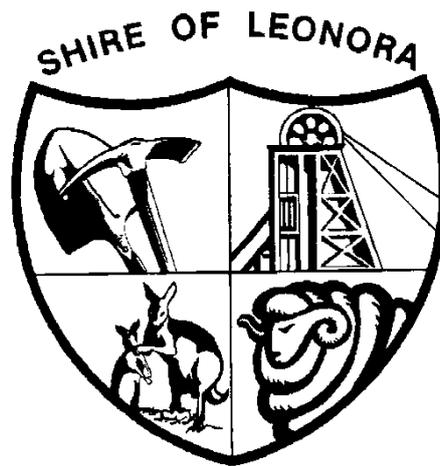


SHIRE OF LEONORA



AUDIT AND RISK COMMITTEE MEETING

MINUTES OF MEETING HELD 19TH JUNE 2018, AT 11:46AM.

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

Chairperson, Cr PJ Craig, declared the meeting open at **11:46am**

2.0 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

2.1 Present

President	PJ Craig
Deputy President	RA Norrie
Councillors	AE Taylor
	LR Petersen
	AM Moore
	F Harris
Chief Executive Officer	JG Epis
Deputy Chief Executive Officer	TM Browning

2.2 Apologies

Nil

2.3 Leave of Absence

Councillor	RM Cotterill
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Moved Cr RA Norrie, Seconded Cr LR Petersen that Cr RM Cotterill be granted a leave of absence from the Audit and Risk Committee Meeting to be held 19th June, 2018.

CARRIED (6 VOTES TO 0)

3.0 CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

Moved Cr AM Moore, Seconded Cr AE Taylor that the Minutes of the Ordinary Meeting held on 20th March 2018 be confirmed as a true and accurate record.

CARRIED (6 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: 19th June 2018

AGENDA REFERENCE: 4.2.1 AUDIT JUN 2018

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: 12th June 2018

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 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, and that the Audit and Risk Committee Meetings (also held quarterly) is a good forum to table this item whilst keeping abreast of any changes to interpretations to regulations etc.

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. As this is the last meeting for the 2017/18 period, it is timely to undertake this review again and to provide elected members with declarations that will require completion for the period ending 30th June 2018.

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

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 RA Norrie, Seconded 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 (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: 19th June 2018

AGENDA REFERENCE: 4.2.2 AUDIT JUN 2018

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: 12th June 2018

BACKGROUND

At its meeting held 20th March 2018, the Audit and Risk Committee considered the recommendation of the executive management team to continue utilising external consultant (Moore Stephens) for risk management support services. Estimates of utilising external consultants vs internal resources were considered, as well as the benefits and disadvantages of each option.

The committee unanimously resolved to continue to utilise the services of Moore Stephens (external consultant), given that the Shire of Leonora has enjoyed a very collaborative and positive professional relationship for a number of years with Moore Stephens, and the current officer we have been liaising with, Ms Cheng, has not disappointed with this new line of work in which we have sought assistance.

A workplan for the continuation of risk management advisory services has been prepared by Moore Stephens for the balance of 2018. It is represented by three stages as follows:

Timing	Objective	Deliverable(s)
August 6 -9 2018 (4 days) Remote (2 – 3 days)	Development of sustainable control framework through - clarifying roles & responsibilities; - documentation of key controls which are aligned with requirements under Financial Management Regulations 1996; and - implementation of good practice controls appropriate for an organisation the size and scale of the Shire.	Risk & Control Matrices (example provided to DCEO) On-site training

<p>September 2018 (est. 3 days) (interviews conducted remotely if possible)</p>	<p>Understanding of current risks and emerging risks for risk reporting to CEO and Audit & Risk Committee.</p> <p>Collate risk discussions and formulate risk assessment of top risks.</p> <p>Finalise Risk Management Framework.</p>	<p>Risk Report for October 2018 Audit & Risk Committee</p> <p>Risk Management framework for approval</p>
<p>December 2018 (attendance at Audit & Risk Committee meeting)</p>	<p>Update risk assessment / risk registers for Audit & Risk Committee.</p>	<p>Risk Report for December 2018 Audit & Risk Committee</p>

The committee will note that above table references Audit and Risk Committee Meeting in October 2018, whereas a meeting is not scheduled on that date. Some preliminary discussions have been undertaken with Council's auditor, and there has been some discussion to consider moving the date of the September Audit and Risk Committee Meeting to accommodate some functions associated with the final audit, and to allow the committee to meet with the auditor. This is yet to be confirmed, but some interim planning has been undertaken with timelines associated with the Audit and Risk Committee should this change eventuate (committee to be advised closer to the next scheduled meeting date).

Moore Stephens have already commenced work on the first stage of the workplan, with the submission of a draft risk and control matrix. The document will work very well within our organisation, it is easy to follow and will also prove extremely useful for audit and compliance checks. Work is on track progress as outlined in the above plan along the timelines suggested.

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. Further provision will be included in the 2018/19 draft budget also (as per committee resolution 20th March 2018).

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.

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 workplan and schedule provided by (Moore Stephens) for the continuation of risk management support services.

VOTING REQUIREMENT

Simple Majority

COUNCIL DECISION

Moved Cr LR Petersen, Seconded Cr RA Norrie that the Audit and Risk Committee note the workplan and schedule provided by (Moore Stephens) for the continuation of risk management support services.

CARRIED (6 VOTES TO 0)

5.0 NEXT MEETING

18th September 2018, 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 **12:28pm**