and values espoused by the Council.

The role of the audit committee is to govern the integrity of the entity's financial information, systems of internal control, risk and the legal and ethical conduct of management and employees.

Monitoring and reviewing activities will provide evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the Local Government (Audit) Regulations 1996.

RECOMMENDATIONS

That Committee receive the update report on the Internal Audit Framework.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION

Moved Cr RM Cotterill, Seconded Cr LR Petersen that Committee receive the update report on the Internal Audit Framework.

CARRIED (7 VOTES TO 0)

5.0   NEXT MEETING

15th September, 2015 following the conclusion of the Ordinary meeting of Council commencing at 9:30am.

6.0   CLOSURE OF MEETING

There being no further business, Chairperson Cr PJ Craig declared the meeting closed at 10:32am.