



## AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

# MINUTES

SECTION 5.9(2)(a) LGA 1995

### Committee Brief

1. *Provide guidance and assistance to the local government -*
  - a) *as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and*
  - b) *as to the development of a process to be used to select and appoint a person to be an auditor; and*
2. *May provide guidance and assistance to the local government as to -*
  - a) *matters to be audited; and*
  - b) *the scope of audits; and*
  - c) *its functions under Part 6 of the Act; and*
  - d) *the carrying out of its functions relating to other audits and other matters related to financial management; and*
3. *Is to review a report given to it by the CEO under Regulation 17(3) (the CEO's report) and is to -*
  - a) *report to the Council the results of that review; and*
  - b) *give a copy of the CEO's report to the Council.*

A Meeting of the Audit and Risk Management Committee  
was held in the Committee Room, Lowood Road, Mount Barker WA 6324,  
at 11.00am Tuesday 19 August 2014.

**Rob Stewart**  
**CHIEF EXECUTIVE OFFICER**

### Committee Members

*Cr K Clements, Cr L Handasyde, Cr J Moir and Cr C Pavlovich (Council 244/13)*

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

11.03am The Presiding Member declared the meeting open.

## **2 RECORD OF ATTENDANCE / APOLOGIES**

### Members Present

Cr K Clements (Presiding Member)  
Cr L Handasyde  
Cr C Pavlovich

### Leave of Absence

Cr J Moir

### Staff

Rob Stewart - Chief Executive Officer  
John Fathers - Deputy Chief Executive Officer

## **3 CONFIRMATION OF MINUTES**

Minutes, as circulated, of the meeting of the Audit Committee held on 27 May 2014.

**Moved Cr L Handasyde, seconded Cr C Pavlovich:**

**That the Minutes of the Meeting of the Audit Committee, held on 27 May 2014 as circulated, be taken as read and adopted as a correct record.**

**CARRIED**

## **4 DECLARATION OF MEMBERS' INTERESTS**

Nil

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## 5 REPORTS OF COMMITTEE MEMBERS AND OFFICERS

### 5.1 RISK MANAGEMENT POLICY (C/RM/1) - ADOPTION

**File No:** N31251  
**Responsible Officer:** Rob Stewart  
Chief Executive Officer  
**Author:** John Fathers  
Deputy Chief Executive Officer  
**Proposed Meeting Date:** 19 August 2014

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#### PURPOSE

The purpose of this report is to adopt a new Risk Management Policy – C/RM/1.

#### BACKGROUND

In February 2013, a new regulation (Section 17) of the Local Government (Audit) Regulations was promulgated. This regulation requires a review of the appropriateness and effectiveness of systems and procedures in relation to risk management, internal control and legislative compliance at least once every two calendar years and to report to the Audit Committee the results of that review. This report deals with risk management.

#### STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996. Regulation 17 states as follows:

- '(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
- (a) risk management; and*
  - (b) internal control; and*
  - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) The CEO is to report to the audit committee the results of that review.'*

#### FINANCIAL IMPLICATIONS

There are no direct financial implications for this report.

#### POLICY IMPLICATIONS

This report will recommend the adoption of a new policy.

#### STRATEGIC IMPLICATIONS

The Shire of Plantagenet Strategic Community Plan 2013 – 2023 provides at Outcome 4.6 (Effective and efficient corporate and administrative services) the following strategy:

*'Strategy 4.6.2 – Develop and maintain Risk Management policies and procedures.'*

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**OFFICER COMMENT**

Australian Standard AS/NZS ISO 31000:2009 defines risk as 'the effect of uncertainty on objectives.' A primary objective of risk management is to identify and to manage (take preventive steps) to handle these uncertainties and thereby reduce potential harm to the Shire.

The proposed policy will be a part of a framework which will enable more effective management of risks. The policy is largely based on a model provided by the Department of Local Government and Communities.

Local governments are being required to formalise their risk management processes, including the identification and treatment of risks and the establishment of a risk register. A risk tolerance table will also be developed which will reflect the Shire's tolerance for various risks.

The scope of risks to consider when planning work, projects and events may fall within the following categories:

- Assets.
- Community Health, Safety and Wellbeing.
- Corporate Governance.
- Financial Management.
- Human Resources.
- Knowledge Management.
- Legal Compliance.
- Business Continuity.
- Damage to Reputation.

Managing risk is not the responsibility of just one person within the organisation. Managers responsible for particular areas have the most influence over implementing controls to manage risk, but responsibility also lies with employees who operate within the area.

The policy will require risk assessments to be carried out under particular circumstances using the framework of the Australian Standard for Risk - AS / NZS/ISO 31000:2009. The risk management process involves the following steps:

1. Establish the Context. – Determine whether there is a need to assess an identified risk that could impact on the organisation, its goals, objectives, strategies and activities, against the Shire's Criteria and Risk Tolerance Level.
2. Identify a Risk – A set of questions has been developed to assist the risk identification process.
3. Analyse the Risk – A set of questions has been developed to assist the risk analysis process.
4. Evaluate the Risk – Decide if the risk needs to be treated / controlled, reassessed or accepted against the Shire's Criteria and Risk Tolerance Level.
5. Treat / Control the Risk – Determine the options for treating the risk. The treatment should leave a residual risk that is acceptable to the Shire's Criteria and Risk Tolerance Level. A trade-off may be required between the cost and benefit of treating of the risk.

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6. Monitor and Review – Once a risk has been identified, it is to be reviewed to see if the treatments / controls are still effective and are still meeting the Shire's Criteria and Risk Tolerance Level (goals, objectives, strategies and activities may change).

While adoption of a policy is appropriate, the details are of an operational nature and should be determined by the Chief Executive Officer. Significant or extreme risks will be reported to the Audit and Risk Management Committee and reviewed to determine appropriate treatments or whether to continue with the activity or service from which the risk arises.

## **VOTING REQUIREMENTS**

Simple Majority

## **OFFICER RECOMMENDATION / COMMITTEE DECISION**

**Moved Cr L Handasyde, seconded Cr C Pavlovich:**

**That it be a recommendation to the Council that:**

**That new Risk Management Policy C/RM/1, as follows:**

### **'OBJECTIVE**

**To commit to organisation-wide risk management principles, systems and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.**

### **POLICY:**

- 1. Definition of Risk:**
  - 1.1 AS/NZS ISO 31000:2009 defines risk as 'the effect of uncertainty on objectives.'**
  - 1.2 A risk is often specified in terms of an event or circumstance and the consequences that may flow from it. An effect may be positive, negative, or a deviation from the expected. An objective may be financial, related to health and safety, or defined in other terms.**
- 2. Definition of Risk Management:**
  - 2.1 The application of coordinated activities to direct and control an organisation with regard to risk.**
- 3. Principles – Framework - Process**
  - 3.1 The Shire considers risk management to be an essential management function in its operations. The responsibility for managing specific risks lies with the person who has the responsibility for the function, service or activity that gives rise to that risk.**
  - 3.2 The Council is committed to the principles, framework and process of managing risk as outlined in AS/NZS ISO 31000:2009.**
  - 3.3 The Shire will manage risks continuously using a process involving the identification, analysis, evaluation, treatment, monitoring and review of risks. It will be applied to decision making through all**

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levels of the organisation in relation to planning or executing any function, service or activity.

**3.4 In particular it will be applied to:**

- a) Strategic planning;
- b) Expenditure of large amounts of money;
- c) New strategies and procedures;
- d) Management of projects, tenders and proposals;
- e) Introducing significant change; and
- f) The management of sensitive issues.

**3.5 The objectives of risk management are:**

- a) The achievement of organisational goals and objectives;
- b) The ongoing health and safety of all employees at the workplace;
- c) Ensuring public safety within the Council's jurisdiction is not compromised;
- d) Limited loss or damage to property and other assets;
- e) Limited interruption to business continuity;
- f) Positive public perception of Council and the Shire; and
- g) Application of equal opportunity principles in the workforce and the community.

**4. Responsibilities**

**4.1 The CEO, managers and supervisors have the responsibility and accountability for ensuring that all staff manage the risks within their own work areas. Risks should be anticipated and reasonable protective measures taken.**

**4.2 All managers will encourage openness and honesty in the reporting and escalation of risks;**

**4.3 All staff will be encouraged to alert management to the risks that exist within their area, without fear of recrimination.**

**4.4 All staff will, after appropriate training, adopt the principles of risk management and comply with all policies, procedures and practices relating to risk management.**

**4.5 All staff and employees will, as required, conduct risk assessments during the performance of their daily duties.**

**4.6 The level of sophistication of the risk assessment will be commensurate with the scope of the task and the associated level of risk identified.**

**4.7 Failure by staff to observe reasonable directions from supervisors regarding the management of risks and/or failure of staff to take reasonable care in identifying and treating risks in the workplace may result in disciplinary action.**

**4.8 The Council is committed to the concept and resourcing of risk management.**

**5. Monitor and Review**

- 5.1 The Shire will implement a robust reporting and recording system that will be regularly monitored to ensure closeout of risks and identification of ongoing issues and trends.**
- 5.2 Significant or extreme risks will be reported to the Audit and Risk Management Committee and reviewed to determine appropriate treatments or whether to continue with the activity or service from which the risk arises.'**

be adopted.

**CARRIED**



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## 5.2 CORPORATE BUSINESS PLAN – ANNUAL REVIEW

<b>File No:</b>	<b>N31385</b>
<b>Attachments:</b>	<a href="#">Draft Corporate Business Plan 2014/15-2018/19</a>
<b>Responsible Officer:</b>	<b>Rob Stewart</b> <b>Chief Executive Officer</b>
<b>Author:</b>	<b>John Fathers</b> <b>Deputy Chief Executive Officer</b>
<b>Proposed Meeting Date:</b>	<b>19 August 2014</b>

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### PURPOSE

The purpose of this report is to review the Corporate Business Plan for the Shire of Plantagenet.

### BACKGROUND

At its meeting held on 25 June 2013, the Council resolved to adopt a Corporate Business Plan for the Shire of Plantagenet for the period 2013/14 – 2017/18. It is a requirement to review the Corporate Business Plan every year.

### STATUTORY ENVIRONMENT

Local Government Act 1995 and Local Government (Administration) Regulations 1996

Section 19DA of the Regulations states (in part) that:

- (1) *A local government is to ensure that a corporate business plan is made for its district in accordance with this regulation in respect of each financial year after the financial year ending 30 June 2013.*
- (2) *A corporate business plan for a district is to cover the period specified in the plan, which is to be at least 4 financial years.*
- (3) *A corporate business plan for a district is to —*
  - (a) *set out, consistently with any relevant priorities set out in the strategic community plan for the district, a local government's priorities for dealing with the objectives and aspirations of the community in the district; and*
  - (b) *govern a local government's internal business planning by expressing a local government's priorities by reference to operations that are within the capacity of the local government's resources; and*
  - (c) *develop and integrate matters relating to resources, including asset management, workforce planning and long-term financial planning;*
- (4) *A local government is to review the current corporate business plan for its district every year.*
- (5) *A local government may modify a corporate business plan, including extending the period the plan is made in respect of and modifying the plan if required because of modification of the local government's strategic community plan.*
- (6) *A council is to consider a corporate business plan, or modifications of such a plan, submitted to it and is to determine\* whether or not to adopt the plan or the modifications.*

...

*\* Absolute Majority required.\**

### **FINANCIAL IMPLICATIONS**

There are no financial implications for this report.

### **POLICY IMPLICATIONS**

There are no policy implications for this report.

### **STRATEGIC IMPLICATIONS**

The Shire of Plantagenet Strategic Community Plan 2013–2023 provides at Outcome 4.4 (Effective integrated planning and reporting processes) the following Strategy:

*‘Strategy 4.4.1 – Develop, implement and maintain a Strategic Community Plan and Corporate Business Plan.’*

### **OFFICER COMMENT**

This is the Council’s principal statement that sets strategic direction and identifies priority areas informed by the Strategic Community Plan, external factors and internal capability analysis. The intent of this plan is to identify Council priorities over a shorter time frame to drive integrated planning within the local government. It also integrates community aspirations into the Shire’s operations and service delivery.

The integrated Planning and Reporting Framework recognises that, due to the integrated approach to its development, the Corporate Business Plan may be presented in a single document or as a number of separate documents. In this regard, this ‘master document’ includes a synopsis of the other plans, however the formal Corporate Business Plan incorporates the following sub-plans:

- Asset Management Plan (Stage 1);
- Long Term Financial Plan 2013/14 – 2022/2023; and
- Workforce Plan 2013/14 – 2017/2018.

The Corporate Business Plan has been reviewed in line with adjustments to long term priorities identified in the 2014/2015 budget process. The plan has been modified by the deletion of 2013/2014 items and addition of 2018/2019 items. There have been no modifications to the plan at a strategy or action level, nor have there been changes to the abovementioned sub-plans.

### **VOTING REQUIREMENTS**

Absolute Majority

### **OFFICER RECOMMENDATION / COMMITTEE DECISION**

**Moved Cr C Pavlovich, seconded Cr L Handasyde:**

**That it be a recommendation to the Council that:**

**That the Shire of Plantagenet Corporate Business Plan 2014/2015 to 2018/2019, as attached, be adopted.**

**CARRIED**

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### 5.3 INTERIM AUDIT REPORT – YEAR ENDING 30 JUNE 2014

<b>File No:</b>	<b>N23557</b>
<b>Attachment:</b>	<b>Interim Audit Report for Year Ending 30 June 2014</b>
<b>Responsible Officer:</b>	<b>Rob Stewart Chief Executive Officer</b>
<b>Author:</b>	<b>John Fathers Deputy Chief Executive Officer</b>
<b>Proposed Meeting Date:</b>	<b>19 August 2014</b>

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#### **PURPOSE**

The purpose of this report is to consider the interim audit report conducted by the Shire's auditor in June 2014.

#### **BACKGROUND**

On 24-26 June 2014, representatives of Lincolns Accountants attended the Shire office to conduct an interim audit for the year ending 2013/2014.

#### **FINANCIAL IMPLICATIONS**

There are no financial implications for this report.

#### **POLICY IMPLICATIONS**

There are no policy implications for this report.

#### **STRATEGIC IMPLICATIONS**

The Shire of Plantagenet Strategic Community Plan 2013–2023 provides at Outcome 4.6 (Effective and efficient corporate and administrative services) the following Strategy:

*'Strategy 4.6.1 – Provide a full range of financial services to support the Shire's operations and to meet planning, reporting and accountability requirements.'*

#### **OFFICER COMMENT**

A copy of the report from the Shire's auditor, Russell Harrison is attached. Mr Harrison expressed satisfaction for procedures and processes currently practiced by Shire staff with no issues being raised.

#### **VOTING REQUIREMENTS**

- Simple Majority

#### **OFFICER RECOMMENDATION / COMMITTEE DECISION**

**Moved Cr L Handasyde, seconded Cr C Pavlovich:**

**That the attached report from Lincolns Accountants titled 'Interim / Planning Audit for the Year Ending 30 June 2014' be received.**

**CARRIED**

## 6 GENERAL BUSINESS

### 6.1 PENSIONER AND SENIOR ENTITLEMENTS

Councillors have recently noted the decision of the Barnett Government to reduce the seniors cost of living rebate in response to a \$25 million cut of concessions funding from the Abbott Government.

Although the rates rebate isn't being changed for now, it could be in future years. The question is whether the Council should make up a shortfall if the State Government reimburses the Council for 25% instead of 50% in future.

Of 3,444 rate assessments in the current year, 552 had some pensioner or senior entitlement. The total amount of rebate claimable (for rates and ESL) is approximately \$245,000.00. Excluding ESL would bring that down to approximately \$226,000.00. Of that, approximately \$202,000.00 relates to pensioners and \$24,000.00 relates to seniors. The annual cost to make up the shortfall for pensioners would be in the order of \$100,000.00. This information is submitted for discussion at this stage.

*During discussion, Councillors agreed that this matter should be raised during the budget deliberations for the 2015/2016 budget, depending on any relevant decision by the State Government in the interim.*

### 6.2 CARBON AUDIT REPORT

*A query was raised in regard to the progress of the matter raised at the meeting held on 27 May 2014 in regard to the report which had not yet been received from Carbon IQ. The Chief Executive Officer advised that a report had now been received, which was not to the standard sought. Further liaison with Carbon IQ will be required in order to have an updated document available for release.*

## 7 NEXT MEETING

## 8 CLOSURE OF MEETING

11.55am      The Presiding Member declared the meeting closed.

**CONFIRMED: PRESIDING MEMBER** \_\_\_\_\_ **DATE:** \_\_\_\_ / \_\_\_\_ / \_\_\_\_