



NOTICE OF AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

To be held on

Tuesday, 21 May 2024

Commencing at 5.00pm

Shire of Donnybrook Balingup Council Chamber, Donnybrook

A handwritten signature in black ink, appearing to read "Garry Hunt".

Garry Hunt
Chief Executive Officer (Temporary)

17 May 2024

Disclaimer

Please note the items and recommendations in this document are not final and are subject to change or withdrawal.

TABLE OF CONTENTS

1	DECLARATION OF OPENING	3
2	ATTENDANCES.....	3
	2.1 APOLOGIES.....	3
	2.2 APPROVED LEAVE OF ABSENCE.....	3
3	ANNOUNCEMENTS FROM CHAIRPERSON.....	4
4	DECLARATIONS OF INTEREST	4
5	PUBLIC QUESTION TIME	4
	5.1 PREVIOUS QUESTIONS TAKEN ON NOTICE	4
	5.2 PUBLIC QUESTION TIME	4
6	CONFIRMATIONS OF MINUTES	4
	6.1 AUDIT AND RISK MANAGEMENT COMMITTEE MEETING – 13 MARCH	
	2024	4
7	REPORTS OF OFFICERS	5
	7.1 REVIEW OF POLICY EXE/CP-6 ORGANISATIONAL RISK	
	MANAGEMENT.....	5
	7.2 INTERNAL AUDIT UPDATE MAY 2023.....	8
	7.3 2024 AUDIT AND RISK MANAGEMENT COMMITTEE MEETING	
	SCHEDULE.....	14
10	CLOSURES.....	17

SHIRE OF DONNYBROOK BALINGUP
NOTICE OF AUDIT AND RISK MANAGEMENT COMMITTEE

1 DECLARATION OF OPENING

The Chairperson to declare the meeting open and welcome the members of the Committee.

Chairperson – Acknowledgment of Country

The Shire President to acknowledge the continuing connection of Aboriginal people to Country, culture and community, including traditional custodians of this land, the Wardandi and Kaneang People of the Noongar Nation, paying respects to Elders, past and present.

2 ATTENDANCES

MEMBERS PRESENT

MEMBERS	STAFF
Vivienne MacCarthy, Shire President	Garry Hunt, Chief Executive Officer (Temporary)
John Bailey, Councillor	Tim Clynch, Acting Director Finance and Corporate
Alexis Davy, Councillor	Belinda Richards, Manager Financial Services
Ian Telfer, External Member	Loren Clifford, Manager Corporate Services
Angelo Loguidice, External Member	

2.1 APOLOGIES

Nil.

2.2 APPROVED LEAVE OF ABSENCE

Nil.

3 ANNOUNCEMENTS FROM CHAIRPERSON

4 DECLARATIONS OF INTEREST

Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee Members and staff to ensure that a financial/impartiality and proximity interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the *Act*.

5 PUBLIC QUESTION TIME

5.1 PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil.

5.2 PUBLIC QUESTION TIME

6 CONFIRMATIONS OF MINUTES

6.1 AUDIT AND RISK MANAGEMENT COMMITTEE MEETING – 13 MARCH 2024

Minutes of the Audit and Risk Management Committee Meeting held 13 March 2024 are attached (Attachment 6.1(1)).

EXECUTIVE RECOMMENDATION

That the Minutes of the Audit and Risk Management Committee Meeting held 13 March 2024 be confirmed as a true and correct record.

7 REPORTS OF OFFICERS

7.1 REVIEW OF POLICY EXE/CP-6 ORGANISATIONAL RISK MANAGEMENT

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	CNL 31
Author	Tim Clynych – Acting Director Finance and Corporate
Responsible Officer	Dr Garry Hunt PSM – Chief Executive Officer (Temporary)
Attachments	7.1(1) – Draft (New) Policy EXE/CP-6 Organisational Risk Management 7.1(2) – Existing Policy EXE/CP-6 Organisational Risk Management 7.1(3) – Summary of Changes from Existing Policy to Draft New Policy EXE/CP-6 Organisational Risk Management
Voting Requirements	Simple Majority

EXECUTIVE RECOMMENDATION	
<p>That the Audit and Risk Management Committee:</p> <ol style="list-style-type: none"> 1. Recommends to Council the adoption of the new Policy EXE/CP-6 Organisational Risk Management, as shown in Attachment 7.1(1), to replace the existing policy of the same title; and 2. Notes information contained in this report on the intent to review the remaining suite of risk management documents. 	

STRATEGIC ALIGNMENT

The following outcomes from the Council Plan relate to this proposal:

Outcome	12	A well respected, professionally organisation.
Objectives	12.1	Deliver effective and efficient operations and service provision.

EXECUTIVE SUMMARY

A review of Council’s existing Policy EXE/CP-6 ‘Organisational Risk Management’ has been completed. Substantial changes to the policy are recommended. Refer Attachment 7.1(1) for a copy of the draft revised (new) policy, Attachment 7.1(2) for a copy of the existing policy and Attachment 7.1(3) for a summary of the changes from the existing policy to the draft new policy.

The draft new policy is presented to the Audit and Risk Committee for consideration and recommendation to Council.

BACKGROUND

The objective of the draft policy is to ensure processes are in place to ensure effective management of risks that may impact the Shire from achieving its strategies, outcomes and objectives.

The policy is part of a suite of risk management documents that seek to create an environment where Council, management and staff accept direct responsibility and oversight of risk management, through development, implementation and improvement of effective risk management practices.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

EXE/CP-8-Policy Framework

STATUTORY COMPLIANCE

Section 2.7(2)(b) of the *Local Government Act 1995* prescribes one of the roles of Council as being to determine the local government's policies.

Section 5.41(c) of the *Local Government Act 1995* prescribes that a function of the Chief Executive Officer is to cause Council's decisions to be implemented and this includes giving effect to Council's Policies.

CONSULTATION

The internal review of Policy EXE/CP-6 'Organisational Risk Management' has had input from 3 staff with core responsibilities in organizational risk management.

OFFICER COMMENT

The existing policy was adopted in August 2014 and was last modified in December 2021.

This review is proposing substantial amendments, with the proposed and as such a track changed version has not been provided. Changes from the current policy are summarised in Attachment 7.1(3).

A demonstrable commitment to sound risk management is one of the hallmarks of good governance and defensible integrity.

Risk is inherent in all of the organisation's services and activities. Inadequate attention to managing risks can result in unwanted exposure to the community, Council assets, and the environment in which the organisation operates.

To manage all the risks that the Shire is exposed to requires the development of a risk culture and supporting risk framework directed towards the effective management of risks and potential opportunities to ensure the interests of the community, staff, contractors, volunteers, services and assets are managed and developed through the application of appropriate risk management principles and practices.

The policy is part of a suite of risk management documents, the others being:

- Risk Framework
- Risk Register
- Triennial review of risk management, internal controls and legislative compliance [as per Regulation 17 of the *Local Government (Audit) Regulations 1996*].
- Triennial review of the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with the *Local Government (Financial Management) Regulations 1996*

All the above documents are proposed for review in the next 6 months, as outlined below:

- Risk Framework – a draft Risk Framework was prepared in 2021/22 but wasn't finalised. This framework is proposed to be reviewed following completion of the review of the Organisational Risk Management Policy and in conjunction with a review of the Risk Register. This review is proposed to be undertaken internally with assistance from LGIS, specifically its risk services division. Upon completion of the review, a Risk Framework document will be presented to the Audit and Risk Management Committee for consideration and recommendation to Council.
- Risk Register – a Risk Register does exist but requires review. This review is proposed to be undertaken internally with assistance from LGIS, specifically its risk services division. Upon completion of the review, the Risk Register will be presented to the Audit and Risk Management Committee for consideration and recommendation to Council.
- Triennial review of risk management, internal controls and legislative compliance – this review is overdue. A consultancy scope is being developed after which a request for quote process will be undertaken.
- Triennial review of the appropriateness and effectiveness of the local government's financial management systems and procedures – this review is overdue. A consultancy scope is being developed after which a request for quote process will be undertaken.

7.2 INTERNAL AUDIT UPDATE MAY 2023

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	CNL 31
Author	Loren Clifford - Manager Corporate Services
Responsible Officer	Tim Clynych – Acting Director Finance & Corporate
Attachments	7.2(1) Strategic Internal Audit Plan - Confidential 7.2(2) 2023 Internal Audit Report - Confidential 7.2(3) Internal Audit Findings Update - Confidential
Voting Requirements	Simple Majority

EXECUTIVE RECOMMENDATION

That the Audit and Risk Management Committee:

- 1. Notes the receipt of the Strategic Internal Audit Plan (Confidential Attachment 7.2(1)), and the 2023 Internal Audit Report (Confidential Attachment 7.2(2)) prepared by ADM Accountants; and**
- 2. Notes the Internal Audit Findings Update (Confidential Attachment 7.2(3)); and**
- 3. Notes that the Chief Executive Officer will issue the Request for Quote (RFQ) to seek a suitably qualified replacement for the provision of the remainder of the 2023-2026 Internal Audit areas listed below:**
 - 3.1. Annual Review of Strategic Internal Audit Plan,**
 - 3.2. Review of Prior Year recommendations – Internal Audit,**
 - 3.3. Review of Prior Year recommendations – External Audit,**
 - 3.4. Planning,**
 - 3.5. Information Technology,**
 - 3.6. Security and emergency procedures including accident / incident reporting,**
 - 3.7. Vehicle fleet management,**
 - 3.8. Lease management (where Local Government Lessor),**
 - 3.9. Service contract management,**
 - 3.10. FBT/GST review,**
 - 3.11. Assessment of attractive asset control,**
 - 3.12. Compliance (Local Government Act and local laws),**
 - 3.13. Asset management (capital expenditure, asset controls, depreciation schedules and preventative maintenance programs),**
 - 3.14. Insurance management,**
 - 3.15. Stock control,**

- 3.16. Policy and procedure maintenance,**
- 3.17. Risk Management, and**
- 3.18. Review and Reporting.**

4. Notes that the Chief Executive Officer will provide quarterly updates on findings to the Audit and Risk Management Committee.

STRATEGIC ALIGNMENT

The following outcomes from the Council Plan relate to this proposal:

Outcome	12	A well respected, professionally organisation.
Objectives	12.1	Deliver effective and efficient operations and service provision.

EXECUTIVE SUMMARY

It's requested that the Audit and Risk Management Committee (ARMC) notes the Strategic Internal Audit Plan (Attachment 7.2(1)), the 2023 Internal Audit Report (Attachment 7.2(2)) and the Internal Audit Findings Update provided by the administration (Attachment 7.2(3)), noting that the Chief Executive Officer will provide quarterly updates on findings to the Audit and Risk Management Committee.

The ARMC are also requested to note the Chief Executive Officer will issue a Request for Quote (RFQ) for the provision of the remainder of the Internal Audit areas listed below:

1. Annual Review of Strategic Internal Audit Plan,
2. Review of Prior Year recommendations – Internal Audit,
3. Review of Prior Year recommendations – External Audit,
4. Planning,
5. Information Technology,
6. Security and emergency procedures including accident / incident reporting,
7. Vehicle fleet management,
8. Lease management (where Local Government Lessor),
9. Service contract management,
10. FBT/GST review,
11. Assessment of attractive asset control,
12. Compliance (Local Government Act and local laws),
13. Asset management (capital expenditure, asset controls, depreciation schedules and preventative maintenance programs),
14. Insurance management,
15. Stock control,
16. Policy and procedure maintenance,

17. Risk Management, and
18. Review and Reporting.

BACKGROUND

At its Ordinary Council meeting held 24 February 2021 Council resolved the following:

COUNCIL RESOLUTION 16/21

That Council instruct the Chief Executive Officer to include for consideration in the 2021-2022 Shire of Donnybrook Balingup Draft Budget an amount of up to \$45,000 toward the establishment of an internal audit function.”

At its meeting held 7 December 2021 the Audit and Risk Management Committee made the following resolution:

COMMITTEE RESOLUTION

“That the Audit and Risk Management Committee notes that a Request for Expression of Interest for Internal Audit functions will be prepared by Officers to encompass the following requirements:

1. *To be undertaken in accordance with the Institute of Internal Auditors Code of Ethics;*
2. *To be undertaken in accordance with the Internal Auditors Professional Practices Framework; and*
3. *The broad scope of the Internal Audit program will include, at least, the following items with componentized costings:*
 - a. *Information technology;*
 - b. *Security and emergency procedures including accident / incident reporting;*
 - c. *Vehicle fleet management;*
 - d. *Lease management (where Local Government Lessor);*
 - e. *Service contract management;*
 - f. *FBT/GST review;*
 - g. *Assessment of attractive asset control – i.e., phones, tablets and fraud awareness;*
 - h. *Compliance (Local Government Act and local laws);*
 - i. *Asset management (capital expenditure, asset control, depreciation schedules and preventative maintenance programs);*
 - j. *Insurance management;*
 - k. *Stock control; and*
 - l. *Policy and procedure maintenance.*

The Final Scope for the Internal Audit program will be reviewed at the Audit and Risk Management Committee and recommendations made to Council at the February 2022.”

At its Audit and Risk Management committee meeting held on 3 March 2022 the Audit and Risk Management Committee resolved the following:

COMMITTEE RESOLUTION

“That the Audit and Risk Management Committee:

- 1. Review the Internal Audit Proposal attached as a confidential document, and*
- 2. Recommends that Council accept the proposal for a 3 Year Internal Audit Function from AMD Chartered Accountants.”*

At its Ordinary Council meeting held 23 March 2022 Council resolved the following:

COUNCIL RESOLUTION 30/22

“That Council accept the proposal 3 Year Internal Audit Proposal from AMD Chartered Accountants.”

At its Audit and Risk Management committee meeting held on 8 March 2023 the Audit and Risk Management Committee resolved the following:

COMMITTEE RESOLUTION

That the Audit and Risk Management Committee note the update provided within this report in relation to the Internal Audit status.”

The Shire engaged AMD Accountants in 2023 to prepare an Internal Audit Proposal, towards the future development and implementation of a Strategic Internal Audit Plan. However, AMD Accountants have since withdrawn from the Internal Audit initiative after being awarded the tender by the OAG to conduct the Shire’s Annual Audit.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Nil.

STATUTORY COMPLIANCE

Nil.

CONSULTATION

An internal review of the audit findings contained in Confidential Attachment 7.2(2)– 2023 Internal Audit Report were reviewed by key responsible officers, providing an Administration Update, and Status Update as detailed in Confidential Attachment 7.2(3).

OFFICER COMMENT

The Shire engaged AMD Accountants in 2023 to prepare an Internal Audit Proposal, towards the future development and implementation of a Strategic Internal Audit Plan. However, AMD Accountants have since withdrawn from the Internal Audit initiative after being awarded the tender by the OAG to conduct the Shire’s Annual Audit.

The purpose of this report is to formally recognise the report (Attachment 7.2(2)) and the findings contained within. An Administration Update, and Status Update as detailed in Confidential Attachment 7.2(3) has been provided for review. Updates will be provided quarterly at subsequent ARMC meetings.

An Expression of Interest for the provision of the remainder of the Internal Audit services will be prepared and sent to qualified providers. The original schedule of auditable areas identified in Attachment proposal (listed below) will be carried out.

Auditable Areas	Year			
	2023	2024	2025	2026
Prepare Strategic Internal Audit Plan	✓			
Annual Review of Strategic Internal Audit Plan		✓	✓	✓
Review of Prior Year recommendations – Internal Audit		✓	✓	✓
Review of Prior Year recommendations – External Audit	✓	✓	✓	✓
Planning	✓	✓	✓	✓
Information Technology				✓
Security and emergency procedures including accident / incident reporting	✓			
Vehicle fleet management			✓	
Lease management (where Local Government Lessor)	✓	✓		
Service contract management		✓		
FBT/GST review			✓	
Assessment of attractive asset control				✓
Compliance (Local Government Act and local laws)		✓		

Asset management (capital expenditure, asset controls, depreciation schedules and preventative maintenance programs)				✓
Insurance management				✓
Stock control			✓	
Policy and procedure maintenance		✓		
Risk Management			✓	
Review and Reporting	✓	✓	✓	

7.3 2024 AUDIT AND RISK MANAGEMENT COMMITTEE MEETING SCHEDULE

Location	Shire of Donnybrook Balingup
Applicant	Shire of Donnybrook Balingup
File Reference	CNL 31
Author	Loren Clifford - Manager Corporate Services
Responsible Officer	Tim Clynch – Acting Director Finance & Corporate
Attachments	Nil.
Voting Requirements	Simple Majority

EXECUTIVE RECOMMENDATION
<p>That the Audit and Risk Management Committee:</p> <p>1. Notes the proposed 2024 Audit and Risk Management Committee Meeting schedule as outlined below:</p> <p style="padding-left: 40px;"> 1.1. March 2024, 1.2. May 2024, 1.3. September / October 2024, and 1.4. December 2024 / January 2025.; and </p> <p>2. Notes that the Chief Executive Officer will advertise the Audit & Risk Management Committee meeting dates on the Shire’s website.</p>

STRATEGIC ALIGNMENT

The following outcomes from the Council Plan relate to this proposal:

- | | | |
|------------|------|---|
| Outcome | 12 | A well respected, professionally organisation. |
| Objectives | 12.1 | Deliver effective and efficient operations and service provision. |

EXECUTIVE SUMMARY

The Audit and Risk Management Committee are requested to note the Committee’s proposed 2024 meeting dates as outlined and requests the Chief Executive Officer to advertise the meeting schedule on the Shire’s website.

BACKGROUND

In accordance with the terms of reference outlined for the Audit and Risk Management Committee “the Committee”, it is specified that the Committee shall convene meetings at its discretion. Furthermore, the Committee Chairperson, or presiding individual, retains the authority to summon additional meetings as deemed necessary to address referred matters or pursue topics of interest to the Committee.

FINANCIAL IMPLICATIONS

Nil.

POLICY COMPLIANCE

Nil.

STATUTORY COMPLIANCE

Local Government Act 1995

While the *Local Government Act 1995* does not specify the exact frequency of meetings, the committee must meet often enough to fulfill its responsibilities effectively. The typical practice is for the audit committee to meet at least quarterly.

Local Government (Audit) Regulations 1996

The *Local Government (Audit) Regulations 1996* provide further guidance on the committee's functions and responsibilities, which imply regular meetings to ensure oversight and compliance.

CONSULTATION

Nil.

OFFICER COMMENT

While the *Local Government Act 1995* and associated regulations do not mandate a specific number of committee meetings per year, scheduling at least annual meetings is a minimum best practice. Annual meetings provide a structured opportunity to review financial statements, monitor internal controls and risk management, ensure compliance, and maintain public accountability. Regular, well-planned meetings are crucial for the effective governance and financial stewardship of the Shire.

Below is a table outlining the proposed meetings for the Audit and Risk Management Committee for 2024. The dates provided serve as a guideline and may be adjusted based on the auditors' responses.

2024 Audit and Risk Management committee Meeting Schedule	
Month	Proposed Meeting Considerations
March 2024	<ul style="list-style-type: none"> • Endorse the Compliance Audit Return (CAR), and • Receive Internal Audit update.
May 2024	<ul style="list-style-type: none"> • Audit Entry meeting with Auditors, OAG, and all Councillors: Re: Annual Audit, • Risk Management Framework Update, and • Receive Internal audit update.
September/October 2024	<ul style="list-style-type: none"> • Receive the Interim Audit Management Report (not OAG).
December 2024 /January 2025	<ul style="list-style-type: none"> • Receive Annual Financial statements and Annual Audit report, and • Audit Exit meeting with Auditors, OAG, and all Councillors (Annual Audit).

10 CLOSURES

The Chairperson to declare the meeting closed at _____.