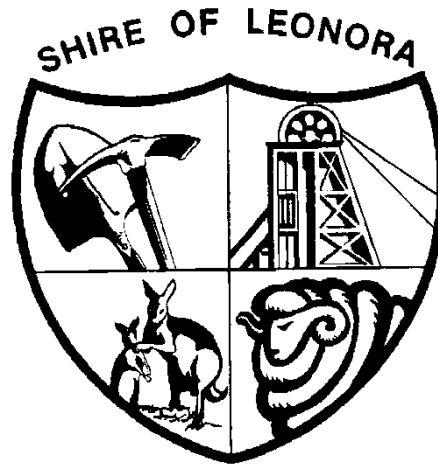


SHIRE OF LEONORA



AUDIT AND RISK COMMITTEE MEETING

MINUTES OF MEETING HELD 19TH SEPTEMBER, 2017, AT 10:08AM.

JG EPIS
CHIEF EXECUTIVE OFFICER

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

Chairperson, Cr PJ Craig, declared the meeting open at **10:08am**.

2.0 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

2.1 Present

President

Deputy President

Councillors

PJ Craig

RA Norrie

RM Cotterill

AE Taylor

LR Petersen

GW Baker

Chief Executive Officer

JG Epis

Deputy Chief Executive Officer

TM Browning

2.2 Apologies

Nil

2.3 Leave of Absence

Nil

3.0 CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

That the Minutes of the Ordinary Meeting held on 20th June, 2017, be confirmed as a true and accurate record.

Moved Cr RA Norrie, Seconded Cr LR Petersen that the Minutes of the Ordinary Meeting held on 20th June, 2017, be confirmed as a true and accurate record.

CARRIED (6 VOTES TO 0)

4.0 REPORTS OF OFFICERS

4.1 CHIEF EXECUTIVE OFFICER

4.1.1 RISK EXECUTIVE REPORT

SUBMISSION TO: Meeting of Audit Committee
Meeting Date: 19th September 2017

AGENDA REFERENCE: 4.1.1 AUDIT SEPTEMBER 17

SUBJECT: Risk Executive Report

LOCATION / ADDRESS: Nil

NAME OF APPLICANT: Nil

FILE REFERENCE: 1.10

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: Jim Epis

OFFICER: Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 13th September, 2017

BACKGROUND

The Shire has undertaken a review of its risk profile and established a set of strategic and operational risks which are regularly reported to the Audit Committee.

The attached reports detail all category strategic risks and operational risks that were identified when this framework was developed approximately two years ago and has also been updated to reflect the cases of non-compliance identified within the 2016 CAR. Each risk has been reviewed and progress comments have been updated by responsible personnel.

The reports communicate the current action status. A number of risks have been actioned and closed out as complete and the remaining risks are in progress. Details communicating the commitment to risk level management are contained within the risk report. All risks will remain under review until the end of the 2017/2018 reporting period to ensure effective controls are in place.

The attached reports form the risk actions for 2017/18 for the committee's consideration.

Both areas of risk are subject to change and modification during the year on the authorisation of the Chief Executive Officer and Audit & Risk Committee. An item is considered for the committee's review on potential for independent review and refinement of risk reporting and processes, which if approved, will likely see improvement change in processes.

DETAILS

As identified within the last reporting period, personnel independent of operations and processes are reviewing current operating protocols and adherence to statutory compliance requirements. This process, as outlined within regulation 17, is ongoing and is preparing for the revision and updating of the overall risk management framework. A revised framework is critical for ensure the community service delivery objectives are achieved according to the acceptable risk appetite outlined within the Strategic Community Plan.

Risks identified as part of the 2015 review will remain in the reports. Each risk attracts a risk level relevant to the impact on service delivery. All risks will be included in the ongoing monitoring process regardless of action status. New risks will continue to be identified and reported on for the committee's consideration.

The executive management team have commenced work to review risks all risks currently reported and recorded in the risk register. Staff have also undergone further training in relation to risk to further develop

and progress the activities and information presented to the Audit and Risk Committee. Although it was anticipated that a review will be presented at the September 2017 Audit and Risk Committee, the timeline with engagement of external consultants has been moved to October, and as such it will be more likely that a special committee meeting will be called in October or November to further consider the proposed direction forward.

The attached strategic and operational risk reports detail the action progress of each risk for 2017/18 and are presented for the committee's consideration.

STATUTORY IMPLICATIONS

Areas of risk are subject to change and modification during the year on the authorisation of the Chief Executive Officer and Audit Committee, whom as per section regulation 17.1 of the Local Government (Audit) Regulations 1996 will continue to monitor the Appropriateness and Effectiveness of the Councils Systems and Procedures.

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 delivery of strategic objectives.

FINANCIAL IMPLICATIONS

The improvement of risk profiling and reporting may increase opportunity for funding towards key service delivery objectives.

STRATEGIC IMPLICATIONS

The Chief Executive Officer plays 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 framework requires ongoing monitoring and revision for Strategic Planning alignment.

The role of the audit committee is to monitor identified strategic high risks and their treatment solutions to ensure the community receives the services delivered effectively as outlined within the Strategic Plans.

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.

RECOMMENDATIONS

That the Audit Committee:

1. Notes the reviewed Strategic Risk – September 2017 High Risk Report
2. Notes the reviewed Operational Risk – September 2017 High Risk Report
3. Endorse the risks and actions within the above reports for reporting purposes to the Audit & Risk Committee during 2017/2018

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION

Moved Cr GW Baker, Seconded Cr RA Norrie that the Audit Committee:

1. Notes the reviewed Strategic Risk – September 2017 High Risk Report
2. Notes the reviewed Operational Risk – September 2017 High Risk Report
3. Endorse the risks and actions within the above reports for reporting purposes to the Audit & Risk Committee during 2017/2018

CARRIED (6 VOTES TO 0)

Strategic Risk Report September 2017

Shire of Leonora

SR-001	Failure to protect staff or third parties from injury.	HIGH
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Human Safety and Well –
Primary Category: Being
Primary Sub-Category: **Responsible Officer:** Jim Epis
Secondary Responsible Officers:

Secondary Categories:

<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Excellent	Effectiveness of Controls	Excellent
		Likelihood	Possible	Likelihood	Possible
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls

Revised

Comprehensive OHS procedures, policies, training and communication. Proactive operational inspections.

Solutions

Solutions	Action Status	End Date	Responsible Officer
Ensure an OSH Risk Management Plan is in place in line with the Risk Management Policy and Procedure Manual.	In Progress	30/12/2017	Jim Epis
Progress Comments: OSH Documents under review. Updates to be implemented in consultation with LGIS. Documents to be included into document management system.			

SR-006	Inability to fund the maintenance replacement and renewal of infrastructure assets	HIGH
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Primary Category:	Capacity to Deliver Services	Responsible Officer:	Tanya Browning
Primary Sub-Category:		Secondary Responsible Officers:	
Secondary Categories:			
<u>Inherent</u>		<u>Revised</u>	<u>Future</u>
Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Good
		Likelihood	Possible
Risk Rating	High	Risk Rating	High
		Effectiveness of Controls	Non-existent
		Likelihood	Possible
		Risk Rating	High

Solutions

Solutions	Action Status	End Date	Responsible Officer
LTFP informed by asset management plans for infrastructure assets	In Progress	30/12/2017	Tanya Browning

Progress Comments: Strategic Resource Plan adopted by council with includes asset management and maintenance funding projections. Asset Management Plans for individual asset groups being drafted to support detailed planning.

SR-007	Waste management facilities and services do not adhere to licensing and legislative requirements	HIGH
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Primary Category:	Capacity to Deliver Services	Responsible Officer:	Dan Yates		
Primary Sub-Category:		Secondary Responsible Officers:			
Secondary Categories:					
<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Good	Effectiveness of Controls	Non-existent
		Likelihood	Possible	Likelihood	Possible
Risk Rating	High	Risk Rating	High	Risk Rating	High

Solutions

Solutions	Action Status	End Date	Responsible Officer
Waste Strategy exists in accordance with licensing and legislative requirements	In Progress	30/12/2017	Dan Yates
Progress Comments: Facility is currently operating to an acceptable compliance level. Scope for new liquid waste facility finalised. Contractor procurement plan to be finalised.			

SR-008	Failure or reduction in service of infrastructure assets, plant, equipment or machinery.	HIGH
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Primary Category:	Capacity to Deliver Services	Responsible Officer:	Dan Yates		
Primary Sub-Category:		Secondary Responsible Officers:			
Secondary Categories:					
Inherent		Revised		Future	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Good	Effectiveness of Controls	Good
		Likelihood	Possible	Likelihood	Possible
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls**Revised**

Asset management, maintenance and replacement plans in place

Solutions

Solutions	Action Status	End Date	Responsible Officer
Improve the asset management schedules and create an asset management database	In Progress	30/12/2017	Dan Yates
Progress Comments: Fleet Management system being utilized. Credible output reports are being generated successfully. Additional assets are being tested for use within the system.			

SR-014	Non-compliance with Occupation Health & Safety (OH&S) Regulations and physical security requirements	HIGH
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Human Safety and Well –
Primary Category: Being
Primary Sub-Category: **Responsible Officer:** Tanya Browning
Secondary Responsible Officers:

Secondary Categories:

<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Good	Effectiveness of Controls	Good
		Likelihood	Possible	Likelihood	Possible
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls

Revised

Workplace inspections, hazard register and staff induction process in place

Solutions

Solutions	Action Status	End Date	Responsible Officer
Develop an HR Framework. This should include an OSH Risk Management Plan in line with the requirements of the risk management policy and procedure manual	In Progress	30/12/2017	Tanya Browning
Progress Comments: Continued liaison with LGIS on opportunities to engage services for development of plan. Review of induction manuals and content relating to OSH also underway. Contract staff engaged to assist with data collection and development of documentation required for framework.			

Operating Risk Report September 2017

Shire of Leonora



OR-049	Related Parties disclosures	HIGH
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Primary Category: Financial and Legal
Primary Sub-Category:
Secondary Categories:

Responsible Officer: Jim Epis
Secondary Responsible Officers:

<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Likely	Effectiveness of Controls	Good	Effectiveness of Controls	Good
		Likelihood	Possible	Likelihood	Moderate
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls

Revised

Awareness of obligations to disclose any related party transactions. Forms available and disclosure requirements reminded to Key Management Personnel (KMP)

Solutions

Solutions	Action Status	End Date	Responsible Officer
Prepare training and information session to KMP. Include into quarterly audit and risk committee meeting schedule and reporting.	In Progress	31/12/2017	Tanya Browning
Progress Comments: Power point presentation and guidance notes developed and delivered at workshop on subject for all KMP. Review risk item and declaration process at future audit and risk committee meetings to ensure regular capture of data.			

OR-044	Chemicals used in operating environments	HIGH
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Human Safety and Well –
Primary Category: Being
Primary Sub-Category:
Secondary Categories:

Responsible Officer: Dan Yates
Secondary Responsible Officers:

<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Likely	Effectiveness of Controls	Good	Effectiveness of Controls	Non-existent
		Likelihood	Likely	Likelihood	Likely
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls

Revised

Draft safe operating procedure in place

Solutions

Solutions	Action Status	End Date	Responsible Officer
Safe operating procedure for use of chemicals exists as well as a chemicals register	In Progress	30/12/2017	Dan Yates
Progress Comments: Safe Working Procedures under development for chemical use. Staff trained in the safe handling of hazardous substances. New staff to undergo training in 2017.			

OR-046	Plant and equipment under utilised	HIGH
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Primary Category:	Capacity to Deliver Services	Responsible Officer:	Dan Yates
Primary Sub-Category:		Secondary Responsible Officers:	
Secondary Categories:			
<u>Inherent</u>		<u>Revised</u>	<u>Future</u>
Consequence	Major	Consequence	Major
Likelihood	Likely	Effectiveness of Controls	Excellent
		Likelihood	Likely
Risk Rating	High	Risk Rating	High

Existing Controls

Revised

Fuel usage and utilisation of plant and equipment recorded

Solutions

Solutions	Action Status	End Date	Responsible Officer
Report regularly on fuel usage and utilization of plant and equipment	In Progress	30/12/2017	Dan Yates
Progress Comments: Fuel usage recorded and reported regularly ex depot fuel supply. Fleet management system has successfully been used for plant and equipment tracking and has the capabilities to report on fuel movements. Testing underway to understand the benefits of changing over from current fuel recording excel/paper based process into fleet system.			

OR-002	CEO responsible to put in place a framework of internal controls over budget formulation and management.	HIGH
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Primary Category: Financial and Legal **Responsible Officer:** Tanya Browning
Primary Sub-Category: **Secondary Responsible Officers:**

Secondary Categories:

Inherent

Consequence Major
Likelihood Possible

Risk Rating High

Revised

Consequence Major
Effectiveness of Controls Good
Likelihood Possible

Risk Rating High

Future

Consequence Major
Effectiveness of Controls Non-existent
Likelihood Possible

Risk Rating High

Existing Controls

Revised

Budget currently prepared internally in line with Long Term Financial Plan and checked by external auditors

Solutions

Solutions	Action Status	End Date	Responsible Officer
Ensure Audit Committee signs off on process and framework for the formulation and management of the annual budget	In Progress	30/12/2017	Tanya Browning
Progress Comments: Framework under development			

OR-003	Unrealistic Budgets Adopted	HIGH
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Primary Category: Financial and Legal **Responsible Officer:** Tanya Browning
Primary Sub-Category: **Secondary Responsible Officers:**

Secondary Categories:

<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Good	Effectiveness of Controls	Good
		Likelihood	Possible	Likelihood	Possible
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls

Revised

Current Budget prepared within the Leonora Integrated Planning Framework

Solutions

Solutions	Action Status	End Date	Responsible Officer
Ensure annual budgets prepared in accordance with the Leonora Integrated Planning Framework	In Progress	30/12/2017	Tanya Browning
Progress Comments: Integrated Planning documents form basis of budgets, ensuring that priority is placed as it has been assessed. Revised Strategic Resource Plan (LTFP & AMP) adopted by council in October 2016 and provides a more streamlined framework for staff preparing budget.			

OR-009	Council's statutory reports provide inaccurate financial information	HIGH
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Primary Category: Financial and Legal **Responsible Officer:** Tanya Browning
Primary Sub-Category: **Secondary Responsible Officers:**

Secondary Categories:

<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Good	Effectiveness of Controls	Non-existent
		Likelihood	Possible	Likelihood	Possible
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls

Revised

General Ledger reconciliations (including control and clearing accounts) are prepared on a regular basis; all reconciliations independently reviewed.

Solutions

Solutions	Action Status	End Date	Responsible Officer
Actual results compared to budget regularly and provided in management reports. Management reviews and investigates significant variances.	In Progress	30/12/2017	Tanya Browning
Progress Comments: Moore Stephens provide remote accounting service with review of entries etc. Independent management reports are forwarded to the CEO monthly to advise of issues or actions required. Segregation of duties internally now see more responsibility to the Senior Admin Officer with end of month processing, reviewed by the DCEO			

OR-019	Debtors are either not collected on a timely basis or not collected at all.	HIGH
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Primary Category: Financial and Legal **Responsible Officer:** Tanya Browning
Primary Sub-Category: **Secondary Responsible Officers:**

Secondary Categories:

<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Good	Effectiveness of Controls	Non-existent
		Likelihood	Possible	Likelihood	Possible
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls

Revised

Debtor's reconciliation performed on a regular basis to the General Ledger and reviewed by an independent person.

Solutions

Solutions	Action Status	End Date	Responsible Officer
Management reviews debtors ageing profile on a regular basis and investigates any outstanding items.	In Progress	30/12/2017	Tanya Browning
Progress Comments: CEO inspects aged debtor listings personally and instructs on required actions and levels of recovery to be applied (i.e. demand letter, legal action etc.). Staff and contractors report directly to CEO with progress and results			

OR-021	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all	HIGH
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Primary Category: Financial and Legal **Responsible Officer:** Tanya Browning
Primary Sub-Category: **Secondary Responsible Officers:**

Secondary Categories:

Inherent

Consequence Major
Likelihood Possible

Revised

Consequence Major
Effectiveness of Controls Good
Likelihood Possible

Future

Consequence Major
Effectiveness of Controls Non-existent
Likelihood Possible
Risk Rating High

Risk Rating High

Risk Rating High

Existing Controls

Revised

Reconciliation of fixed assets to the General Ledger is performed regularly.

Solutions

Solutions	Action Status	End Date	Responsible Officer
All fixed asset acquisitions and disposals are approved in accordance with delegation of authority and relevant procurement and fixed asset policies.	Completed	30/06/2017	Tanya Browning
Progress Comments: External valuers have inspected and reviewed registers for all assets categories. These reports are forwarded to Moore Stephens for financial reporting purposes which are also reconciled against asset and financial registers independently. Extensive review has been undertaken with infrastructure and corrected to accurately reflect Council ownership. Disposals and acquisitions reported monthly to Council and compared against budget estimates. Physical stock takes of asset classes to continue as part of revaluation cycles.			

OR-022	Fixed Asset maintenance and/or renewals are inadequately planned	HIGH
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Primary Category: Capacity to Deliver Primary Sub-Category: Services Secondary Categories: <u>Inherent</u> Consequence Major Likelihood Possible Risk Rating High	Responsible Officer: Dan Yates Secondary Responsible Officers: <u>Revised</u> Consequence Major Effectiveness of Controls Good Likelihood Possible Risk Rating High	<u>Future</u> Consequence Major Effectiveness of Controls Non-existent Likelihood Possible Risk Rating High
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Existing Controls

Revised

Asset Management Plans direct Council’s programmed maintenance and asset renewal schedules

Solutions

Solutions	Action Status	End Date	Responsible Officer
Asset Management Plans exist for all major asset classes and all changes to the asset management plan must be approved by Council	In Progress	30/12/2017	Dan Yates
Progress Comments: Combined Asset Management Plan has been incorporated into the adopted Strategic Resource Plan. Detailed individual asset class plans are to be considered.			

OR-028	Council does not raise the correct level of rate income	HIGH
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Primary Category: Financial and Legal **Responsible Officer:** Tanya Browning
Primary Sub-Category: **Secondary Responsible Officers:**

Secondary Categories:

<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Good	Effectiveness of Controls	Non-existent
		Likelihood	Possible	Likelihood	Possible
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls

Revised

Actual rate revenue and rate rebates are compared to budget regularly; management reviews and investigates significant variances.

Solutions

Solutions	Action Status	End Date	Responsible Officer
Management regularly reviews the calculation methodology within the rate application system and for a sample of ratepayers to ensure correct calculation and methodology has been used.	Completed	30/06/2017	Tanya Browning
Progress Comments: Reports are also exported to excel for double checking and data integrity sampling. Reconciliations of data is performed and checked by a senior officer daily.			

OR-029	Council loses recurrent Grant funding to provide existing service	HIGH
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Capacity to Deliver
Primary Category: Services
Primary Sub-Category:

Responsible Officer: Jim Epis
Secondary Responsible Officers:

Secondary Categories:

Inherent

Consequence Major
Likelihood Possible

Revised

Consequence Major
Effectiveness of Controls Good
Likelihood Possible

Future

Consequence Major
Effectiveness of Controls Non-existent
Likelihood Possible

Risk Rating High

Risk Rating High

Risk Rating High

Existing Controls

Revised

Council has a grant revenue register which records details such as reporting deadlines, amount and instalments expected and key milestones.

Solutions

Solutions	Action Status	End Date	Responsible Officer
Council has a clear process to review services where grant funding has ceased to ensure it understands the financial impact on its sustainability.	In Progress	30/12/2017	Jim Epis
Progress Comments: Regular reviews and meetings are held with appropriate government departments to ensure that grant commitments are maintained and not suddenly withdrawn. Grants register currently being developed to better record, report and monitor ongoing and operational grant funding.			

OR-031	Receipts are not deposited at the bank on a timely basis or not recorded	HIGH
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Primary Category: Financial and Legal **Responsible Officer:** Tanya Browning
Primary Sub-Category: **Secondary Responsible Officers:**

Secondary Categories:

<u>Inherent</u>		<u>Revised</u>		<u>Future</u>	
Consequence	Major	Consequence	Major	Consequence	Major
Likelihood	Possible	Effectiveness of Controls	Good	Effectiveness of Controls	Non-existent
		Likelihood	Possible	Likelihood	Possible
Risk Rating	High	Risk Rating	High	Risk Rating	High

Existing Controls

Revised

Receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts

Solutions

Solutions	Action Status	End Date	Responsible Officer
Bank statements are reconciled to the general ledger and banking reports where relevant, monthly and are reviewed by an authorised person.	Completed	30/06/2017	Tanya Browning
Progress Comments: Moore Stephens provide remote accounting service with review of entries etc. Independent management reports are forwarded to the CEO monthly to advise of issues or actions required. Bank reconciliations are completed/reviewed by Moore Stephens, who are independent of entries by Shire staff.			

OR-047	Abide by on-road regulations and - chain of responsibility	HIGH
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Primary Category: Shire Reputation and Governance
Primary Sub-Category:

Responsible Officer: Dan Yates
Secondary Responsible Officers:

Secondary Categories:

Inherent

Consequence Major
Likelihood Possible

Revised

Consequence Major
Effectiveness of Controls Fair
Likelihood Possible

Future

Consequence Major
Effectiveness of Controls Non-existent
Likelihood Possible

Risk Rating High

Risk Rating High

Risk Rating High

Existing Controls

Revised

Draft process being developed for maintenance and on-road chains of responsibility

Solutions

Solutions	Action Status	End Date	Responsible Officer
Ensure it is well documented where the Shire fits in the Chain of Responsibility	In Progress	30/12/2017	Dan Yates
Progress Comments: Asset maintenance plans are under development. Position descriptions are under review. Chain of responsibilities will be identified as the output of this process and a responsibilities roadmap can be developed as a visual representation to ensure relevant risks are managed effectively.			

OR-048	Maintenance records for plant and machinery kept in accordance with manufacturers specifications and OHS legislation	HIGH
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Primary Category: Shire Reputation and Governance
Primary Sub-Category:
Secondary Categories:
Responsible Officer: Dan Yates
Secondary Responsible Officers:

<u>Inherent</u>	<u>Revised</u>	<u>Future</u>
Consequence Critical	Consequence Major	Consequence Major
Likelihood Possible	Effectiveness of Controls Good	Effectiveness of Controls Good
	Likelihood Possible	Likelihood Possible
Risk Rating Moderate	Risk Rating High	Risk Rating High

Existing Controls

Revised

Maintenance job cards completed and closed whenever an item of plant and equipment is serviced.

Solutions

Solutions	Action Status	End Date	Responsible Officer
Ensure maintenance records for all plant and machinery detailing scheduled and unscheduled maintenance, are kept and easily accessible	In Progress	30/12/2017	Dan Yates
Progress Comments: Ongoing effective use of the fleet management system. Random system testing has taken place to ensure correct use and useful output reporting.			

4.0 REPORTS OF OFFICERS

4.2 DEPUTY CHIEF EXECUTIVE OFFICER

4.2.1 RELATED PARTY TRANSACTIONS AND DISCLOSURES

SUBMISSION TO: Meeting of Audit Committee
Meeting Date: 19 September 2017

AGENDA REFERENCE: 4.2.1 AUDIT SEPTEMBER 17

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: Tanya Browning

OFFICER: Deputy Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 13th June 2017

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 actually occurred. This disclosure has been calculated and included in the draft 2017 annual financial report.

For larger local governments and perhaps local governments that are located in the metropolitan region, this disclosure would be fairly simple given the variety of suppliers and operators available, and as such, the reporting aspect would not be too onerous on staff. With smaller local governments located in more remote areas however, the circumstances are different in that family businesses operate extensively within small communities, there are fewer alternatives available, and that inevitably family members and connections are much more prevalent due to the smaller employment pool and population base. In this respect, not only is it important to properly disclose and declare related party transactions, the data collection and evidence trail is much more labour intensive.

With regard to the disclosures, the following approach was developed to ensure that management can properly address the requirements of the accounting standard:

- A procedure / guide for related party disclosures to be established
- 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

A workshop was held at the June 2017 Audit and Risk Committee Meeting to assist the Audit and Risk Committee gain some insight and understanding into the disclosure requirements, and to begin declarations ready for 2016/17 annual financial statements.

The workshop provided the committee the opportunity to review the approach taken by the management team in relation to addressing the requirements of AASB 124, and explanation behind the reasoning for the requirement. During the workshop, it was noted that the exercise of declarations should be completed quarterly, to ensure that staff are progressively collecting and collating information. These declarations will again be provided at the meeting, for completion and return to the administration so that data collection can be progressively undertaken. This process also allows the committee to recommend any changes required to future risk review processes.

STATUTORY ENVIRONMENT

Accounting Standard AASB 124 Related Party Disclosures was extended in July 2015 to include application by not for profit entities, including local governments. Disclosures are required 1 July 2016, with the first disclosures to be 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

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

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 RA Norrie, Seconded Cr RM Cotterill 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 (6 VOTES TO 0)

4.0 REPORTS OF OFFICERS

4.2 DEPUTY CHIEF EXECUTIVE OFFICER

4.2.2 RISK MANAGEMENT SUPPORT SERVICES

SUBMISSION TO: Meeting of Audit Committee
Meeting Date: 19 September 2017

AGENDA REFERENCE: 4.2.2 AUDIT SEPTEMBER 17

SUBJECT: Risk Management Support Services

LOCATION / ADDRESS: Leonora

NAME OF APPLICANT: N/A

FILE REFERENCE: 1.46

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: Tanya Browning

OFFICER: Deputy Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 13th June 2017

BACKGROUND

Since regulatory mandates were introduced with regard to risk management relating to local government, the Shire of Leonora has undertaken significant work in an effort to achieve compliance in this complex field. External consultants, as well as personnel independent of operations and processes have been reviewing current operating protocols and adherence to statutory compliance requirements. Utilising these individuals who are external to organization provides the opportunity for greater transparency and minimizes the risk of mis-representation of information that could expose the organization to higher levels of risk. For approximately 18 months, Mr Gavin Prime, casual/contract project officer has been providing assistance in this area, and has been integral to the organization achieving compliance. Internally, the administration is not adequately resourced to undertake this work in house, and having a dedicated officer has assisted tremendously in this regard.

Unfortunately, Mr Prime will no longer be able to provide this current level of assistance to the Shire, as he has been offered other employment closer to his home base in the South West. Mr Prime has however offered to provide some ongoing assistance during the transitional phase of a new officer taking on responsibility for this task, or an external consultant being appointed to assist. This will be invaluable, and will be of great assistance to ensure the desired level of progression with this compliance requirement.

Enquiries have been made with providers known to be active in the space of risk management. Some time ago, both the Deputy CEO and Mr Prime attended training facilitated by Moore Stephens that demonstrated the regulatory understanding of the requirements of local government in relation to risk management, and they were approached to assess what services might be available.

Those discussions highlighted that there is opportunity to further improve on the organisation's existing risk review and capture process. Improvements to provide the committee (and community) a clearer picture of what the organisational issues or risks are (improving the existing generic nature within framework), as well as improving definition around the documented existing controls that are stated to be more orientated as solutions that are more specific risk actions was also noted.

A proposal has been requested from Moore Stephens, which identifies the following process to for initial risk management support services:

- Understanding of mandate and objectives with DCEO
- Initial engagement with current "Project/Risk Officer" (Gavin Prime) [location options – Perth or Bunbury]

- Understanding of processes and reporting requirements with Shire staff; draft report of improvement opportunities

It is expected that the above process will take approximately 5 – 7 days to complete. Depending on the outcome of this initial process, there is further opportunity for the following ongoing support:

- Update of risk registers
- Preparation of Risk Reports and related documentation for Executive / Council / Audit & Risk Committee
- Regular engagement with staff and advisory support via telephone and email
- Other advisory support such as drafting and/or updating policies and procedures
- Participation at Audit & Risk Committee meetings (i.e. teleconference) as required

STATUTORY IMPLICATIONS

Areas of risk are subject to change and modification during the year on the authorisation of the Chief Executive Officer and Audit Committee, whom as per section regulation 17.1 of the Local Government (Audit) Regulations 1996 will continue to monitor the Appropriateness and Effectiveness of the Councils Systems and Procedures.

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 delivery of strategic objectives.

FINANCIAL IMPLICATIONS

The improvement of risk profiling and reporting may increase opportunity for funding towards key service delivery objectives. Provision is included in the 2017/18 Adopted Budget to utilise consultants for this purpose.

STRATEGIC IMPLICATIONS

The Chief Executive Officer plays 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 framework requires ongoing monitoring and revision for Strategic Planning alignment.

The role of the audit committee is to monitor identified strategic high risks and their treatment solutions to ensure the community receives the services delivered effectively as outlined within the Strategic Plans.

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.

RECOMMENDATIONS

That the Audit and Risk Committee:

1. Endorse the actions of the executive management team in engaging Moore Stephens for initial risk management support service work
2. Request the executive management to provide a report for presentation to the Audit & Risk Committee on the outcomes of the initial review, as outlined in the above report
3. Request the executive management to provide an assessment into the viability and a costing summary of ongoing risk management support services through Moore Stephens following the initial review process.

VOTING REQUIREMENT

Simple Majority

COMMITTEE DECISION

Moved Cr RA Norrie, Seconded Cr RM Cotterill that the Audit and Risk Committee:

1. Endorse the actions of the executive management team in engaging Moore Stephens for initial risk management support service work
2. Request the executive management to provide a report for presentation to the Audit & Risk Committee on the outcomes of the initial review, as outlined in the above report
3. Request the executive management to provide an assessment into the viability and a costing summary of ongoing risk management support services through Moore Stephens following the initial review process.

CARRIED (6 VOTES TO 0)

5.0 NEXT MEETING

19th December, 2017, 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 10:27am.