



# **Minutes**

**Audit and Risk Committee Meeting**

**Thursday 24 November 2022**

**4.30pm**

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**MINUTES OF SHIRE OF MURRAY  
AUDIT AND RISK COMMITTEE MEETING  
HELD AT THE MURRAY SHIRE COUNCIL, 1915 PINJARRA ROAD, PINJARRA  
ON THURSDAY, 24 NOVEMBER 2022 AT 4.30PM**

**1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

The Presiding Member Cr D Bolt declared the meeting open the time being 4.30pm.

**2 ATTENDANCES/APOLOGIES/LEAVE OF ABSENCE**

**PRESENT**

Cr Geoff Black, Cr Steve Lee, Cr Ange Rogers, Cr David Bolt (President), Cr David Pike, Cr Stewart Carter

**IN ATTENDANCE**

Dean Unsworth (Chief Executive Officer), Alan Smith (Director Infrastructure Services), Tracie Unsworth (Director Corporate Services) – Via Zoom, Leanne McGuirk (Director Place and Community Development), Rod Peake (Director Planning & Sustainability), Mahmoud Salahat (Office of the Auditor General) Via Zoom, Marcia Johnson (Office of the Auditor General) Via Zoom, Denise Garner (Minute Taker)

**APOLOGIES**

Cr Stuart Kirkham, Cr Douglas McLarty (Deputy President)

**LEAVE OF ABSENCE**

Nil.

There were three (3) members of staff in attendance at this time.

**3 CONFIRMATION OF MINUTES OF MEETING**

**3.1 Audit and Risk Committee Meeting – 10 March 2022**

**Recommendation/Committee Decision AC22/006**

**Moved: Cr S Lee**

**Seconded: Cr S Carter**

**That the Minutes of the Audit and Risk Committee Meeting held on Thursday 10 March 2022 be confirmed as a true and correct record.**

**CARRIED UNANIMOUSLY 6:0**

**4 BUSINESS ARISING FROM THE PREVIOUS MEETING**

Nil.

## 5 BUSINESS ARISING

### 5.1 2021/22 Audited Annual Financial Report

File Ref:	D22/37639
Previous Items:	Nil.
Applicant:	Nil.
Author and Title:	Nathan Gilfellon, Manager Finance
Declaration of Interest:	Nil.
Voting Requirements:	Simple Majority
Appendices:	Item 5.1 App 1 - Draft Annual Financial Report - 30 June 2022 Item 5.1 App 2 - Draft Independent Auditor Report - 30 June 2022

#### Recommendation/Committee Decision AC22/007

Moved: Cr A Rogers

Seconded: Cr S Lee

That the Audit and Risk Committee receive and accept the Shire of Murray 2021/22 Annual Financial Report and draft Audit Report from the Auditor General of Western Australia as tabled.

***NOTE: The Committee recommendation will only be a recommendation to and not a decision of Council. Council will consider this recommendation at the Ordinary Council Meeting on Thursday 15 December 2022.***

**CARRIED UNANIMOUSLY 6:0**

#### In Brief

This report is presented to the Audit and Risk Committee to consider the receipt of the audit report for the year ended 30 June 2022. The Audit and Risk Committee is required to consider any compliance issues or other matters raised in the report.

#### Background

Section 6.4 of the *Local Government Act 1995* requires local governments to prepare an annual financial report and to submit both the report and its accounts to its auditor by 30 September each year. Furthermore, in accordance with Regulation 10(4) of the *Local Government (Audit) Regulations 1996*, where it is considered appropriate to do so, the Auditor may prepare a Management Report to accompany the Auditor's Report.

The Audit and Risk Committee has a responsibility under its terms of reference, to review the external auditors report, determine if any matters raised require action to be taken by the local government, and ensure that appropriate action is taken in respect of these matters.

#### Report Detail

The 2021/22 Annual Financial Report and associated draft Audit Report is attached to this report.

Representatives from the Office of the Auditor General and their contracted audit firm, Butler Settineri, will be in attendance at the meeting to discuss the audit process and findings in detail. The final Audit Report will be issued by the Office of the Auditor General following this meeting.

#### Murray 2031 Strategic Community Plan

<b>Focus Area</b>	Capable and Accountable
<b>Aspiration</b>	To develop strong leadership through good governance, effective communication and ensuring value for money.
<b>Strategy</b>	Establish a strong corporate governance framework to ensure high standards of integrity, ethics and accountability.

**Murray 2022 – 2026 Corporate Business Plan**

<b>Focus Area</b>	Capable and Accountable
<b>Objective</b>	5.1 Murray has a sustainable future.
<b>Strategy</b>	5.1.1 Maintain Long-Term Financial Sustainability.

**Other Strategic Links**

The Shire of Murray 2021/22 Annual Budget

**Statutory Environment**

*Local Government Act 1995 Part 6 and 7*

*Local Government (Financial Management) Regulations 1996*

*Local Government (Audit) Regulations 1996*

**Sustainability & Risk Considerations**

*Economic - (Impact on the Economy of the Shire and Region)*

Sound management of the Shire's finances is critical to ensure funding is available for the ongoing provision of services to the Community.

*Social - (Quality of life to community and/or affected landowners)*

Nil.

*Environment – (Impact on environment's sustainability)*

Nil.

**Policy Implications**

A local government is required to examine the report of its auditor and determine if any matters raised by the report require action to be taken by the local government. The local government is to ensure that the action is taken in respect of those matters.

**Risk Management Implications**

<i>Risk Level</i>	<i>Comment</i>
Moderate	The audited Annual Financial Report is a key control measure used to report to Council and its stakeholders to provide assurance that all systems, processes and controls are in place to minimise the risk of any material misstatement or loss caused by fraud or error. The regular audit of financial matters and associated controls minimises risk exposure for Council both in operational, reputational and compliance areas.

**Consultation**

There is no legislative requirement to consult on the receipt of the audit report, or the preparation of the Annual Financial Report, but the *Local Government Act 1995* requires a General Meeting of Electors to be held, and the Shire's Annual Report, incorporating the Annual Financial Report, to be made available to the public.

**Resource Implications***Financial*

Nil.

*Workforce*

Nil.

**Options**

1. Receiving the Annual Financial Report for the year ended 30 June 2022.
2. Not receiving the Annual Financial Report for the year ended 30 June 2022.

**Conclusion**

The 2021/22 Financial Audit Report reflects the ongoing high standards in financial management that are in place. Staff will continue to review existing processes to ensure best practice financial management continues to be implemented to meet the needs of the Shire's future growth and to ensure compliance is maintained.

In order for the Shire to meet its legislative requirements, it is recommended that the Audit and Risk Committee accepts the 2021/22 Annual Financial Report.

## 5.2 Review of Risk Management Strategy

File Ref:	D22/35218
Previous Items:	Nil.
Applicant:	Nil.
Author and Title:	Nicole Wilson, Manager Asset and Risk Management
Declaration of Interest:	Nil.
Voting Requirements:	Simple Majority
Appendices:	Item 5.2 App 1 - Risk Management Strategy 2022

### Recommendation/Committee Decision AC22/008

**Moved: Cr A Rogers**

**Seconded: Cr G Black**

**That the Audit and Risk Committee adopts the amended Risk Management Strategy.**

**CARRIED UNANIMOUSLY 6:0**

### In Brief

The Risk Management Strategy sets out the Shire of Murray's risk management framework.

Following a review of the Risk Management Strategy, the main changes proposed are to implement risk Control Categories and Criticality Ratings. The Risk Management Priorities and Integration section has also been updated.

### Background

Risk management is a central part of an organisation's strategic management and integral to effective corporate governance. The primary objective of having a risk management framework is to ensure all outcomes are considered as part of decision-making processes which results in the effective management of threats and maximisation of opportunities.

Management of risks includes identification, evaluation and enacting appropriate treatments or strategies to manage operations and achievement of objectives. It encompasses both disadvantageous effects and also opportunities to improve and sustain the organisations performance. The existence of a risk management framework assists this by:

- Ensuring resources and operational capacities are identified and deployed responsibly and effectively.
- Demonstrating transparent and responsible risk management processes, which align with best practice.
- Establishing clear roles and responsibilities and reporting lines within Council for risk management.
- Incorporating risk management in the Council's decision-making, business planning and performance management processes.
- Establishing procedures for the monitoring of risk management on a regular basis.

The Risk Management Strategy, which was endorsed in 2011, aligns effective risk management practices across the Shire within a common framework. A key focus of the Risk Management Strategy is to further position risk management as a critical driver of process within the organisation, and one that is supported by a framework of values that are practiced by all staff. The Strategy is

applicable to staff, elected members, volunteers and contractors and is relevant to all activities undertaken on behalf of the Shire of Murray.

### Report Detail

In order to improve the Shire's ability to manage risks, the Risk Management Strategy has been amended to include Control Categories and Control Criticality Ratings. As a risk will often eventuate as a result of a failure of existing controls, it is important to ensure that the organisation is taking measures to strengthen its controls framework.

The proposed Control Categories aim to indicate if the control used to manage the risk is either:

- Preventative - Aims to reduce the likelihood of a situation occurring;
- Corrective - Aims to identify failures in the current control environment; or
- Detective – Aims to reduce the consequence and/or rectify a failure after it has been discovered.

This will help the organisation to gain an understanding of the nature of the control and to identify any gaps.

As not all controls will have the same impact to reduce or maintain the level of risk, a Control Criticality Rating will be assigned to each control in order to indicate its importance in controlling the risk. This will enable the organisation to allocate resources to those controls which play a greater role in managing risks.

### Murray 2031 Strategic Community Plan

<b>Focus Area</b>	Capable and Accountable
<b>Aspiration</b>	In 2031 Murray will have further developed strong leadership through good governance, effective communication and ensuring value for money.
<b>Strategy</b>	Establish a strong corporate governance framework to ensure high standards of integrity, ethics and accountability.

### Murray 2022 – 2026 Corporate Business Plan

<b>Focus Area</b>	Capable and Accountable
<b>Objective</b>	5.1 Murray has a sustainable future.
<b>Strategy</b>	5.1.2 Establish a strong corporate governance framework to ensure high standards of integrity, ethics and accountability.
<b>Actions</b>	5.1.2.2 Review and implement the Risk Management Strategy.

### Other Strategic Links

Not applicable.

### Statutory Environment

The Risk Management Strategy is aligned to the International Standard for Risk Management, ISO 31000:2018.

There are references within the Local Government Act 1995 that require Councils to adopt appropriate policies, practices and procedures to effectively manage risks. In addition, the Chief Executive Officer, or his nominee, is responsible for reporting to the Audit and Risk Committee and Council, at least once every three years, on the appropriateness and effectiveness of risk management systems and procedures. This is in accordance with the Local Government (Audit) Regulations 1996.

Local Government also has risk management obligations under other legislation, such as the:

- Work Health and Safety Act 2020;



- Environmental Protection Act 1986;
- Health Act 1911; and
- Emergency Management Act 2005.

### **Sustainability & Risk Considerations**

#### *Economic - (Impact on the Economy of the Shire and Region)*

The Strategy provides the foundation to ensure that strategic, operational and project planning is carried out in a way that will minimise risk and maximise opportunity. This will enhance the ability to provide cost effective services.

#### *Social - (Quality of life to community and/or affected landowners)*

The Risk Management Strategy assists Council to meet its objectives in the delivery of services to the community through the deliberate consideration of all impacts in relation to business objectives.

#### *Environment – (Impact on environment's sustainability)*

Not applicable.

#### *Policy Implications*

The Strategy supports Council's Risk Management Policy through the development of a consistent framework that is prepared in accordance with the international standard for risk management.

#### *Risk Management Implications*

<i>Risk Level</i>	<i>Comment</i>
Low	It is important to have a risk framework that accurately reflects the Shire's ability to tolerate risks, as this forms the basis for which decisions are made. Council may choose to reject the changes to the Risk Management Strategy, including the proposed Control Categories and Control Criticality Ratings.

### **Consultation**

The Risk Management Strategy has been amended in consultation with the Corporate Risk Team.

### **Resource Implications**

#### *Financial*

No financial impacts apply to the proposed Strategy amendments.

#### *Workforce*

No significant impact.

### **Options**

1. Endorsing the proposed Strategy amendments.
2. Making changes to the Strategy.
3. Not endorsing the proposed Strategy amendments.

### **Conclusion**

The reviewed Risk Management Strategy continues to provide an overview of the framework, arrangements and responsibilities for risk management within the Shire. It provides the mechanism to integrate all of the previously developed tools and provide a strategy that is of relevance to Elected Members with responsibility for overseeing the Shire's risk management arrangements. It is also of

relevance to members of the officer body charged with co-ordinating and facilitating development of the Shire's risk management arrangements.

The Shire of Murray's reviewed Risk Management Strategy also continues to set the risk management direction for all service areas operating within the Shire. It provides a holistic, strategic and comprehensive approach to risk management that integrates the risk management activities across the Shire, and further positions risk management as a critical governance mechanism within our internal processes.

### 5.3 Review of Systems Regarding Risk Management, Internal Control and Compliance

File Ref:	D22/35219
Previous Items:	Nil.
Applicant:	Nil.
Author and Title:	Nicole Wilson, Manager Asset and Risk Management
Declaration of Interest:	Nil.
Voting Requirements:	Simple Majority
Appendices:	Item 5.3 App 1 - Local Government Regulations Compliance Report - A review of Systems and Processes Regarding Risk Management, Internal Control and Legislative Compliance

#### Recommendation/Committee Decision AC22/009

Moved: Cr S Lee

Seconded: Cr D Pike

**That the Audit and Risk Committee accepts the findings of the review of the appropriateness and effectiveness of the Shire of Murray's systems in regard to risk management, internal control and legislative compliance.**

**CARRIED UNANIMOUSLY 6:0**

#### In Brief

The Audit and Risk Committee is requested to receive the results of the review of the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance.

#### Background

Regulation 17 of the *Local Government (Audit) Regulations 1996* requires the Chief Executive Officer to undertake a review of the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal controls and legislative compliance. This review is to be completed at least once every three years and the results reported to the Audit and Risk Committee. The last review was completed in November 2019.

#### Report Detail

The Corporate Risk Team, on behalf of the Chief Executive Officer, has undertaken a review of the risk management, internal controls and legislative compliance systems and procedures. The details of the review are contained in the Appendix, and considers the following:

- Corporate Business Plan
- Risk Management Policy
- Risk Management Strategy and Guide
- Operational, Strategic and Project Risk Management
- Corporate Risk Register
- Crisis Management and Business Continuity Documentation
- IT Disaster Recovery Plan
- Records Management Disaster Recovery Plan
- Corporate Risk Team and Audit and Risk Committee
- Risk Management training and education processes
- Management of Fraud, Corruption and Misconduct

- External Audit Services
- Compliance Audit Return

The review concluded that Shire has sound systems and procedures in place, and has also provided recommendations for the future direction and priorities for risk management over the next few years.

### Murray 2031 Strategic Community Plan

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### Murray 2022 – 2026 Corporate Business Plan

<b>Focus Area</b>	Capable and Accountable
<b>Objective</b>	5.1 Murray has a sustainable future.
<b>Strategy</b>	5.1.2 Establish a strong corporate governance framework to ensure high standards of integrity, ethics and accountability.
<b>Actions</b>	5.1.2.2 Review and implement the Risk Management Strategy.

### Other Strategic Links

Risk Management Strategy.

### Statutory Environment

Regulations 16 and 17 of the *Local Government (Audit) Regulations 1996* are applicable to this agenda item as they outline the functions and reporting requirements of the Audit Committee.

### Sustainability & Risk Considerations

*Economic - (Impact on the Economy of the Shire and Region)*

Not Applicable.

*Social - (Quality of life to community and/or affected landowners)*

Not Applicable.

*Environment – (Impact on environment’s sustainability)*

Not Applicable.

### Policy Implications

The *Local Government (Audit) Regulations 1996* enhance the reporting of the Shire’s approach to risk management, internal controls and legislative compliance with increased transparency and involvement for the Elected Members. The review of the Shire’s systems and procedures relating to risk management, internal control and compliance highlights the steps the Shire is taking to adequately manage risk and adhere to statutory obligations.

### Risk Management Implications

<i>Risk Level</i>	<i>Comment</i>
Moderate	Failure to undertake the review will result in non-compliance with the requirements of the Local Government (Audit) Regulations 1996. The regular, ongoing review of systems and procedures in relation to risk

	management, internal control and legislative compliance is essential to ensure continual improvement and best practice.
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### Consultation

- Department of Local Government, Sport and Cultural Industries
- Local Government Insurance Services
- Corporate Risk Team

### Resource Implications

#### *Financial*

There are no financial implications as a result of the recommendation.

#### *Workforce*

There are no financial implications as a result of the recommendation.

### Options

1. Endorsing the results of the review of risk management, internal control and compliance systems and procedures.
2. Endorsing the results of the review of risk management, internal control and compliance systems and procedures with changes.

### Conclusion

The Shire of Murray developed its risk management framework in 2009, and since that time, continual review and improvement have taken place in line with ISO31000:2018 Risk Management – Guidelines. Continual review and improvement ensures effective monitoring of risk management programs, the maintenance of sound internal controls, and that a strong attitude toward legislative compliance exists and is maintained.

The results from this recent review of the appropriateness and effectiveness of the Shire of Murray's systems in regard to risk management, internal control and legislative compliance highlight that these processes are well rounded and sustainable. The review also recommends the following priorities for the next couple of years include:

- Performing strategic risk workshops to identify the organisations strategic risks.
- Ensuring that risk management becomes an integral part of the project management process.
- Ensuring risks are reviewed in accordance with the timeframes set out in the Risk Management Strategy.
- Investigating how the risk assessment process can be formally integrated into the organisations business planning, so that identified risks can be linked to the corporate risk register.
- Implementing risk management refresher training for existing staff.
- Continuing to implement initiatives from the Fraud and Corruption Control Strategy.
- Continuing to integrate risk management into the Audit and Risk Committee, and consider if the Committee can be used as a mechanism to educate Council and senior staff on the organisations risk management practices.

**6 REPORTS – EXTERNAL AGENCIES**

Nil.

**7 MOTIONS WITHOUT NOTICE FOR DISCUSSION AT THE NEXT MEETING**

Nil.

**8 NEXT MEETING**

The next Audit and Risk Committee will be held in February/March 2023.

**9 CLOSURE OF MEETING**

**There being no further business the Presiding Member declared the meeting closed the time being 5.01pm.**

  
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**Presiding Member**