

# SHIRE OF LEONORA



## AUDIT AND RISK COMMITTEE MEETING

HELD 16<sup>TH</sup> JUNE 2020, IN COUNCIL CHAMBERS AT 10:59AM.

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

Chairperson, Cr PJ Craig, declared the meeting open at **10:59am**.

**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 RA Norrie, Seconded Cr RM Cotterill** that the Minutes of the Audit and Risk held on 17<sup>th</sup> March, 2020 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 RISK MANAGEMENT ACTIVITIES UPDATE JUNE 2020**

**SUBMISSION TO:** Meeting of Audit Committee  
Meeting Date: 16<sup>th</sup> June, 2020

**AGENDA REFERENCE:** 4.1.1 AUDIT JUNE 20

**SUBJECT:** Risk Management Activities Update June 2020

**LOCATION / ADDRESS:** Leonora

**NAME OF APPLICANT:** N/A

**FILE REFERENCE:** 1.10 – Audits – Reports and Minutes

##### **AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT**

**NAME:** J.G. Epis

**OFFICER:** Chief Executive Officer

**INTEREST DISCLOSURE:** Nil

**DATE:** 5<sup>th</sup> June 2020

##### **BACKGROUND**

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. Moore Stephens have also set in place the delivery of risk management services through:

- quarterly Dashboard Reports,
- bi-annual Risk Summary Reports and
- an annual Risk Control Assurance Workshop.

It is planned that each Audit Committee Meeting will be provided with an update under the heading of the Risk Summary Report and a dashboard report. On occasion there will be no changes, however, there still is continuous monitoring in place within the Shire's risk management framework with the reviews having a more specific focus.

In February and August 2019, Moore Stephens conducted workshops 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.

##### **Risk Summary Report**

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 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 recorded in the Risk

Register. These have been captured as part of individual risk assessments that are approved by the Chief Executive Officer and are available upon request.

1. Changes to payment processes
2. Drug & Alcohol Use
3. COVID-19

#### Annual Risk Control Assurance Workshop

A workshop was held at the Shire offices on Friday 5<sup>th</sup> June, 2020, to review the current documentation and draft Risk Register. It is important that the draft Risk Register continues to be a “living document” and updated continuously. The risks listed above have been identified by management and added to the draft Risk Register over the past 2019/21 financial year, with the COVID-19 pandemic having the biggest impact in the last six months:

#### Quarterly Dashboard Report

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.

<b>Risk Category</b>	<b>No. of High or Extreme Rated Risks Identified</b>	<b>No. of High or Extreme Rated Risks after Treatment</b>	<b>No. of New Risks Identified (June 2020)</b>	<b>No. of Risks Closed (June 2020)</b>
Performance	2	1	0	0
Environmental	2	2	0	0
Reputational Damage	2	1	0	0
Financial	5	3	0	0
Service Delivery / Business Interruption	4	3	0	0
Legislative / Regulatory / Policy/ Occupational Safety and Health	7	5	1	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. 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 Community Strategic Plan 2017 - 2027.

The Chief Executive Officer and executive team plays a key role in the establishment and development of an effective risk management framework and their monitoring and reviewing ensure that the important information generated by the risk management process is captured, used, and maintained. 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**

The updated risks identified have 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 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 Shire of Leonora's bi-annual Risk Summary Report, and quarterly Dashboard Report updating risk management activities undertaken to date, which include the annual Risk Control Assurance Workshop held on Friday 5<sup>th</sup> June 2020.

## **VOTING REQUIREMENT**

Simple Majority

## **COUNCIL DECISION**

**Moved Cr RA Norrie, Seconded Cr RM Cotterill** that the Audit and Risk Committee receive the Shire of Leonora's bi-annual Risk Summary Report, and quarterly Dashboard Report updating risk management activities undertaken to date, which include the annual Risk Control Assurance Workshop held on Friday 5<sup>th</sup> June 2020.

**CARRIED (7 VOTES TO 0)**

#### **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: 16<sup>th</sup> June, 2020

**AGENDA REFERENCE:** 4.2.1 AUDIT JUN 20

**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:** 9<sup>th</sup> June, 2020

##### **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 Cr LR Petersen , Seconded Cr AE Taylor** 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)**

**5.0 NEXT MEETING**

15<sup>th</sup> September 2020, 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 **11:14am**.