



AGENDA

Audit and Risk Committee
17 September 2024





NOTICE OF MEETING

Dear Committee Members and Members of the Public,

In accordance with the provisions of Section 5.5 of the Local Government Act, you are hereby notified that the Audit and Risk Committee Meeting has been convened for:

Date: Tuesday 17 September 2024

At: Shire Council Chambers
1 Longhurst Street, Narembeen

Commencing: 1.00pm

Rebecca McCall
Chief Executive Officer

10 September 2024

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1. Official Opening and Welcome

2. Record of Attendance / Apologies / Leave of Absence

Councillors:

Cr SW Stirrat	President
Cr HA Cusack	Deputy President
Cr TW Cole	
Cr MJ Currie	
Cr HJ Bald	
Cr CD Bray	
Cr AM Hardham	

Staff:

Ms R McCall	Chief Executive Officer
Mr B Forbes	Executive Manager Corporate Services
Mr K Markham	Executive Manager Infrastructure Services
Ms K Conopo	Executive Governance Officer

Member of Public:

Apologies:

3. Public Question Time

4. Disclosure of Interest

5. Confirmation of Previous Meetings

5.1 Audit and Risk Committee Meeting 21 May 2024 Attachment 5.1A

Voting Requirements

Simple Majority Absolute Majority

Officers Recommendation – Item 5.1

That the minutes of the Shire of Narembeen Audit and Risk Committee Meeting held on Tuesday 21 May 2024, as presented, be confirmed as a true and correct record of proceedings.

6. Officer Reports

6.1 Risk Dashboard – Quarterly Report – June 2024

Date:	9 September 2024
Location:	Not Applicable
Responsible Officer:	Rebecca McCall, Chief Executive Officer
Author:	Rebecca McCall, Chief Executive Officer
File Reference	ADM588
Previous Meeting Reference	Nil
Disclosure of Interest:	Nil
Attachments:	6.1A Risk Dashboard Quarterly Report – June 2024

Purpose of Report

- Executive Decision Legislative Requirement

Summary

This item presents the Risk Dashboard – quarterly monitoring report for June 2024 to the Audit and Risk Committee for consideration and receipt.

Background

The Risk Management Framework for the Shire of Narembeen sets out the approach to the identification, assessment, management, reporting and monitoring of risks. The objective is to ensure that all areas of the Shire adopt the outlined procedures to ensure:

- strong corporate governance;
- compliance with relevant legislation, regulations and internal policies;
- integrated Planning and Reporting requirements are met; and
- uncertainty and its effects on objectives are understood.

The Shire has adopted a ‘Three Lines of Defence’ model for the management of risk. This model ensures roles, responsibilities, and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the council, management, and community will have assurance that risks are managed effectively to support the delivery of the strategic, corporate, and operational plans.

The Shire qualified its risk appetite through the development of the Shire’s Risk Assessment and Acceptance Criteria.

There is a requirement to assess and manager the risk profiles on an ongoing basis to monitor risks and treatments.

Comment

The quarterly review of risk profiles assessed emerging risks, control effectiveness and key indicator performance. Assigned actions are reflective of current risks and control environment.

Key indicators revised or introduced include:

Risk Theme - External Theft and Fraud
Key Indicator – bank reconciliations
Risk Theme - Inadequate Project Management/Change Management
Key Indicator – undocumented project variations
Key Indicator - failure to achieve project milestones
Key Indicator – project management framework to be documented
Key Indicator – documenting procedure manuals for positions together with relevant controls
Risk Theme – Provide Inaccurate Advice/Information
Key Indicator – number of registered complaints (unresolved or not deemed to be immaterial)
Risk Theme – Inadequate Asset Sustainability Practices
Key Indicator – Plant rendered unusable due to preventable circumstances

The following risk themes are listed on the Risk Register as the overall control rating was ‘inadequate’:

- Business and Community Disruption
- Errors, Omissions and Delays
- Inadequate Document Management Process
- Inadequate Asset Sustainability Practices
- Ineffective Management of Facilities/Venues/Events

Consultation

Executive Manager Corporate Services

Statutory Implications

The *Local Government Act 1995* and Regulation 17 of the *Local Government (Audit) Regulations* is applicable.

Policy Implications

Risk Management Framework

Strategic Implications

Strategic Community Plan

Strategic Priority: 4. Civic Leadership
 Objective: Well governed and efficiently managed Local Government
 Strategy: 4.2 Compliant and resourced Local Government

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Risk Implications

Risk Profiling Theme	Failure to Fulfill Statutory, Regulatory or Compliance Requirements
Risk Category	Compliance
Consequence Description	No noticeable regulatory or statutory impact
Consequence Rating	Insignificant (1)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (1)
Key Controls in Place	Risk Management Framework
Action / Treatment	Nil
Risk Rating After Treatment	Adequate

Financial Implications

There are no financial implications to Council in relation to this item as the Risk Dashboard identifies and evaluates risk.

Voting Requirements

Simple Majority Absolute Majority

Officers Recommendation – Item 6.1

That Audit and Risk Committee receives the Risk Dashboard Quarterly Report – June 2024 as presented in Attachment 6.1A.

6.2 Risk Management Policy Review

Date:	6 September 2024
Location:	Not applicable
Responsible Officer:	Rebecca McCall, Chief Executive Officer
Author:	Rebecca McCall, Chief Executive Officer
File Reference	CORPORATE MANAGEMENT/POLICY/Policy Register
Previous Meeting Reference	Nil
Disclosure of Interest:	Nil
Attachments:	6.2A Risk Management Policy (new) 6.2B Risk Management Policy (old)

Purpose of Report

Executive Decision Legislative Requirement

Summary

For the Audit and Risk Committee to review and recommend to Council for adoption of the reviewed Risk Management Policy.

Background

The Shire of Narembreen is committed to implementing an organisation-wide approach to risk management, ensuring consistent and effective identification, assessment, and mitigation of risks in decision-making, operations, and planning. The attached Risk Management Policy represents an updated version of the 2021 policy, reflecting a thorough review to ensure continued alignment with best practices and organisational needs. This updated policy aligns with AS/ISO 31000:2018 and applies to all council members, employees, and contractors engaged in Shire operations.

Comment

The policy establishes clear objectives, such as safeguarding organisational assets, ensuring business continuity, and promoting public safety. It assigns the Chief Executive Officer the responsibility for implementing and continuously improving the policy. Risk management is recognised as essential for achieving the Shire's goals and is subject to regular monitoring and review by the management team and the Audit and Risk Committee. This systematic approach ensures informed decision-making and a proactive stance in managing uncertainties across the organisation.

Approval of this reviewed policy will strengthen the Shire's operational resilience and ensure alignment with best practices in risk management.

Consultation

Executive Manager Corporate Services

Statutory Implications

The *Local Government Act 1995* and Regulation 17 of the *Local Government (Audit) Regulations* is applicable.

Policy Implications

Risk Management Framework

Strategic Implications

Strategic Community Plan

Strategic Priority: 4. Civic Leadership
Objective: Well governed and efficiently managed Local Government
Strategy: 4.2 Compliant and resourced Local Government

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Risk Implications

Risk Profiling Theme	Failure to Fulfill Statutory, Regulatory or Compliance Requirements
Risk Category	Compliance
Consequence Description	No noticeable regulatory or statutory impact
Consequence Rating	Moderate (3)
Likelihood Rating	Unlikely (2)
Risk Matrix Rating	Moderate (5)
Key Controls in Place	Governance Calendar, Financial Management Framework and Legislation; Risk Management Framework & Policy
Action / Treatment	Nil
Risk Rating After Treatment	Adequate

Financial Implications

Nil

Voting Requirements

Simple Majority Absolute Majority

Officers Recommendation – Item 6.2

That the Audit and Risk Committee

1. Receives the Risk Management Policy, as presented in Attachment 6.2A.
2. Recommends to Council that it adopts the Risk Management Policy

6.3 Risk Management Framework Review

Date:	6 September 2024
Location:	Not applicable
Responsible Officer:	Rebecca McCall, Chief Executive Officer
Author:	Rebecca McCall, Chief Executive Officer
File Reference	RISK MANAGEMENT/PLANNING/Risk Management Framework
Previous Meeting Reference	Nil
Disclosure of Interest:	Nil
Attachments:	6.3A Risk Management Framework 2024

Purpose of Report

- Executive Decision Legislative Requirement

Summary

For the Audit and Risk Committee to review and recommend to Council for adoption of the reviewed Risk Management Framework.

Background

The Shire of Narembreen's (Shire) Risk Management Framework sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks.

The Shire has adopted a "Three Lines of Defence" model for the management of risk. This model ensures roles, responsibilities and accountability for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, management and community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate and Operational Plans.

The initial Risk Management Framework was developed in 2014 and last reviewed in 2021. All components of the Framework were based on AS ISO 31000:2009 Risk Management Guidelines.

Comment

To ensure strong corporate governance the Risk Management Framework was reviewed for its appropriateness and effectiveness. The Framework was updated to align with the AS ISO 31000:2018 Risk Management Guidelines.

The Assessment and Acceptable Criteria quantifies the Shire's risk appetite. The criteria was reviewed and minor adjustments were made to the Measures of Consequences.

Approval of this reviewed policy will strengthen the Shire's operational resilience and ensure alignment with best practices in risk management.

Consultation

Executive Manager Corporate Services

Statutory Implications

The *Local Government Act 1995* and Regulation 17 of the *Local Government (Audit) Regulations* is applicable.

Policy Implications

Risk Management Policy

Strategic Implications

Strategic Community Plan

Strategic Priority: 4. Civic Leadership
Objective: Well governed and efficiently managed Local Government
Strategy: 4.2 Compliant and resourced Local Government

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Risk Implications

Risk Profiling Theme	Failure to Fulfill Statutory, Regulatory or Compliance Requirements
Risk Category	Compliance
Consequence Description	No noticeable regulatory or statutory impact
Consequence Rating	Moderate (3)
Likelihood Rating	Unlikely (2)
Risk Matrix Rating	Moderate (5)
Key Controls in Place	Governance Calendar, Risk Management Policy
Action / Treatment	Nil
Risk Rating After Treatment	Adequate

Financial Implications

Nil

Voting Requirements

Simple Majority Absolute Majority

Officers Recommendation – 6.3

That the Audit and Risk Committee

3. Receives the Risk Management Framework, as presented in Attachment 6.3A
4. Recommends to Council that it adopts the Risk Management Framework.

6.4 Interim Management Letter and Response

Date:	6 September 2024
Location:	Not applicable
Responsible Officer:	Ben Forbes, Executive Manager Corporate Services
Author:	Ben Forbes, Executive Manager Corporate Services
File Reference	FINANCIAL MANAGEMENT\AUDIT\2024\Interim
Previous Meeting Reference	Nil
Disclosure of Interest:	Nil
Attachments:	6.4A Shire of Narembeen - Interim management letter, management response

Purpose of Report

- Executive Decision Legislative Requirement

Summary

For the Audit and Risk Committee to review and receive the draft interim management letter and management's responses to the findings raised.

Background

A Local Government is to prepare an annual report each financial year containing such information as prescribed by the Local Government Act 1995 Section 5.53(2) and Regulation 19 of the Local Government (Administration) Regulations 1996. This report, in addition to all associated accounting practices and records, is to be audited by an external party each year.

The audit of the financial statements is split into two components due to the quantity of work. Prior to 30 June an 'interim audit' is conducted to review profit and loss accounts and directly associated balance sheet accounts. After 30 June the 'annual audit' is conducted to review balance sheet accounts, associated methodologies and general compliance with laws, regulations and accounting standards.

Comment

Regarding findings 3 and 4, management notes that:

- Additional internal controls have been implemented to ensure that all accounting documentation (including payroll) is properly authorised – consistency of staff adoption and overall enforcement of adherence to new practices remains an ongoing process
- The workforce and asset management plans are nearing completion and will be provided to the auditors prior to the annual audit.

Regarding findings 1 and 2, management notes that:

- Staff receive regular IT training, and the auditors were advised of this prior to issuing the letter
- As noted in the comment to finding #2; Council's procurement policy specifically doesn't require purchase orders for acquisitions under \$5,000, so 3 of 4 findings are not considered to be an issue.

Consultation

Chief Executive Officer

Statutory Implications

Local Government Act 1995,

Part 5, Section 5.53

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
 - a) a report from the mayor or president; and
 - b) a report from the CEO; and
 - e) an overview of the plan for the future of the district made in accordance with section 5.56, including major initiatives that are proposed to commence or to continue in the next financial year; and
 - f) the financial report for the financial year; and
 - g) such information as may be prescribed in relation to the payments made to employees; and
 - h) the auditor's report prepared under section 7.9(1) or 7.12AD(1) for the financial year; and
 - ha) a matter on which a report must be made under section 29(2) of the Disability Services Act 1993; and
 - hb) details of entries made under section 5.121 during the financial year in the register of complaints, including —
 - i. the number of complaints recorded in the register of complaints; and
 - ii. how the recorded complaints were dealt with; and
 - iii. any other details that the regulations may require; and
 - iv. and such other information as may be prescribed.

7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to —
 - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and
 - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.
- (3) A local government must —
 - (aa) examine an audit report received by the local government; and
 - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those Matters
- (4) A local government must —
 - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

Local Government (Financial Management) Regulations 1996, Part 4 Financial Reports

Regulations 36 to 49 prescribe the contents and disclosures required in the financial statements and accompanying notes.

Regulation 51 prescribes that the Local Government's CEO provide a copy of the audited financial report to the CEO of the Department of Local Government Sport and Cultural Industries within 30 days of the receipt of the audit report.

Local Government (Audit) Regulations 1996, Regulation 10

- (1) An auditor's report is to be forwarded to the persons specified in section 7.9(1) within 30 days of completing the audit.
- (2) The report is to give the auditor's opinion on —
- a. the financial position of the local government; and
 - b. the results of the operations of the local government.
- (3) The report must include a report on the conduct of the audit.
- (4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9(1) with the auditor's report.

Local Government (Administration) Regulations 1996, Regulation 10

19B. Information to be included in annual report

(2) For the purposes of section 5.53(2)(g) and (i), the annual report for a financial year beginning on or after 1 July 2020 must contain the following —

- (a) the number of employees of the local government entitled to an annual salary of \$130,000 or more;
- (b) the number of employees of the local government entitled to an annual salary that falls within each band of \$10 000 over \$130 000;
- (c) any remuneration and allowances paid by the local government under Schedule 5.1 clause 9 during the financial year;
- (d) any amount ordered under section 5.110(6)(b)(iv) to be paid by a person against whom a complaint was made under section 5.107(1), 5.109(1) or 5.114(1) to the local government during the financial year;
- (e) the remuneration paid or provided to the CEO during the financial year;
- (f) the number of council and committee meetings attended by each council member during the financial year;
- (g) if available, the gender, linguistic background and country of birth of council members;
- (h) if available, the number of council members who are aged —
 - (i) between 18 years and 24 years; and
 - (ii) between 25 years and 34 years; and
 - (iii) between 35 years and 44 years; and
 - (iv) between 45 years and 54 years; and
 - (v) between 55 years and 64 years; and
 - (vi) over the age of 64 years;
- (i) if available, the number of council members who identify as Aboriginal or Torres Strait Islander;
- (j) details of any modification made to a local government's strategic community plan during the financial year;

(k) details of any significant modification made to a local government's corporate business plan during the financial year.

Policy Implications

Risk Management Policy

Strategic Implications

Strategic Community Plan

Strategic Priority: 4. Civic Leadership
Objective: Well governed and efficiently managed Local Government
Strategy: 4.2 Compliant and resourced Local Government

Asset Management Plan

Nil

Long Term Financial Plan

Nil

Risk Implications

Risk Profiling Theme	Failure to Fulfill Statutory, Regulatory or Compliance Requirements
Risk Category	Compliance
Consequence Description	No noticeable regulatory or statutory impact
Consequence Rating	Minor (2)
Likelihood Rating	Rare (1)
Risk Matrix Rating	Low (2)
Key Controls in Place	Governance Calendar, Risk Management Policy
Action / Treatment	Nil
Risk Rating After Treatment	Adequate

Financial Implications

Nil

Voting Requirements

Simple Majority Absolute Majority

Officers Recommendation – 6.4

That the Audit and Risk Committee receive the attached interim management letter.

7. Other Business

8. Closure of Meeting

Details of the next meeting will be advised.

There being no further business, the chair declared the meeting closed at ___pm