



Shire of Menzies

AUDIT & RISK COMMITTEE MINUTES

Friday 10 December 2021

Held at 2:00 pm

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1 DECLARATION OF OPENING

The Shire President declared the meeting open at 2.01pm.

1.1 Election of Chairperson

The election of the Chairperson was undertaken in accordance with Division 1 of Schedule 2.3 of the *Local Government Act 1995*.

The Shire President called for nominations for the position of Chairperson.

There was one nomination previously received from Cr Ian Baird. No further nominations were received.

Cr Baird was declared Chairperson.

1.2 Election of Deputy Chairperson

The election of the Deputy Chairperson was undertaken in accordance with Division 2 of Schedule 2.3 of the *Local Government Act 1995*.

The Shire President called for nominations for the position of Deputy Chairperson.

There was one nomination from Cr Jill Dwyer.

Cr Dwyer was declared Deputy Chairperson.

Cr Dwyer took the chair as the Chairperson was an apology.

2 ANNOUNCEMENT OF VISITORS

2.1 Audit Exit Meeting

RSM Australia was engaged by the Office of the Auditor General (OAG) Western Australia to perform the audit of the Shire of Menzies for the year ending 30 June 2021. RSM, represented by Partner David Wall and Senior Manager Pranjal Sudhir Bhate, presented its findings. Office of the Auditor General Assistant Director Punitha Perumal was also in attendance. The meeting was via videoconference.

3 RECORD OF ATTENDANCE

Councillors: Cr J Dwyer, Deputy Chairperson
Cr G Dwyer
Cr S Sudhir

Staff: Mr B Joiner, Chief Executive Officer
Ms E Reitmajer, Executive Officer (Minutes)

Apologies: Cr I Baird, Chairperson

4 DECLARATIONS OF INTEREST

Nil.

5 CONFIRMATION/RECEIVAL OF MINUTES

CONFIRMATION of the Minutes of the Audit & Risk Committee Meeting held on 24 September 2021.
(*Provided under Separate Cover*)

OFFICER RECOMMENDATION

That the Minutes of the Audit & Risk Committee Meeting held on 24 September 2021 be confirmed as a true and correct record.

COMMITTEE DECISION:

Council Resolution Number:	ARC-12
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Moved: Cr S Sudhir Seconded: Cr G Dwyer

That the Minutes of the Audit & Risk Committee Meeting held on 24 September 2021 be confirmed as a true and correct record.

Carried	3 / 0
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For: Cr G Dwyer, Cr J Dwyer and Cr S Sudhir
Against: Nil

6 REPORTS OF OFFICERS

6.1	Audit report, findings and financial statement FY 20/21	
LOCATION	Shire of Menzies	
APPLICANT	Internal	
DOCUMENT REF	NAM528	
DATE OF REPORT	29 November 2021	
AUTHOR	Chief Executive Officer, Brian Joiner	
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner	
DISCLOSURE OF INTEREST	Nil	
ATTACHMENT	<ol style="list-style-type: none">1. Opinion - Shire of Menzies - 30 June 2021 client [6.1.1 - 4 pages]2. D 21 28788 Final Management Letter Attachment - Shire of Menzies - 30 June 2021 [6.1.2 - 11 pages]3. Menzies 2020-21 AFS V 2.3 [6.1.3 - 53 pages]	

SUMMARY:

The audited Financial Statements and Audit Findings have been provided by the independent auditors. This paper provides the audit committee with the documents for review.

BACKGROUND:

Local governments are subject to annual audits by agents appointed by the Office of the Auditor General (OAG).

The 2020/21 audit was conducted by RSM through site visits and via external means.

The Regulations require that the audit be completed and presented to the Audit & Risk Committee and Council prior to 31st December 2021.

An exit brief was conducted with staff and Councillors attending the Audit & Risk Committee held on 10 December 2021 via a video conference with the OAG and RSM.

COMMENT:

The Audited Financial Statements are presented to Council upon recommendation of the Audit Committee. The Audited Financial Statements will then be incorporated into the Annual Report to be presented at an Annual Electors Meeting.

CONSULTATION:

Office of the Auditor General.
RSM.
Moore Australia, consultants.
Antonio Giometti, Chief Financial Officer.

STATUTORY AUTHORITY:

Local Government Act 1995 s7.9 and s7.12(A).
Local Government (Audit) Regulations r10.

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.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends Council adopts the 2020/2021 Audited Financial Statement.

COMMITTEE DECISION:

Council Resolution Number:	ARC-13
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Moved: Cr G Dwyer

Seconded: Cr S Sudhir

That the Audit & Risk Committee recommends Council adopts the 2020/2021 Audited Financial Statement.

Carried	3 / 0
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For: Cr G Dwyer, Cr J Dwyer and Cr S Sudhir

Against: Nil

6.2	Significant audit findings FY 20/21
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	{custom-field-document-reference}
DATE OF REPORT	NAM529
AUTHOR	Chief Executive Officer, Brian Joiner
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner
DISCLOSURE OF INTEREST	Nil
ATTACHMENT	1. Significant Audit Findings Report - with prior [6.2.1 - 3 pages]

SUMMARY:

The audited Financial Statements and Audit Findings have been provided by the independent auditors. This paper provides the audit committee with the significant findings from the Audit and planned actions to rectify the issues identified.

BACKGROUND:

Local governments are subject to annual audits by agents appointed by the Office of the Auditor General (OAG).

The 2020/21 audit was conducted by RSM with site visits and external means.

The *Local Government Act 1995* specifies certain duties of Local Government with respect to Audits:

- (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.*

COMMENT:

There was one (1) significant audit finding as detailed, with management actions, below:

Finding:

From a sample of 30 purchase transactions from the period of 1 July 2020 to 31 March 2021, six instances (20%) were identified where purchase orders were raised after the supplier invoice was received.

Purchase orders act as an internal approval and control mechanism to proceed with a purchase.

Rating: Significant Implication:

Purchases made without authorised purchase orders may increase the risk of unauthorised expenditure occurring and going undetected.

Recommendation:

The Shire should ensure all procurements are supported by dual authorised purchase orders which should be raised and issued prior to goods or services being received. They should contain all necessary details for matching with final invoices subsequently received from suppliers.

Management comment:

Purchase Orders (PO) are now raised upon the receipt of quotes, verbal or written. As specified in the Shire's Purchasing Policy. Standing POs are raised for purchases such as utilities or similar nature recurring procurements. Creditor Invoices are matched to POs and checked prior to payments.

Responsible position: Chief Financial Officer (CFO)
Completion Date: 31 December 2021

There was also one (1) significant audit finding that is open from the previous year's audit. It should be noted that the 19/20 FY audit was only received weeks before the interim audit commenced for 20/21 FY.

Findings 2021:

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2020 to 31 March 2021, we noted 2 (6%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Findings 2020:

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2019 to 31 March 2020, we noted 4 (13%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Section 4.2 Purchasing and Tenders of the Shire's purchasing policy requires that purchases within prescribed price ranges meet certain conditions in order to comply with the Local Government Act 1995 and accompanying regulations.

Findings 2019:

During our procurement testing, from a sample of 30 purchases made during the period 1 July 2018 to 31 March 2019, we noted 1 (3%) instance where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Rating: Significant (2020 and 2019: Moderate)**Implication:**

Non-compliance with the internal purchasing policy increases the risk of breaching Part 4 of the Local Government (Functions and General) Regulations 1996 and regulation 11A (3)(b) of the Local Government (Finance and General ledger) Regulations. There is a further risk of not achieving the objectives of 'Value for Money' as stated in Policy 4 Value for Money of the Shire's purchasing policy.

Recommendation:

The requirement for full compliance with the Shire's purchasing policy must be communicated to all staff and be closely monitored by management.

If instances arise where the Shire is unable to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management comment

Procedures and process have been reviewed post the completion of the previous annual audit (circa mid-June 2021) and following the commencement of new CFO, Purchase Order requests present to the CEO and CFO must be in alignment with Shire's Purchasing and Delegations policies. All relevant information, such as quotes requested, obtained, assessed, OCM approvals where relevant, are checked prior to payments being made and attached to the final EFT payments held on file.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

CONSULTATION:

Office of the Auditor General.

RSM.

Moore Australia, consultants.

Antonio Giometti, CFO.

STATUTORY AUTHORITY:

Local Government Act 1995 s7.9 and s7.12(A).

Local Government (Audit) Regulations 16.

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.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends that Council adopts the significant audit findings report for FY 2020/2021.

COMMITTEE DECISION:

Council Resolution Number:	ARC-14
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Moved: **Cr S Sudhir**

Seconded: **Cr J Dwyer**

That the Audit & Risk Committee recommends that Council adopts the significant audit findings report for FY 2020/2021.

Carried	2 / 1
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For: Cr J Dwyer and Cr S Sudhir

Against: Cr G Dwyer

6.3	Financial Management and Regulation 17 Reviews
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	NAM530
DATE OF REPORT	29 November 2021
AUTHOR	Chief Executive Officer, Brian Joiner
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner
DISCLOSURE OF INTEREST	Nil
ATTACHMENT	<ol style="list-style-type: none"> 1. Regulation 17 Report - Shire of Menzies - Final Report 29-10-2021 with Management Comments [6.3.1 - 18 pages] 2. FMR - Shire of Menzies - Final Report 29 October 2021 with Management Comments [6.3.2 - 15 pages]

SUMMARY:

To provide the Audit Committee with the reports arising from the Financial Management Review (FMR) and Regulation 17 (Reg 17) audits.

BACKGROUND:

Avant Edge Consulting was engaged to undertake a financial management review of the Shire of Menzies's (the Shire) financial management systems and procedures as required to be undertaken at least once every 3 years as per the Regulation (5)(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

Avant Edge Consulting was engaged to undertake a review of the Shire of Menzies's (the Shire) risk management, internal control and legislative compliance as required to be undertaken as per Regulation 17 of the *Local Government (Audit) Regulations 1996*.

As per Regulation 17(1), (2) and (3) of the *Local Government (Audit) Regulations 1996*, the Chief Executive Officer (CEO) is required to undertake a review, at least once every 3 financial years, of the following processes:

- Risk Management.
- Internal Control; and
- Legislative Compliance.

The review was conducted in accordance with Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* which provides a limited assurance regarding the appropriateness and effectiveness of the Shire's management controls over its financial management systems and processes.

COMMENT:

In summary the following recommended actions, that should be considered and implemented by the CEO, were identified in the Reg 17 Audit:

- Implementation of fraud risk identification and prevention policies designed to bolster management control via the creation of a Fraud Prevention policy and the establishment of a Whistle Blower policy.
- Implementation of policies and procedures to ensure risks are continually identified and risks on the operational and strategic risk register are continually monitored and stated risk categories reviewed.
- Give consideration to ensuring that the quarterly legislative compliance checks that are to be undertaken via Moore Australia vary from quarter to quarter so that over time all of the legislative requirements are subjected to review. Although the CAR provides an annual compliance assessment, the CAR is only a snapshot of all the legislative compliances that is required to be complied with under the Local Government Act and associated Regulations.
- Although adequate management controls over procurement, payroll and accounts payable were found to be in place, additional controls and updating of the Shire's existing policies and procedures has been recommended.
- The Shire's information technology general controls require improvement. There is a need to ensure the following:
 - Continual assessment and review of user access. We found that the user access list has not been updated and currently reflects staff who no longer work at the Shire as having logon access.
 - The number of generic logons should be kept to a minimal and any unused generic logons should be deleted or suspended.
 - Staff passwords at present are not required to be changed on a regular basis. Changing passwords is a key control and should be encouraged.

Although the above are considered to be process improvement options, I am happy to report there were no high-risk matters that would require immediate attention by the Shire management.

Based on the FMR of the management controls and processes that exist at the Shire, nothing was identified that would indicate any high-risk management control matters that would require immediate attention by the Shire. Similar recommended actions were identified.

Actions have been put in place to address all of the identified weaknesses with most resulting in policies that were adopted by Council at the November OCM. Information technology controls are still in the process of being implemented.

CONSULTATION:

Santo Casilli, consultant auditor.
Antonio Giometti, Chief Financial Officer.

STATUTORY AUTHORITY:

Local Government (Financial Management) Regulations 1996 r5(2)c.
Local Government (Audit) Regulations 1996 r 17.

POLICY IMPLICATIONS:

The following policies were adopted at the OCM of 25 November 2021 to address issues identified within the audits:

Policy 1.15 Public Interest Disclosure (Whistle-blower).
Policy 1.16 Fraud Risk Identification and Prevention.
Policy 2.6 Depreciation of Non-current Assets.
Policy 4.14 Contract Management.
Policy 4.15 Tender Evaluation.
Amended Policy 2.3 Annual Stocktake of Assets.
Amended Policy 4.2 Purchasing and Tenders.

FINANCIAL IMPLICATIONS:

Nil.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends:

1. Council adopts the Financial Management Review and Regulation 17 reports;
and
2. Council notes that actions have been taken to address identified weaknesses.

COUNCIL DECISION:

Council Resolution Number:	ARC-15
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Moved: Cr G Dwyer

Seconded: Cr S Sudhir

That the Audit & Risk Committee recommends:

- 1. Council adopts the Financial Management Review and Regulation 17 reports; and**
- 2. Council notes that actions have been taken to address identified weaknesses.**

Carried	3 / 0
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For: Cr G Dwyer, Cr J Dwyer and Cr S Sudhir
Against: Nil

6.4	Audit & Risk Committee - Terms of Reference
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	NAM531
DATE OF REPORT	6 December 2021
AUTHOR	Chief Financial Officer, Antonio Giometti
RESPONSIBLE OFFICER	Chief Financial Officer, Antonio Giometti
DISCLOSURE OF INTEREST	Nil.
ATTACHMENT	1. So M Audit & Risk Committee To R [6.4.1 - 6 pages]

SUMMARY:

The Shire of Menzies has established an Audit & Risk Committee and formalised new Audit & Risk Committee Terms of Reference (ToR).

BACKGROUND:

The Shire's audit, compliance and risk management is further enhanced and managed through the establishment of the Audit & Risk Committee.

The committee's primary objective is to support the Shire of Menzies in discharging its legislative responsibility associated with governing the Shire's affairs and overseeing the allocation of the Shire's finances and resources. The committee will promote transparency and accountability in the Shire's financial reporting and promote effective and responsible management of risks to protect the Shire's assets.

The ToR has been developed to facilitate the operation of the Audit & Risk Committee and is based on information provided from WALGA and six LGAs, in consultation with the CEO.

COMMENT:

The objectives of the Audit & Risk Committee are to oversee:

- The integrity of external financial reporting, including accounting policies;
- The scope of work, objectivity, performance and independence of the external auditor;
- The establishment, effectiveness and maintenance of controls and systems to safeguard the Shire's financial and physical assets;
- The framework and systems that are designed to ensure the Shire comply with relevant statutory and regulatory requirements;
- The framework for recognising risks arising from the Shire's operations and strategies and consider the adequacy of measures taken to manage those risks; and

- The framework and systems which protect the Council against fraud and irregularities.

The committee must also add to the credibility of Council by promoting ethical standards through its work.

The ToR includes a mechanism for appointing an independent member on the Committee, to further enhance the committee's experience and leadership skills and allow for wholesome oversight of internal audit, governance, risk management and internal control practices.

CONSULTATION:

Brian Joiner, Chief Executive Officer.
WALGA.

STATUTORY AUTHORITY:

Local Government Act 1995 s6.4
Local Government (Financial Management) Regulations 1996, r34

POLICY IMPLICATIONS:

Nil.

FINANCIAL IMPLICATIONS:

Nil.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends Council adopts the Audit & Risk Committee Terms of Reference.

COUNCIL DECISION:

Council Resolution Number:	ARC-16
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Moved: Cr S Sudhir

Seconded: Cr G Dwyer

That the Audit & Risk Committee recommends Council adopts the Audit & Risk Committee Terms of Reference.

Carried	3 / 0
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For: Cr G Dwyer, Cr J Dwyer and Cr S Sudhir

Against: Nil

6.5	Purchasing - internal audit and review
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	NAM532
DATE OF REPORT	6 December 2021
AUTHOR	Chief Financial Officer, Antonio Giometti
RESPONSIBLE OFFICER	Chief Financial Officer, Antonio Giometti
DISCLOSURE OF INTEREST	Nil
ATTACHMENT	Nil

SUMMARY:

The Shire of Menzies has undertaken to review Governance/Compliance controls to ensure their effectiveness and mitigate risks for the Shire.

BACKGROUND:

The Shire's preferred method of purchasing/payment is via the obtaining of Quotes, aligning proposed expenditure to budget(s), raising a Purchase Order (PO), acknowledging receipt of good/services in a good and fit to use manner, and then initiating payments to Creditors via the Shire's Banks online payments.

These processes are governed by the following policies:

- Policy 4.2 – Purchasing and Tenders
- Policy 4.10 – Financial Management – Payments of Accounts & Purchasing Authority Limits
- Policy 4.15 – Tender Evaluation Policy

COMMENT:

A review was undertaken to identify any gaps in the process and provide more stringent controls. The table below outlines the current process.

Current Controls
Identify items to be purchased
Obtain quotes/pricing as per Policy 4.2 – Purchasing and Tenders
<ul style="list-style-type: none"> • Objectives • Ethics & Integrity • Value for money • Purchasing thresholds • Emergency Purchases • Unique Nature of Supply • Anti-avoidance • Contracts Renewals, Extensions & Variations • Sustainable procurement

<ul style="list-style-type: none"> • Panels of Pre-qualified Suppliers • Record Keeping • Purchasing Policy Non-Compliance
Budget is checked
Purchase is evaluated as per: Policy 4.2 – Purchasing and Tenders Policy 4.15 – Tender Evaluation Policy
If there is not budget allocation or the cost center is at budget level, review of other complementary/similar budget line codes undertaken so as to see if re-allocation can be done
If within Budget, and within purchase/tender policies, then purchase is progressed
Purchase Order (PO) is raised
Executed by either CEO/CFO, within their approval limits Policy 4.10 – Financial Management – Payments of Accounts & Purchasing Authority Limits
Supplier PO is provided to the supplier
Goods/Service collected/delivered
Receipt of goods/service confirmed Policy 4.7 – Creditors Preparation for Payment
Invoice matched to PO

Following the review of these processes it was regarded that the processes are contemporary and provide strong compliance and audit of the purchasing process, and are in alignment with the Shire's policies and the *Local Government Act 1995*. No changes are required this review period.

CONSULTATION:

Nil.

STATUTORY AUTHORITY:

Local Government Act 1995 s 6.4

Local Government (Financial Management) Regulations 1996, r34

POLICY IMPLICATIONS:

Nil.

FINANCIAL IMPLICATIONS:

Nil.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends Council notes the actions taken to ensure the risk of fraudulent transactions are minimised and all payments from the Shire's bank accounts are checked, authorised and are made within accordance with the *Local Government Act 1995*, the Shire's purchasing policies and with good governance.

COUNCIL DECISION:

Council Resolution Number:	ARC-17
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Moved: Cr S Sudhir

Seconded: Cr G Dwyer

That the Audit & Risk Committee recommends Council notes the actions taken to ensure the risk of fraudulent transactions are minimised and all payments from the Shire's bank accounts are checked, authorised and are made within accordance with the *Local Government Act 1995*, the Shire's purchasing policies and with good governance.

Carried	3 / 0
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For: Cr G Dwyer, Cr J Dwyer and Cr S Sudhir

Against: Nil

6.6	Risk management updates December 2021	
LOCATION	Shire of Menzies	
APPLICANT	Internal	
DOCUMENT REF	NAM533	
DATE OF REPORT	06 December 2021	
AUTHOR	Chief Executive Officer, Brian Joiner	
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner	
DISCLOSURE OF INTEREST	Nil	
ATTACHMENT	<ol style="list-style-type: none"> 1. CONFIDENTIAL REDACTED - ME N 800 October 2021 Risk updates summary [6.6.1 - 2 pages] 2. CONFIDENTIAL REDACTED - Shire of Menzies - Draft Risk Profiles October 2021 [6.6.2 - 6 pages] 3. CONFIDENTIAL REDACTED - Menzies Risk Register October 2021 [6.6.3 - 10 pages] 	

SUMMARY:

Summary of risk management activities since June 2021, including risk profile updates, summary report (as included in confidential attachments to the agenda).

BACKGROUND:

Prior to 30 June 2018, meetings with the Chief Executive Officers (CEOs) 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 (now known as Moore Australia). This tender included risk management support services, and the delivery of statutory support and compliance services.

Since the service with Moore Australia commenced in 2018/19, the Shire has adopted an updated risk management policy which aligns to *AS/NZS ISO 31000:2018 Risk Management Guidelines*. A Risk Management Strategy was also prepared 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 'dashboard 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 Australia 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 Australia. These activities formed the foundation for risk management activities to be reported and monitored to the Audit Committee.

In February and March 2021, Moore Australia conducted a site visit with the NGCG to review and update the risk profiles for each local government, and to populate the risk register with updated controls to calculate residual risks to be reported to the Audit Committee. Reviews were also performed offsite in June and August 2021, with a further on-site review in late September 2021.

Updates resulting from the most recent review to risk profiles have been utilised to further update the risk register. A summary of updates to the risk profiles, the risk register and risk profiles up to October 2021 were presented at a briefing session for the Committee's information. These documents are not circulated with agenda documents, as they include the controls to be implemented / actioned by the Shire in an effort to reduce risk levels. Publication of such information may adversely impact on risk management activities if published.

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 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, is attached.

A quarterly dashboard report is 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 (October 2021)	No. of Risks Closed (October 2021)
Performance	2	1	0	0
Environmental	2	2	0	0
Reputational Damage	2	0	0	0
Financial	4	1	0	0
Service Delivery / Business Interruption	5	2	0	0
Legislative / Regulatory / Policy/ Occupational Safety and Health	4	1	0	1

The risk register is to be also 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, in consultation with staff.

Discussions with Moore Australia as well as future site visits will be undertaken to further update risk profiles, actions and treatments for the next reporting period. These reports will be updated for the next meeting for committee information.

CONSULTATION:

Moore Australia, consultants.

STATUTORY AUTHORITY:

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 day-to-day operations and the delivery of strategic objectives.

FINANCIAL IMPLICATIONS:

Provision is included in the 2021/22 Adopted Budget for Moore Australia to deliver Statutory Compliance Services, including risk management, in line with the awarded tender.

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
As per the attached risk statements.		

STRATEGIC IMPLICATIONS:

4.1 A strategically focused Council, leading our community.

4.1.1 Provide strategic leadership and governance.

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit & Risk Committee recommends Council receives the summary of updates to the risk profiles, the risk register and risk profiles up to October 2021, and the above report updating risk management activities undertaken to date.

COUNCIL DECISION:

Council Resolution Number:	ARC-18
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Moved: Cr G Dwyer

Seconded: Cr S Sudhir

That the Audit & Risk Committee recommends Council receives the summary of updates to the risk profiles, the risk register and risk profiles up to October 2021, and the above report updating risk management activities undertaken to date.

Carried	3 / 0
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For: Cr G Dwyer, Cr J Dwyer and Cr S Sudhir

Against: Nil

6.7	WHS Committee minutes December 2021
LOCATION	Shire of Menzies
APPLICANT	Internal
DOCUMENT REF	NAM462
DATE OF REPORT	02 December 2021
AUTHOR	Chief Executive Officer, Brian Joiner
RESPONSIBLE OFFICER	Chief Executive Officer, Brian Joiner
DISCLOSURE OF INTEREST	Nil
ATTACHMENT	1. Shire of Menzies WHS Committee Minutes 06DEC21 [6.7.1 - 2 pages]

SUMMARY:

The Shire of Menzies holds regular WHS Committee meetings to elevate safety issues and promote a safe environment for all employees. The copy of the meeting minutes are provided for the Audit & Risk Committee's information.

BACKGROUND:

The WHS Committee was introduced as a significant step in aligning our policies, processes and procedures with the *Work Health & Safety Act (2020)*. The Act sets rigorous legislation requirements with liability on Council to comply, attracting substantial penalties for non-compliance.

COMMENT:

WHS Committee meetings were introduced in April 2021. Initially they were held every month while a range of new safety initiatives were implemented. They will now move to be held quarterly with the minutes coming to the Audit Committee for the same period.

CONSULTATION:

WHS Committee.

STATUTORY AUTHORITY:

Work Health & Safety Act (2020).

POLICY IMPLICATIONS:

Policy 6.1 details the organisation's WHS Policy.

FINANCIAL IMPLICATIONS:

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

RISK ASSESSMENT:

Risk Statement	Level of Risk	Risk Mitigation Strategy
N/A		

STRATEGIC IMPLICATIONS:

4.1 A strategically focused Council, leading our community.

4.1.1 Provide strategic leadership and governance.

4.2 An efficient and effective organisation.

4.2.1 Maintain a high level of corporate governance, responsibility and accountability.

VOTING REQUIREMENTS:

Simple Majority

OFFICER RECOMMENDATION:

That the Audit and Risk Committee notes the WHS Committee minutes.

COUNCIL DECISION:

Council Resolution Number:	ARC-19
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Moved: Cr S Sudhir

Seconded: Cr G Dwyer

That the Audit and Risk Committee notes the WHS Committee minutes.

Carried	3 / 0
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For: Cr G Dwyer, Cr J Dwyer and Cr S Sudhir

Against: Nil

7 INFORMATION REPORTS

7.1	Budget - Interim Review to 30 November 2021	
LOCATION	Shire of Menzies	
APPLICANT	Internal	
DOCUMENT REF	NAM	
DATE OF REPORT	30 November 2021	
AUTHOR	Chief Financial Officer, Antonio Giometti	
RESPONSIBLE OFFICER	Chief Financial Officer, Antonio Giometti	
DISCLOSURE OF INTEREST	Nil	
ATTACHMENT	1. Budget Review November 2021 [7.1.1 - 1 page]	

SUMMARY:

This item provides the Audit and Risk Committee with an interim budget review as at 30 November 2021.

BACKGROUND:

The interim budget review has been undertaken by the Chief Financial Officer in consultation with Moore Australia and the Accounts team.

It is based on comparison of actual revenue and expenditure as of 31 November 2021 to interim budgets for the same period.

This review is extraordinary to the required budget review process and serves to ensure the Shire is operating within/close to set budgets and highlight any areas that require review or investigation.

COMMENT:

The interim budget review has shown:

1. Operating expenditure is circa \$974,682 less than budget. This can be attributed to some capital works and related expenditure items have been delayed or invoicing is not to hand at this stage for works undertaken. It also highlighted items that may require further budget review at the formal Mid-Year Budget review.
2. Operating Income is Circa \$758,534 below budget. Rates collections are better than budgeted, the shortfall in revenue to this period is attributed to Grant funding drawdown being dependent on the completion of works, some of which have been slow to commence.
3. Over-all the Year-to-Date actuals are \$214,148 less than budgeted.
4. In the Mid-Year Reviews, each budget line item will be reviewed, and adjustments sought were required or warranted, such as allocating sufficient

budget to cover the Shire's Insurance Expenses (presently \$54,870 more than budgeted).

8 ELECTED MEMBER MOTION OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

9 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING

Nil.

10 NEXT MEETING

The next meeting of the Audit & Risk Committee will be held on 24 March 2022, commencing at 11:00am.

11 CLOSURE OF MEETING

There being no further business, the Deputy Chairperson declared the meeting closed at 3:24pm.