

SHIRE OF LEONORA



AUDIT AND RISK COMMITTEE MEETING

HELD 17TH SEPTEMBER 2019, IN COUNCIL CHAMBERS AT
9:31AM.

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

Chairperson, Cr PJ Craig, declared the meeting open at **9:31AM**.

2.0 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

2.1 Present

President	PJ Craig
Deputy President	RA Norrie
Councillors	RM Cotterill
	AE Taylor
	LR Petersen
	AM Moore
	F Harris
Chief Executive Officer	JG Epis
Deputy Chief Executive Officer	LA Gray

2.2 Apologies

Nil

2.3 Leave of Absence

Nil

3.0 CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

Moved Cr RM Cotterill, Seconded Cr RA Norrie that the Minutes of the Audit and Risk held on 18th June 2019, be confirmed as a true and accurate record.

CARRIED (7 VOTES TO 0)

4.0 REPORTS OF OFFICERS

4.1 CHIEF EXECUTIVE OFFICER

4.1.1 SIGNIFICANT AUDIT MATTER – OPERATING SURPLUS RATIO

SUBMISSION TO: Meeting of Audit Committee
Meeting Date: 17th September, 2019

AGENDA REFERENCE: 4.1.1 AUDIT SEP 19

SUBJECT: Significant Audit Matter – Operating Surplus Ratios

LOCATION / ADDRESS: Leonora

NAME OF APPLICANT: N/A

FILE REFERENCE: Audits – Reports & Minutes 1.10

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: J.G. Epis

OFFICER: Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 6th September, 2019

BACKGROUND

Correspondence from the Department of Local Government, Sport and Cultural Industries (the Department), dated 28th June, 2019, was received by the Shire of Leonora on 5th July, 2019, advising of a matter of non-compliance with section 7.12A(4) of the *Local Government Act 1995*, wherein a local government is required to prepare a report stating what action has been taken or is intended to be taken in respect to matters raised within the audit report, to forward a copy of the report to the Minister within three months of receiving the audit report and to publish the report on the Shire's website within 14 days of receiving the audit report.

The non-compliance noted by the Department related to a significant adverse trend noted for the operating surplus ration within the 2017-19 audit report from Butler Settineri (Audit) Pty Ltd.

COMMENT

The requirement to prepare a report stating actions to be taken to address matters identified as significant by the auditor, as well as to provide a copy of the report to the Minister within three months after the audit report is received from the auditor, and to publish the report on the official local government website within 14 days of providing the report to the Minister, is the result of an amendment to the Act in August 2017.

Shire staff were unfamiliar with the requirements of section 7.12A(4) & (5) of the *Local Government Act 1995* when the correspondence was received, to prepare an 'action report' etc. The matters noted within the 2017-18 audit report were however reported to the Audit and Risk Committee at its meeting held 18th December, 2018 (item 4.2.2 Audit Management Report), which included management comments in response to each matter noted within the audit report.

To comply with the requirements of section 7.12A(4) & (5) of the *Local Government Act 1995*, an action report has been prepared (attached) which is presented for the audit committee's consideration. The action report, once received by the audit and risk committee, will require endorsement by the Council, prior to being submitted to the Minister and published on the Shire of Leonora's website.

STATUTORY ENVIRONMENT

Section 7.12A(4) of the *Local Government Act 1995* requires a local government to prepare a report stating what action has been taken or is intended to be taken in respect to matters raised within the audit report, and to forward a copy of the report to the Minister within three months of receiving the audit report.

Section 7.12A(5) of the *Local Government Act 1995* requires a local government to publish on its official website the report prepared under section 7.12(4) within 14 days of supplying the report to the minister.

POLICY IMPLICATIONS

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

FINANCIAL IMPLICATIONS

Provision is included in the 2019/20 adopted budget for consultants and there are no extraordinary budget implications resulting from this report or recommendations.

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 outcome 4.5 Strong Leadership and Planning, with strategy 4.5.3 'Continue to Develop Strategic Plans and Ensure Legislative Compliance' applies.

RISK MANAGEMENT

This item has been evaluated against the Shire of Leonora's Risk Management Strategy and Risk Assessment Matrix. The perceived level of risk is high prior to treatment, the receipt of this report by the Audit and Risk Committee, and subsequent consideration for endorsement by Council will reduce the risk to medium.

RECOMMENDATIONS

That the Audit and Risk Committee:

1. Receive the attached 'Action Report – 2017-18 Significant Adverse Trend – Operating Surplus Ratio';
2. Recommend the endorsement of the attached 'Action Report – 2017-18 Significant Adverse Trend – Operating Surplus Ratio' by Council; and
3. Following endorsement of the 'Action Report – 2017-18 Significant Adverse Trend – Operating Surplus Ratio' by Council, authorise the CEO to forward a copy of the report to the Minister and to publish the report on the Shire of Leonora's official website.

VOTING REQUIREMENT

Simple Majority

COUNCIL DECISION

Moved Cr LR Petersen, Seconded Cr RA Norrie that the Audit and Risk Committee:

1. Receive the attached 'Action Report – 2017-18 Significant Adverse Trend – Operating Surplus Ratio';
2. Recommend the endorsement of the attached 'Action Report – 2017-18 Significant Adverse Trend – Operating Surplus Ratio' by Council; and
3. Following endorsement of the 'Action Report – 2017-18 Significant Adverse Trend – Operating Surplus Ratio' by Council, authorise the CEO to forward a copy of the report to the Minister and to publish the report on the Shire of Leonora's official website.

CARRIED (7 VOTES TO 0)



ACTION REPORT – 2017-18 Significant Adverse Trend – Operating Surplus Ratio

Section 7.12A (4) of the Local Government Act 1995 requires a local government to prepare a report stating what action has been taken or is intended to be taken in respect to matters raised within the audit report. The Shire of Leonora's 2017-18 Audit Report from Butler Settineri (Audit) Pty Ltd noted a significant adverse trend for the operating surplus ratio.

Shire of Leonora -Operating Surplus Ratio 2015/16, 2016/17 & 2017/18

The operating surplus ratio demonstrates the extent to which operating revenues cover operating expenses (including depreciation), with a positive operating surplus ratio considered by the Department an indicator of long-term financial sustainability. The Shire's operating surplus ratio has experienced movement over the previous three years in relation to the 2017-18 audit report, with a reported ratio of 0.05 in 2015/16, (0.03) in 2016/17 and (0.11) in 2017/18.

The basic benchmark set by the Department of Local Government, Sport and Cultural Industries (the Department) for the operating surplus ratio is 0.01 - 0.15. Ratios higher than 0.15 are considered to be in the desirable benchmark range set by the Department. The Shire of Leonora has been experiencing a downward trend with its operating surplus ratio which does not meet the benchmark set by the Department, resulting in the 'significant adverse trend' finding on the Shire's audit report.

Explanation for Operating Surplus Ratio Not Meeting Benchmarks

A number of factors contribute to the fluctuation of this ratio, including reimbursement of WANDRRA funds, which have been noted to result in delays of reimbursement of large recoups. These funding claims cannot be recognised as revenue until it is virtually certain to be received (i.e. once the claim is approved). As the processes to receive WANDRRA funds are onerous with significant periods of time being required to receive approval, the operating surplus ratio can be somewhat manipulated given the timing of revenue and expenses relating to WANDRRA works (AASB 116 provides direction in relation to the treatment of revenue of expenses).

The Shire has also considered within its Long Term Financial Plan (LTFP) the impact of ongoing capital road funds such as Roads to Recovery (R2R) and Regional Road Group (RRG) -neither of which are included in the calculation of the operating surplus ratio. Depreciation expense, which is included within the calculation of the operating surplus ratio, is rarely funded in full by rural local governments such as the Shire of Leonora, with grant funds such as the R2R and RRG contributing to asset renewals and compensating for operating losses.

Actions Proposed to Address the Operating Surplus Ratio

To ensure the operating surplus ratio would meet the benchmark set by the Department, the Shire could consider increasing rates, however this would effectively result in over rating the community when also considering the ongoing road grants received by the Shire. As a result, the Shire considers the benchmark for the operating surplus ratio to be flawed for a Shire receiving non-operating grants for the renewal of assets, and it does not intend to take action to increase revenue above a level which will result in the community being overrated when considering expected and ongoing non-operating grants for asset renewals.

The operating surplus ratio and the financial performance of the Shire of Leonora will continue to be reviewed through ongoing monitoring of depreciation expense and financial reports which are reported to Council, including required budget reviews and monthly statements of financial activity.

Disclaimer

This Report has been prepared for the exclusive use by the Shire of Leonora.

This report contains quantitative and qualitative statements, including projections, estimates, opinions and forecasts concerning the anticipated future performance of the Shire of Leonora, based on a large number of assumptions, and will be, subject to significant uncertainties and contingencies many, if not all, of which are outside the control of the Shire of Leonora.

This report is supplied in good faith for public information purposes and the Shire accepts no responsibility for any loss occasioned by any person acting or refraining from action as a result of reliance on the Plan.

4.0 REPORTS OF OFFICERS

4.1 CHIEF EXECUTIVE OFFICER

4.1.2 RISK MANAGEMENT ACTIVITIES UPDATE SEPTEMBER 2019

SUBMISSION TO: Meeting of Audit Committee
Meeting Date: 17th September 2019

AGENDA REFERENCE: 4.1.2 AUDIT SEP 2019

SUBJECT: Risk Management Activities Update September 2019

LOCATION / ADDRESS: Leonora

NAME OF APPLICANT: N/A

FILE REFERENCE: Audits – Reports & Minutes 1.10

AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT

NAME: J.G. Epis

OFFICER: Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 11th September 2019

BACKGROUND

Prior to 30 June 2018, meetings with the Chief Executive Officers (CEO's) for the Shires of Leonora, Laverton, Menzies and Wiluna were held, where opportunities for collaboration and service sharing were discussed. From these meetings, it was considered a viable opportunity to further explore the possibility of engaging the services of a consultancy company to perform the Statutory Compliance Services for the four local governments, given many already engaged consultants to assist with a variety of work.

The Shires of Leonora, Laverton, Menzies and Wiluna supported proceeding to the tender stage for Statutory Compliance Services and subsequently the tender was awarded to Moore Stephens. This tender included risk management support services, and the delivery of statutory support and compliance services.

Since the service with Moore Stephens commenced in 2018/19, the Shire has adopted an updated risk management policy which aligns to *AS/NZS ISO 31000:2018 Risk Management Guidelines*. The Audit and Risk Committee also endorsed a Risk Management Strategy utilising the Principles, Framework and Process as defined within the standard. The Strategy 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, and is aligned with the risk management policy.

COMMENT

The Risk Management Strategy provides guidance and direction around risk management activities, including the assessment, prioritisation and communication of risk. This includes the reporting of risks through the Audit and Risk Committee. The tender response from Moore Stephens also set out the delivery of risk management services through quarterly 'dash board reports', bi-annual 'summary reports' and an annual 'risk control assurance workshop'.

A risk control assurance workshop was held with the Northern Goldfields Compliance Group (NGCG) in February 2019, which assisted to set out activities over the next twelve months. The workshop included discussions around the examination, review and updating of risks, as well as themes/profiles, controls and frameworks. The group requested a generic set of 'risk profiles' be developed by Moore Stephens which could then be reviewed and updated to apply to individual local governments. These draft risk profiles were utilised to develop a draft risk register, which was created and populated as an extension to existing online registers service provided by Moore Stephens.

In August 2019, Moore Stephens conducted a site visit with the NGCG to review and update the risk profiles for each local government, and to populate the draft risk register with updated controls to calculate residual risks to be reported to the Audit and Risk Committee. The risk profiles are attached for the Committee's information and will be utilised to further update the risk register prior to the next meeting. The risk register will also be updated with applicable recommendations (including best practice initiatives) resulting from focus audits and other reports recently published by the Office of the Auditor General (OAG) relating to the local government sector.

The risk summary report is intended 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 for a report to the committee to be compiled summarising new risks or changes to existing risks. The risk summary report will be compiled for the next meeting highlighting risk changes identified against each profile since the last review, including actions and treatments in place for high level risks.

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.

Risk Category	No. of High or Extreme Rated Risks Identified	No. of High or Extreme Rated Risks after Treatment	No. of New Risks Identified (September 2019)	No. of Risks Closed (September 2019)
Performance	2	1	0	0
Environmental	2	2	0	0
Reputational Damage	2	1	0	0
Financial	4	3	0	0
Service Delivery / Business Interruption	4	3	0	0
Legislative / Regulatory / Policy/ Occupational Safety and Health	5	3	0	0

STATUTORY IMPLICATIONS

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.

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 2019/20 Adopted Budget for Moore Stephens to deliver Statutory Compliance Services, including risk management, in line with the awarded tender.

STRATEGIC IMPLICATIONS

One of Council's responsibilities in risk management is to be satisfied risks are identified, managed and controlled appropriately, to achieve 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 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 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 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.

RISK MANAGEMENT

This item has been evaluated against the Shire of Leonora'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 low.

RECOMMENDATIONS

That the Audit and Risk Committee receive the draft risk profiles as attached and the above report updating risk management activities undertaken to date.

VOTING REQUIREMENT

Simple Majority

COUNCIL DECISION

Moved Cr RA Norrie, Seconded AM Moore that the Audit and Risk Committee receive the draft risk profiles as attached and the above report updating risk management activities undertaken to date.

CARRIED (7 VOTES TO 0)

Risk Category (as defined within Risk Management Strategy):

Performance

Risk Description and Scope:

Ability to achieve key outcomes, within current resources, potential loss of infrastructure, including (but not limited to):

- Monitoring deliverables with external suppliers
- Poor management of external contractors/suppliers
- Supplier sustainability
- Infrastructure outputs not meeting expectations
- Assets not fit for purpose or inadequately designed
- Ineffective usage and downtime of assets
- Maintenance and planning
- Financial management associated with asset management practices

Causes:

- Failures in contract management processes, including planning and monitoring
- Poor procurement processes
- Funding restrictions
- Complexity / specialised work and lack of internal skills and resources
- Geographical isolation and availability of suitable vendors
- Poor or inadequate scheduling of maintenance and inspections
- Historical practices and existing contracts
- Inadequate skill level and/or training of personnel

Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Partially Effective	Asset management plan
Yes	Partially Effective	Fleet management system
Yes	Partially Effective	Contract register
Yes	Ineffective	Review meetings (to be implemented)
Yes	Partially Effective	Monitoring processes and maintenance schedules
Yes	Effective	Legal advice (contract review and development)
Yes	Ineffective	Financial assessments undertaken for contract works over a nominated threshold

Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	DCEO	31/03/2020	<ul style="list-style-type: none"> • Review standard tender/RFQ/contract content
1/02/2019	DCEO	31/12/2019	<ul style="list-style-type: none"> • Procurement and evaluation training refresher to relevant officers
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Review / update asset management plan and long term financial plan
1/02/2019	DCEO	31/12/2019	<ul style="list-style-type: none"> • Articulate maintenance and inspection schedules
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Define levels of service
1/02/2019	DCEO	30/06/2020	<ul style="list-style-type: none"> • Establish contract register
1/02/2019	DCEO	30/06/2020	<ul style="list-style-type: none"> • Implement system where review meetings are regularly held

Risk Category (as defined within Risk Management Strategy):

Environmental Risk

Risk Description and Scope:

Harm to the environment, through inadequate prevention, identification, enforcement and management of environmental issues, including (but not limited to):

- Failure to identify and effectively manage contaminated sites (including groundwater)
- Waste facilities (landfill and liquid waste)
- Weed control
- Inadequate control and management of reclaimed water (irrigation etc)
- Illegal dumping
- Illegal clearing and/or land use

Causes:

- Inadequate local laws/planning schemes
- Deficiencies in relation to management of waste facilities
- Poor systems and processes / reporting controls
- Insufficient comprehension of management and compliance requirements

Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Ineffective	Landfill / Waste Management Plans (to be developed/reviewed)
Yes	Ineffective	Staffing and Supervision at landfill and waste sites (to be reviewed)
Yes	Effective	Planning Application Process
Yes	Partially Effective	Reclaimed irrigation water processes
Yes	Effective	Adhere to relevant licence conditions
Yes	Ineffective	Pollution insurance

Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	EHO	31/12/2019	<ul style="list-style-type: none"> • Articulate operating arrangements for waste disposal facilities
1/03/2019	DCEO/EHO	30/06/2020	<ul style="list-style-type: none"> • Provision for consultant to be engaged in 2019/20 budget to assist with development of waste management plans
5/03/2019	EHO	31/12/2019	<ul style="list-style-type: none"> • Document requirements when utilising reclaimed water, and create workflow diagrams / processes to be followed
1/03/2019	DCEO	30/06/2020	<ul style="list-style-type: none"> • Advocate / lobby relevant government agencies for feral pest / weed management resources
1/03/2019	DCEO	1/03/2020	<ul style="list-style-type: none"> • Annual review / consideration of pollution insurance

Risk Category (as defined within Risk Management Strategy):

Reputational Damage

Risk Description and Scope:

Adverse publicity, resulting from actions/activities including (but not limited to):

- Incorrect advice to customers, Council or regulatory bodies
- Officers / elected members operating outside of limits of authority
- Decisions based on incorrect or inaccurate data
- Delays in services to customers
- Failure to maintain effective engagement with community
- Planning initiatives (local and strategic)
- Infrastructure projects

Causes:

- Lack of procedures/training
- Human error / staffing constraints (including difficulty to attract and retain professional/qualified staff) / vexatious complainants
- Funding
- Poor communication / relationship management with stakeholders
- Inadequate documentation and/or processes

Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Partially Effective	Documented procedures and checklists
Yes	Effective	Management controls and oversight
Yes	Ineffective	Elected member and staff training matrices (to be developed)
Yes	Ineffective	Communications strategy (to be developed)
Yes	Partially Effective	Code of Conduct
Yes	Effective	Current social media policy

Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> • Develop communication strategy
1/02/2019	CEO	31/12/2019	<ul style="list-style-type: none"> • Develop risk based elected member and staff training matrix (include performance measures to target training, particularly with consideration to following established procedures and policies)
1/02/2019	DCEO	30/06/2020	<ul style="list-style-type: none"> • Develop additional documented procedures and checklists
1/02/2019	DCEO	30/06/2020	<ul style="list-style-type: none"> • Undertake refresher training on Code of Conduct

Risk Category (as defined within Risk Management Strategy):

Financial

Risk Description and Scope:

Loss of assets, impact on annual revenues or costs, external audit issues, mismanagement of funds, including (but not limited to):

- Cyber crime
- Fraud
- Theft (such as cash, stock, valuables)
- Incorrect processing of financial transactions
- Qualified audit reports
- Non compliance with statutory requirements

Causes:

- Burglary / break in
- Inadequate controls and/or supervision
- Poor physical security
- Insufficient IT system security and controls
- Inadequate recruitment processes
- Lack of HR monitoring (including performance reviews)

Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Partially effective	Security/restricted access
Yes	Effective	CCTV and lighting
Yes	Ineffective	Internal audit function (in development)
Yes	Partially effective	Internal procedures and checklists
Yes	Effective	IT Security and Firewalls

Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Conduct ICT Security Review and develop ICT Strategic Plan
1/02/2019	CEO	31/12/2019	<ul style="list-style-type: none"> • Review physical security controls and access
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Conduct training with relevant staff for awareness of fraud and other scams
1/02/2019	CEO	31/12/2019	<ul style="list-style-type: none"> • Regularly review and update controls and procedures relating to financial processes
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Develop internal audit function
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Review and update HR controls and monitoring

Risk Category (as defined within Risk Management Strategy): Service Delivery/Business Interruption

Risk Description and Scope:

Loss of service, disruption in business processes or impact to service delivery (including through lack of skilled resources), through circumstances including (but not limited to):

- Natural disaster or weather event
- Malicious damage (such as vandalism)
- Lack of properly trained staff to respond to an incident
- Insufficient continuity planning
- Failure of infrastructure and/or equipment
- Insufficient operation of infrastructure and/or IT equipment
- Reduction in availability of services at venues/facilities

Causes:

- Inadequate training for response staff
- Lack of testing and review of continuity plans
- Natural disaster or weather event
- Inadequate planning for response to incidents
- Breakdown in communication infrastructure (phone lines etc)
- Poorly maintained equipment/systems

Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Effective	Data backups
Yes	Partially effective	Business continuity and disaster recovery plans
Yes	Effective	LEMC responses and training
Yes	Partially effective	Operational procedures by venue/facility
Yes	Partially effective	Scenario testing and response evaluation

Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> • Review LEMA as required
1/02/2019	DCEO	31/12/2019	<ul style="list-style-type: none"> • Develop/review/test business continuity and disaster recovery plans
1/02/2019	DCEO	30/06/2020	<ul style="list-style-type: none"> • Test data restore from backups
1/02/2019	CEO	31/12/2019	<ul style="list-style-type: none"> • Develop risk based staff training matrix
1/02/2019	CEO	31/03/2020	<ul style="list-style-type: none"> • Formalise review of facilities and procedures

**Risk Category (as defined within Risk Management Strategy):
Legislative/Regulatory/Policy/Occupational Safety and Health**

Risk Description and Scope:

Misconduct, injury, failure to meet statutory, regulatory or compliance requirements, including (but not limited to):

- Collusion between internal and external parties
- Intent to deliberately circumvent approved procedures, limitations of authority and policies
- Unauthorised access to property and /or information, including unauthorised distribution of property and/or information
- Falsifying information or data for publication
- Failure to correctly assess and action regulatory requirements
- Non compliance with OSH statutory requirements through inadequate policy, framework, systems and procedures
- Poor procedures/practices (including HR)

Causes:

- Lack of or poor controls for authorisations
- Inadequate security restrictions/measures
- Insufficient training or skilled staff
- Inadequate compliance frameworks
- Ineffective monitoring and communication of updates and changes to legislation
- Poor internal processes and review
- Inadequate OSH procedures and practices
- Insufficient commitment or mandate from senior management

Controls:

Appropriate?	Effectiveness:	Controls in Place:
Yes	Ineffective	Internal audit function (in development)
Yes	Partially effective	Internal procedures and checklists
Yes	Effective	Legal and / or professional advice
Yes	Partially Effective	OSH Audits (LGIS)
Yes	Partially Effective	OSH Risk Register
Yes	Effective	Aerodrome inspections and regulatory plans

Risk Treatments:

Date First Identified:	Responsible Officer:	Due Date:	Risk Treatments/ Actions/ Updates:
1/02/2019	CEO	31/12/2019	<ul style="list-style-type: none"> • Implement actions/recommendations from OSH audits
1/02/2019	CEO	31/12/2019	<ul style="list-style-type: none"> • Develop risk based staff training matrix
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Review induction processes, content and delivery
1/02/2019	CEO	31/12/2019	<ul style="list-style-type: none"> • Develop and implement contractor induction, code of conduct and review procedures
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Regularly review and update controls, procedures and checklists
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Develop internal audit function
1/02/2019	CEO	30/06/2020	<ul style="list-style-type: none"> • Review and update HR controls and monitoring

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: 17th September, 2019

AGENDA REFERENCE: 4.2.1 AUDIT SEP 19

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: Linda Gray

OFFICER: Deputy Chief Executive Officer

INTEREST DISCLOSURE: Nil

DATE: 11th September, 2019

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

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

COUNCIL DECISION

Moved Cotterill, Seconded Petersen that the Audit and Risk Committee note the approach taken and the systems established by management regarding addressing the requirements of *AASB 124 Related Party Disclosures*.

CARRIED (7 VOTES TO 0)

Cr PJ Craig adjourned the meeting at 10:09AM for a morning tea break.

Cr PJ Craig reconvened the meeting at 10:58AM with all those previously listed in the record of attendance present.

5.0 NEXT MEETING

17th December 2019, 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 **10:59AM**.