

SHIRE OF LEONORA



**MINUTES OF AUDIT AND RISK COMMITTEE MEETING
HELD IN COUNCIL CHAMBERS, LEONORA
ON TUESDAY 20TH JUNE, 2023
COMMENCING AT 10:52AM.**

**SHIRE OF LEONORA
ORDER OF BUSINESS FOR MEETING HELD
TUESDAY 20TH JUNE, 2023.**

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1.0 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS / FINANCIAL INTEREST DISCLOSURES

1.1 The Shire President Cr PJ Craig declared the meeting open at 10:52am.

1.2 Visitors or members of the public in attendance
Nil

1.3 Financial/Other Interest Disclosures
Nil

2.0 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

2.1 Attendance	
President (Chairperson)	PJ Craig
Deputy President	RA Norrie
Councillors	RM Cotterill
	F Harris
	AM Moore
	LR Petersen
	AE Taylor
Chief Executive Officer	JG Epis
Deputy Chief Executive Officer	L Trevenen
Manager of Governance	T Matson

2.2 Apologies
Nil

2.3 Leave of Absence
Nil

2.4 Applications for Leave of Absence
Nil

3.0 CONFIRMATION OF MINUTES FROM PREVIOUS MEETING

COMMITTEE DECISION

Moved: Cr LR Petersen

Seconder: Cr RA Norrie

That the minutes of the Audit and Risk Committee Meeting held on 21 March, 2023 be confirmed.

CARRIED (7 VOTES TO 0)

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4.0 REPORTS

4.1 CHIEF EXECUTIVE OFFICER REPORTS

Nil

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4.0 REPORTS

4.2 DEPUTY CHIEF EXECUTIVE OFFICER REPORTS

4.2.(A) RELATED PARTY TRANSACTIONS AND DISCLOSURES

SUBMISSION TO: Audit and Risk Committee Meeting
Meeting Date: 20th June 2023

AGENDA REFERENCE: 4.2.(A) JUN 23

SUBJECT: Related Party Transactions and Disclosures

LOCATION/ADDRESS: Leonora

NAME OF APPLICANT: N/A

FILE REFERENCE: 1.8

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: Lee-Anne Trevenen

OFFICER: Deputy Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 12th June 2023

SUPPORTING DOCUMENTS: Nil

BACKGROUND

In accordance with AASB 124 *Related Party Disclosures*, local governments must disclose in the annual financial statements related party relationships, transactions, and outstanding balances (including commitments) from 1 July 2016. Related parties include Key Management Personnel (KMP), which in the Shire of Leonora's case will include all elected members and executive staff, their close family members and any entities that they control or jointly control. The disclosure requires any transactions with these parties, whether monetary or not, to be identified and assessed whether disclosure is required or not. A disclosure may be in aggregate and will only occur where a transaction has occurred.

Regarding the disclosures, the following approach was developed in a workshop held at the June 2017 Audit and Risk Committee Meeting to ensure that management can properly address the requirements of the accounting standard:

- A procedure / guide for related party disclosures to be established, which includes the updating of returns quarterly through the Audit and Risk Committee Meetings
- Establishment of a system to identify and record related parties of KMPs
- Establishment of a system to identify and record related party relationships of KMPs
- Establishment of a system to identify and record related party transactions
- Identify 'Ordinary Citizen Transactions' (OCTs) that will not be disclosed by Council
- Create declaration forms to be completed by KMPs
- Set a materiality threshold for management to apply when assessing transactions for inclusion in the financial statements
- Identified the need for a separate workshop to be scheduled for newly elected members and
- For the Audit and Risk Committee to recommend any changes required to the above processes

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STATUTORY ENVIRONMENT

Disclosures were required from Local Government entities from 1 July 2016 in accordance with AASB 124 *Related Party Disclosures*, with the first disclosures made in the Financial Statements for the year ended 30 June 2017.

POLICY IMPLICATIONS

There are no policy implications resulting from the recommendation of this report.

FINANCIAL IMPLICATIONS

There are no financial implications resulting from the recommendation of this report that will have any detrimental effect on the Shire's finances.

STRATEGIC IMPLICATIONS

Strategic References within the Shire of Leonora Strategic Community Plan 2017-2027 demonstrate connections between services and the desired outcomes and community vision for the Shire of Leonora, particularly in relation to Governance services in this instance such as 4.1 Efficient service offerings to the community, 4.2 Effective and open engagement with all sections of the community, 4.5 Strong leadership and planning.

RECOMMENDATIONS

That the Audit and Risk Committee note the approach taken and the systems established by management with regard to addressing the requirements of *AASB 124 Related Party Disclosures*.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION

Moved: Cr AE Taylor

Seconded: Cr AM Moore

That the Audit and Risk Committee note the approach taken and the systems established by management with regard to addressing the requirements of *AASB 124 Related Party Disclosures*.

CARRIED (7 VOTES TO 0)

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4.0 REPORTS

4.2 DEPUTY CHIEF EXECUTIVE OFFICER REPORTS

4.2.(B) RISK MANAGEMENT UPDATES - JUNE, 2023

SUBMISSION TO: Audit and Risk Committee Meeting
Meeting Date: 20th June 2023

AGENDA REFERENCE: 4.2.(B) JUN 23

SUBJECT: Risk Management Updates - June, 2023

LOCATION/ADDRESS: Leonora

NAME OF APPLICANT: Leonora

FILE REFERENCE: 1.10 - Audits - Reports & Minutes

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: Lee-Anne Trevenen

OFFICER: Deputy Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 12th June 2023

SUPPORTING DOCUMENTS: 1. June 2023 Risk Updates Summary

BACKGROUND

From 1 July 2022, the Shire of Leonora sought proposals through Vendor Panel from external consultants for compliance and governance services, which included risk management support services. Moore Australia (WA) were successful with their proposal and have been engaged to provide compliance and risk management support services for 2022, 2023 & 2024.

The Shire's Risk Management Strategy, as previously reviewed by the Audit and Risk Committee, and the Shire's risk management policy (previously adopted by Council) align to *AS/NZS ISO 31000:2018 Risk Management Guidelines*. The Risk Management Strategy is prepared utilising the Principles, Framework and Process as defined within the standard, considers the context of the Shire and conforms to the requirements of the standard by providing the necessary guidance and direction to be followed by the Shire in its risk management activities, aligned to the risk management policy.

The guidance and direction within the Risk Management Strategy includes the assessment, prioritisation and communication of risk. This includes the reporting of risks through the Audit and Risk Committee. The reporting of risk management activities historically occurred through quarterly 'dashboard reports', bi-annual 'summary reports' and an annual 'risk control assurance workshop', which will continue through the Shire's current engagement with Moore Australia.

A workshop was held onsite with the Deputy CEO and Executive Officer on 13 March 2023 to review risk profiles, controls, consider emerging or new risks as well as to set out planned control assurance activities for the year. A further workshop was held 1 June 2023 with the Deputy CEO and Manager Governance to review profiles and progress risk management review reports. Following these

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workshops, updates to the risk profiles were made, and the risk register populated with updated information to be reported to the Audit and Risk Committee.

These activities continue to form the foundation for risk management activities to be reported and monitored through the Audit and Risk Committee.

COMMENT

A summary of updates to the risk profiles, the risk register and risk profiles up to June 2023 are not circulated with agenda documents, as they include the controls to be implemented / actioned by the Shire in an effort to reduce risk levels. Publication of such information may adversely impact on risk management activities if published.

The risk summary report is to be provided bi-annually to the committee. This report enables analysis of what has changed for the organisation, and whether these changes result in new or emerging risks against each risk profile. This subsequently allows for the risk register to be updated, and to summarise new risks or changes to existing risks for the committee. The risk summary report highlighting risk changes identified against each profile since the last review, including actions and treatments in place for high level risks, is attached.

A quarterly dashboard report is essentially a progress report informing the committee with a summary of the current number of risks, unaddressed high level risks, total new risks etc. The table below demonstrates the format of quarterly reports to the committee communicating risk movements. The committee will note a decrease in the number of high or extreme rated residual risks for the Financial (2) and Legislative / Regulatory / Policy/ Work, Health & Safety (1) risk categories since the last quarterly report.

Risk Category	No. of High or Extreme Rated Risks Identified	No. of High or Extreme Rated Risks after Treatment (Residual Risk)	No. of New Risks Identified (June 2023)	No. of Risks Closed (June 2023)
Performance	2	1	0	0
Environmental	2	1	0	0
Reputational Damage	2	1	0	0
Financial	5	1	0	1
Service Delivery / Business Interruption	5	3	0	0
Legislative / Regulatory / Policy/ Work, Health & Safety	5	2	0	0

Discussions with Moore Australia as well as future site visits will be undertaken to further update risk profiles, actions and treatments for the next reporting period. These reports will be updated for the next meeting for committee information.

STATUTORY ENVIRONMENT

Regulation 17.1 of the *Local Government (Audit) Regulations 1996* requires the CEO to monitor the appropriateness and effectiveness of systems and procedures in regard to risk management, internal controls and legislative compliance.

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POLICY IMPLICATIONS

The Risk Management Policy outlines the Shire's commitment and approach to managing risks impacting on day-to-day operations and the delivery of strategic objectives.

FINANCIAL IMPLICATIONS

Provision is included in the 2022/23 Adopted Budget for Moore Australia to deliver compliance and governance services, including risk management support, in line with the awarded Vendor Panel RFQ.

RISK ASSESSMENT

This item has been evaluated against the Shire's Risk Management Strategy, Risk Assessment Matrix. The perceived level of risk is high prior to treatment. The progression of risk management activities aligned with the Risk Management Strategy will reduce the risk to medium.

STRATEGIC IMPLICATIONS

One of Council's responsibilities in risk management is to be satisfied risks are identified, managed and controlled appropriately, to achieve the Shire's strategic objectives, as well as to support the allocation of funds / resources to treat risks as required.

The Chief Executive Officer and executive team play a key role in the establishment and development of an effective risk management framework. To ensure the successful delivery of the strategic planning objectives, the strategy requires ongoing monitoring and revision for alignment to the Plan for the Future.

One role of the audit committee is to monitor identified strategic high level risks and their treatment solutions to ensure the community receives the services delivered effectively, as outlined within the Plan for the Future.

Monitoring and reviewing activities will continue to 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*. The Risk Management Strategy also provides direction for the implementation of risk management activities.

Strategic references within the Shire of Leonora's Plan for the Future 2021-2031 demonstrate connections between services and the desired outcomes and community vision for the Shire of Leonora, particularly in relation to Leadership objective, outcomes and strategies such as 4.1.2.4 Provide appropriate governance and leadership to the Shire, 4.2.1.3 Seek high level of compliance in organisational practices.

RECOMMENDATIONS

That the Audit and Risk Committee receive the summary of updates to the risk profiles, the risk register and risk profiles up to June 2023, and the above report updating risk management activities undertaken to date.

VOTING REQUIREMENT

Simple Majority

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COMMITTEE DECISION

Moved: Cr RM Cotterill

Seconded: Cr LR Petersen

That the Audit and Risk Committee receive the summary of updates to the risk profiles, the risk register and risk profiles up to June 2023, and the above report updating risk management activities undertaken to date.

CARRIED (7 VOTES TO 0)

Shire of Leonora – June 2023 Risk Updates Summary

Risk Category	Risk Profile Update	Risk Register Update
All risk categories/general	<ul style="list-style-type: none"> Minor updates to dates required as only recently reviewed in March 2023. 	<ul style="list-style-type: none"> Risk re-assessment dates updated. Risk ratings for all categories may require further updates, additional changes to be advised through future risk management reports.
Performance	Risk treatment/actions/updates amended: <ul style="list-style-type: none"> Updated reference from 'implement systems' to 'investigate systems' in relation to review meetings for contracted services and works etc. Updates to due dates for ongoing tasks. 	<ul style="list-style-type: none"> Risk 13 planned action for development of accompanying procedures in relation to guiding the use and maintenance of the contract register remains. New actions include reference to the purchasing policy review and potential future supporting procedures. Risk 14 updated to note actions for applying updates to the fleet management system (including building maintenance data) has recommenced to assist with future maintenance planning etc.
Environmental Risk	Risk treatment/actions/updates amended: <ul style="list-style-type: none"> Updates to due dates for ongoing tasks. 	No significant updates required since last review.
Reputational Damage	No significant updates to risk profile identified.	<ul style="list-style-type: none"> Risk 19 updated to note commencement of risk based training matrix and future action to continue progression this task. Risk 20 updated to note policy review is currently being undertaken. Completion of the review may assist with additional procedural controls being developed.
Financial	No significant updates to risk profile identified.	<ul style="list-style-type: none"> Risk 10 updated to note continuation of progressive implementation of improvements from AR17/FMR review report. Also updated to note improved IT controls to HR records. Future actions remain to note ongoing adherence to established procedures and controls. Risk rating revised in recognition of these updated actions. Risk 11 action to reflect engagement of external consultants for governance services to assist with compliance and internal controls and policy review remains. Risk 12 updated to note policy review nearing completion. Supporting procedures may be required to support future actions. Risk 21 updated to note new controls 'Improved security to stock controls has been applied for diesel fuel, as well as improvements to cash handling practices at some Shire facilities.' Revised risk rating applied with these improved controls.

Shire of Leonora – June 2023 Risk Updates Summary

Risk Category	Risk Profile Update	Risk Register Update
Service Delivery/Business Interruption	Updates to due dates for ongoing tasks.	<ul style="list-style-type: none"> Risk 2 updated to note continued consideration to develop additional continuity and disaster recovery plans and to test all plans to ensure validity. Risk 15 future actions updated to add 'maintain professional advice and external assistance from consultants in high risk areas' (e.g. airport, finance, heritage etc). Risk 16 actions remain to note engagement of external consultants to assist with implementation plan for recommendations resulting from IT Strategic Plan.
Legislative/Regulatory /Policy/ Work Health & Safety	<p>Controls have been updated as follows:</p> <ul style="list-style-type: none"> Internal audit reference removed and replaced with 'professional external services to assist with governance and compliance functions' to reflect current organisational capacity and practices. Effectiveness rating updated accordingly. <p>Risk treatment/actions/updates amended:</p> <ul style="list-style-type: none"> Reference to action for risk based training matrices updated to note 'progress development and implementation' as development has already commenced. 	<ul style="list-style-type: none"> Risk number 1 updated to note policy review is being undertaken, as well as possible future supporting procedures to be developed once policy review finalised. Risk 6 & 7 actions updated to note recent aerodrome emergency exercise performed. Risk 8 updated to remove specific consultant names and to update 'WHS' from 'OSH' references to reflect current legislation. Actions updated to note engagement of consultant to commence with progression of implementation of WHS audit and other required tasks. Risk rating to be reviewed after completion of review. Risk number 9 updated to note progression of policy review and potential supporting procedures which be required upon completion. Risk 18 updated to note new controls 'Improved security to stock controls has been applied for diesel fuel, as well as improvements to cash handling practices at some Shire facilities.' Revised risk rating applied with these improved controls. Risk rating revised accordingly.

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5.0 NEXT MEETING

Tuesday 26th September 2023

6.0 CLOSURE OF MEETING

There being no further business, the Chairperson, Shire President, Cr PJ Craig declared the meeting closed at 11:01am.