



## 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 11.30am Tuesday 26 February 2019.

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

### Committee Members

*Cr J Moir, Cr M O'Dea, Cr J Oldfield and Cr C Pavlovich (Council 222/17)*

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**Membership**

Cr J Moir

Cr M O'Dea

Cr J Oldfield

Cr C Pavlovich

Cr B Lang (Deputy for any member)

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

11.32am The Chief Executive Officer declared the meeting open.

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

### Members Present

Cr C Pavlovich  
Cr B Lang (Deputy for Cr Oldfield)  
Cr J Moir

### Visitors

Cr L Handasyde

### Leave of Absence

Cr M O'Dea (Presiding Member)

### Apologies

Cr J Oldfield

### Staff

Mr R Stewart - Chief Executive Officer  
Mr J Fathers - Deputy Chief Executive Officer

## **3 ELECTION OF PRESIDING MEMBER**

The Chief Executive Officer called for nominations for the position of Presiding Member for the meeting.

Cr C Pavlovich was nominated for the position of Presiding Member and he indicated his willingness to accept the position. There being no further nominations, the Chief Executive Officer declared Cr Pavlovich elected unopposed to the position of Presiding Member.

## **4 CONFIRMATION OF MINUTES**

**Moved Cr B Lang, seconded Cr J Moir:**

**That the Minutes of the Meeting of the Audit and Risk Management Committee, held on 4 December 2018 as circulated, be taken as read and adopted as a correct record.**

**CARRIED**

## **5 DISCLOSURE OF INTEREST**

Part 5 Division 6 Local Government Act 1995

Nil

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## 6 REPORTS OF COMMITTEE MEMBERS AND OFFICERS

### 6.1 COMPLIANCE AUDIT RETURN 2018

<b>File Ref:</b>	<b>N47749</b>
<b>Attachments:</b>	<a href="#">Compliance Audit 2018</a>
<b>Responsible Officer:</b>	<b>John Fathers</b> <b>Deputy Chief Executive Officer</b>
<b>Author:</b>	<b>Donna Fawcett</b> <b>Human Resources Coordinator</b>
<b>Proposed Meeting Date:</b>	<b>26 February 2019</b>

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#### PURPOSE

The purpose of this report is to recommend to the Council the adoption of the Compliance Audit Return for the calendar year 1 January to 31 December 2018.

#### BACKGROUND

A Compliance Audit is required to be completed once in each calendar year.

#### STATUTORY ENVIRONMENT

The Compliance Audit is required pursuant to Section 7.13 of the Local Government Act 1995. The Local Government (Audit) Regulations 1996 includes the following sub regulations in Regulation 14:

- '(3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) After the audit committee has reported to the council under sub regulation (3A), the compliance audit return is to be –*
- (a) presented to the council at a meeting of the council; and*
  - (b) adopted by the council; and*
  - (c) recorded in the minutes of the meeting at which it is adopted.'*

After the Compliance Audit Return has been presented to the Council, a certified copy of the return together with:

- (a) A copy of the relevant section of the minutes referred to in the regulations; and
- (b) any additional information explaining or qualifying the Compliance Audit is to be submitted to the Department of Local Government, Sport and Cultural Industries by 31 March 2019.

#### FINANCIAL IMPLICATIONS

There are no financial implications for this report.

#### POLICY IMPLICATIONS

Policy implications do not apply for this report and it is the opinion of the author that policy development is not required.

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**STRATEGIC IMPLICATIONS**

The Shire of Plantagenet Strategic Community Plan 2017-2026 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 provide accurate recording, management, security and reporting functions.'*

Accordingly, the recommended outcome for this report aligns with the Strategic Community Plan.

The Shire of Plantagenet Corporate Business Plan 2016/2017 – 2020/2021 includes Action 4.6.1.2 – Ensure the Audit function is carried out in accordance with legislative requirements.

**OFFICER COMMENT**

The completed Compliance Audit Return is attached to the report. The 2018 Compliance Audit revealed no areas of non-compliance.

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER RECOMMENDATION / COMMITTEE DECISION**

**Moved Cr J Moir, seconded Cr B Lang:**

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

**That the Compliance Audit Return for the calendar year 1 January 2018 to 31 December 2018 be adopted and submitted to the Department of Local Government, Sport and Cultural Industries.**

**CARRIED**

## 7 ORGANISATIONAL RISK MANAGEMENT

In line with a previous Committee request, this item is listed as a permanent fixture on the agenda. The current Organisational Risk Register is attached for information.

At its meeting held on 4 December 2018, the residual risk score of moderate was raised for item 3.2.1. It was noted that senior staff would confirm the rating of this item.

The Shire's current Appetite and Risk Tolerance Tables are shown below. Given the Consequence / Likelihood assessment results in an inherent risk score of 'Extreme', the worst case residual risk score is 'High'. A more likely Consequence / Likelihood scenario is considered to be 'Major', so the lowest residual score in the matrix is 'Moderate'. Therefore, no change is proposed to the Risk Register.

DESCRIPTION	FINANCIAL	HEALTH	REPUTATION	OPERATION	ENVIRONMENT	COMPLIANCE	PROJECT
<b>Insignificant</b>	<Less than \$20,000	No injuries or illness	Unsubstantiated, low impact, low profile or "no news" item	Little impact	Little impact	Minor breach of policy, or process requiring approval or variance	Small variation to cost, timelines, scope or quality of objectives and required outcomes
<b>Minor</b>	\$20,000 – 100,000	First Aid treatment	Substantiated, low impact, low news item	Inconvenient delays	Minor damage or contamination	Breach of policy, process or legislative requirement requiring attention of minimal damage control	5-10% increase in time or cost or variation to scope or objective requiring managers approval
<b>Major</b>	\$100,000- \$500,000	Medical treatment	Substantiated, public embarrassment, moderate impact, moderate news profile	Significant delays to major deliverables	Environmental damage requiring restitution or internal cleanup	Breach requiring internal investigation, treatment or moderate damage control	10 -20 % increase in time or cost or variation to scope or objective requiring Senior Management approval
<b>Critical</b>	\$500,000 - \$1,000,000	Extensive injuries or disabilities	Substantiated, organisational embarrassment, high impact news profile, third party actions	Partial non-achievement of major deliverables	Minor Breach of legislation / significant contamination or damage requiring third party assistance	Breach resulting in external investigation or third party actions resulting in tangible loss and some damage to reputation	20 — 50 % increase in time or cost or significant variation to scope or objective requiring restructure of project and Senior Management or Council approval
<b>Extreme</b>	More than \$1,000,000	Death or permanent disabilities	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Complete non-achievement of major deliverables	Major breach of legislation or extensive contamination and environmental damage requiring third party intervention	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	>50% increase in cost or timeline, or inability to meet project objectives requiring the project to be abandoned or redeveloped.

### Likelihood

The following likelihood table assists you to prioritise risk management activities and should be used in conjunction with this risk tolerance table.

RISK LEVEL	DESCRIPTION	PRESUMPTIONS	FREQUENCY
A	Almost Certain	Expected to occur in most circumstances	More than once per year
B	Likely	Will probably occur in most circumstances	At least once per year
C	Possible	Should occur at some time	At least once in three years.
D	Unlikely	Could occur at some time	At least once in ten years
E	Rare	May occur, only in exceptional circumstances	Less than once in fifteen years.

### Analysis Matrix

This table takes the findings from the Likelihood and Consequences tables and allows you to calculate a potential risk rating. Once treatments are in place, the same process takes place taking into account those treatments being in place. This gives you the residual risk that goes into a risk register, and assists in determining priorities and informs decision making.

Consequence Likelihood		Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 5
		Almost Certain A	H	H	E	E
Likely B	M	H	H	E	E	
Possible C	L	M	H	E	E	
Unlikely D	L	L	M	H	E	
Rare E	L	L	M	H	H	

#### Responsibility Legend

- E** - **Extreme Risk** – **Audit and Risk Committee (ARC) Attention**  
**H** - **High risk** – **Senior management attention ARC awareness**  
**M** - **Moderate Risk** – **Management responsibility must be specified**  
**L** - **Low Risk** - **Manage by routine procedures at operational level**

*At the meeting held on 26 February 2019, considerable discussion ensued in regard to the Strategic Risk Register, in particular, Risk 2.1.1 – Natural Disaster. It was agreed that fire was the major risk to the district in this category and that the residual risk of 'high' is appropriate. There was general consensus that the Shire and its bush fire brigade are doing the right things to manage the risks and the Shire is keeping volunteers engaged in the process.*

*It was requested that a meeting of the committee be held to complete a review of the Strategic Risk Register.*

**8 GENERAL BUSINESS**

Nil

**9 NEXT MEETING**

To be advised.

**10 CLOSURE OF MEETING**

12.00pm      The Presiding Member declared the meeting closed.

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