



A G E N D A

AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 7th December 2022
Commencing at 2.00pm

At

Shire of Dardanup
ADMINISTRATION CENTRE EATON
1 Council Drive - EATON

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NOTICE OF AN AUDIT & RISK COMMITTEE MEETING

Dear Committee Member

The Audit & Risk Committee Meeting of the Shire of Dardanup will be held on Wednesday 7th December 2022 to be held at the Eaton Administration Centre- commencing at 2.00pm.



MR ANDRÉ SCHÖNFELDT
Chief Executive Officer

Date: 1st December 2022

Note: If interested persons would like to make comment on any items in this agenda, please email records@dardanup.wa.gov.au or hand deliver written comment to the Shire of Dardanup – Administration Centre Eaton, 1 Council Drive, Eaton. To be included in the meeting comments are to be delivered no later than 48 hours prior to the meeting.

The Chief Executive Officer will use his discretion as to whether the written comments are relevant and applicable to the meeting before approving their inclusion in the meeting.

VISION STATEMENT

“The Shire of Dardanup is a healthy, self-sufficient and sustainable community, that is connected and inclusive, and where our culture and innovation are celebrated.”

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COMMITTEE MEMBERSHIP:

- CR M BENNETT
- CR J DOW
- CR T GARDINER
- CR. M HUTCHINSON
- CR. P PERKS

AUDIT & RISK COMMITTEE CHARTER

The Terms of Reference for this Committee are located in the Tardis records system – refer to the following link:
[2021 - ToR - Audit and Risk Committee](#)

COUNCIL ROLE

Advocacy	When Council advocates on its own behalf or on behalf of its community to another level of government / body /agency.
Executive/Strategic	The substantial direction setting and oversight role of the Council eg. Adopting plans and reports, accepting tenders, directing operations, setting and amending budgets.
Legislative	Includes adopting local laws, town planning schemes and policies.
Review	When Council reviews decisions made by Officers.
Quasi-Judicial	When Council determines an application/matter that directly affects a person's rights and interests. The Judicial character arises from the obligations to abide by the principles of natural justice. Examples of Quasi-Judicial authority include town planning applications, building licences, applications for other permits/licences (eg: under Health Act, Dog Act or Local Laws) and other decisions that may be appealable to the State Administrative Tribunal.

DISCLAIMER

"Any statement, comment or decision made at a Council or Committee meeting regarding any application for an approval, consent or licence, including a resolution of approval, is not effective as an approval of any application and must not be relied upon as such.

Any person or entity that has an application before the Shire must obtain, and should only rely on, written notice of the Shire's decision and any conditions attaching to the decision, and cannot treat as an approval anything said or done at a Council or Committee meeting.

Any advice provided by an employee of the Shire on the operation of a written law, or the performance of a function by the Shire, is provided in the capacity of an employee, and to the best of that person's knowledge and ability. It does not constitute, and should not be relied upon, as a legal advice or representation by the Shire. Any advice on a matter of law, or anything sought to be relied upon as a representation by the Shire should be sought in writing and should make clear the purpose of the request."

RISK ASSESSMENT

Inherent Risk	The level of risk in place in order to achieve the objectives of the Council and before actions are taken to alter the risk's impact or likelihood.
Residual Risk	The remaining level of risk following the development and implementation of Council's response.
Strategic Context	These risks are associated with achieving Council's long term objectives.
Operational Context	These risks are associated with the day-to-day activities of the Council.
Project Context	Project risk has two main components: • Direct refers to the risks that may arise as a result of project, which may prevent the Council from meeting its objectives. • Indirect refers to the risks which threaten the delivery of project outcomes.

RISK CATEGORY CONSEQUENCE TABLE - GUIDELINE

Rating (Level)	Health	Financial Impact	Service Interruption	Legal and Compliance	Reputational	Environment
Insignificant (1)	Near miss Minor first aid injuries	Less than \$10,000	No material service interruption - backlog cleared < 6 hours	Compliance - No noticeable regulatory or statutory impact. Legal - Threat of litigation requiring small compensation. Contract - No effect on contract performance.	Unsubstantiated, low impact, low profile or 'no news' item	Contained, reversible impact managed by on site response
Minor (2)	Medical type injuries	\$10,001 - \$50,000	Short term temporary interruption – backlog cleared < 1 day	Compliance - Some temporary non compliances. Legal - Single minor litigation. Contract - Results in meeting between two parties in which one party expresses concern.	Substantiated, low impact, low news item	Contained, reversible impact managed by internal response
Moderate (3)	Lost time injury <30 days	\$50,001 - \$300,000	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Compliance - Short term non-compliance but with significant regulatory requirements imposed. Legal - Single moderate litigation or numerous minor litigations. Contract - Receive verbal advice that, if breaches continue, a default notice may be issued.	Substantiated, public embarrassment, moderate impact, moderate news profile	Contained, reversible impact managed by external agencies
Major (4)	Lost time injury >30 days	\$300,001 - \$1.5 million	Prolonged interruption of services – additional resources; performance affected < 1 month	Compliance - Non-compliance results in termination of services or imposed penalties. Legal - Single major litigation or numerous moderate litigations. Contract - Receive/issue written notice threatening termination if not rectified.	Substantiated, public embarrassment, high impact, high news profile, third party actions	Uncontained, reversible impact managed by a coordinated response from external agencies
Catastrophic (5)	Fatality, permanent disability	More than \$1.5 million	Indeterminate prolonged interruption of services – non-performance > 1 month	Compliance - Non-compliance results in litigation, criminal charges or significant damages or penalties. Legal - Numerous major litigations. Contract - Termination of contract for default.	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Uncontained, irreversible impact

RISK - LIKELIHOOD TABLE

LEVEL	RATING	DESCRIPTION	FREQUENCY
5	Almost Certain	The event is expected to occur in most circumstances	The event is expected to occur more than once per year
4	Likely	The event will probably occur in most circumstances	The event will probably occur at least once per year
3	Possible	The event should occur at some time	The event should occur at least once in 3 years
2	Unlikely	The event could occur at some time	The event could occur at least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	The event is not expected to occur more than once in 15 years

LEVEL OF RISK GUIDE

CONSEQUENCE		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD		1	2	3	4	5
Almost Certain	5	Moderate (5)	Moderate (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	Moderate (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

SHIRE OF DARDANUP

AGENDA FOR THE SHIRE OF DARDANUP AUDIT & RISK COMMITTEE MEETING TO BE HELD ON WEDNESDAY, 7TH OF DECEMBER 2022, AT SHIRE OF DARDANUP – EATON ADMINISTRATION CENTRE, COMMENCING AT 2.00PM.

1 DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS

The Chairperson to declare the meeting open, welcome those in attendance and refer to the Acknowledgement of Country; Emergency Procedures; and the Disclaimer and Affirmation of Civic Duty and Responsibility on behalf of Councillors and Officers:

Acknowledgement of Country

The Shire of Dardanup wishes to acknowledge that this meeting is being held on the traditional lands of the Noongar people. In doing this, we recognise and respect their continuing culture and the contribution they make to the life of this region and pay our respects to their elders, past, present and emerging. The Shire of Dardanup also respects and celebrates all cultures of all our residents and those visitors to our Shire.

Emergency Procedure

In the event of an emergency, please follow the instructions of the Chairperson who will direct you to the safest exit route. Once outside, you will be directed to an appropriate Assembly Area where we will meet (and complete a roll call).

Affirmation of Civic Duty and Responsibility

Councillors and Officers of the Shire of Dardanup collectively declare that we will duly, faithfully, honestly and with integrity fulfil the duties of our respective office and positions for all the people in the district according to the best of our judgement and ability. We will observe the Shire's Code of Conduct and Standing Orders to ensure efficient, effective and orderly decision making within this forum.

2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE PREVIOUSLY APPROVED

2.1 Attendance

2.2 Apologies

3. PRESENTATIONS

None.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

4.1 Audit & Risk Committee Meeting Held 14th September 2022

OFFICER RECOMMENDED RESOLUTION

THAT the Minutes of the Audit & Risk Committee Meeting held on 14th of September 2022, be confirmed as true and correct subject to the following correction:

5. ANNOUNCEMENTS OF MATTERS FOR WHICH MEETING MAY BE CLOSED

5.1 Title: Information Systems Security Report

It is recommended that the Committee go behind closed doors toward the end of the meeting in accordance with Shire of Dardanup Standing Orders & *Local Government Act 1995 Section 5.23 (2) - Matters for Which Meeting May Be Closed*:

Standing Order and the *Local Government Act 1995* provides for the Committee to resolve to close the meeting to the public and proceed behind closed doors for matters:

- S 5.23 (1) Subject to subsection (2), the following are to be open to members of the public-
- (a) all Council meetings; and
 - (b) all meetings of any committee to which a local government power or duty has been delegated.
- (2) If a meeting is being held by a Council or by a committee referred to in subsection (1) (b), the Council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following -
- (a) a matter affecting an employee or employees;
 - (b) the personal affairs of any person;
 - (c) a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting;
 - (d) legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting;
 - (e) a matter that if disclosed, would reveal -
 - (i) a trade secret;
 - (ii) information that has a commercial value to a person; or
 - (iii) information about the business, professional, commercial or financial affairs of a person,
 where the trade secret or information is held by, or is about, a person other than the local government;
 - (f) a matter that if disclosed, could be reasonably expected to -
 - (i) impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law;
 - (ii) endanger the security of the local government's property; or
 - (iii) prejudice the maintenance or enforcement of a lawful measure for protecting public safety;
 - (g) information which is the subject of a direction given under section 23 (1a) of the Parliamentary Commissioner Act 1971; and
 - (h) such other matters as may be prescribed.
- (3) A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.

Note: The Chairperson to advise that the meeting will go behind closed doors toward the end of the meeting to discuss S.5.23 section (2)(f)(ii) a matter that if disclosed, could be reasonably expected to endanger the security of the local government's property.

6. QUESTIONS BY MEMBERS OF WHICH DUE NOTICE HAS BEEN GIVEN

None.

7. DECLARATION OF INTEREST

"Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences."

Key Management Personnel (which includes Elected Members, CEO and Directors) are reminded of their requirement to disclose biannually transactions between Council and related parties in accordance with Council Policy CP039.

8 REPORTS OF OFFICERS AND COMMITTEES

8.1 Title: Annual Meeting – 2021/22 Draft Audit Report

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Natalie Hopkins - Manager Financial Services</i>
Legislation	<i>Local Government Act 1995</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR 8.1A – 2021/22 Draft Auditor Report AAR 8.1B - Risk Assessment</i>

Overview

This report to the Audit and Risk Committee enables an Audit Exit Meeting to be conducted for the 2021/22 audit. It also provides an opportunity for the auditor to present to the Audit and Risk Committee the draft Audit Report for the 2021/22 Annual Financial Statements (Appendix 8.1A - to be provided under separate cover), together with an occasion to raise any concerns associated with the audit process.

Change to Officer Recommendation

No Change. **OR:**

As per *Local Government (Administration) Regulations 1996* 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

PROCESS

To enable the Audit & Risk Committee and the Council Auditors to conduct a closed door session without Shire management present, it is recommended that the Committee Suspend Standing Orders and go Behind Closed Doors.

OFFICER RECOMMENDED RESOLUTION 'A'

That the Audit & Risk Committee Suspend Standing Orders and Go Behind Closed Doors [.....pm] to discuss:

- a matter affecting an employee or employees
- legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting.

OFFICER RECOMMENDED RESOLUTION 'B'

That the Audit & Risk Committee Resume Standing Order and Return from Behind Closed Doors [.....pm].

OFFICER RECOMMENDED RESOLUTION 'C'

THAT the Shire of Dardanup Audit and Risk Committee recommends that Council:

- 1. Accept the Draft Unqualified Auditor's Report (Appendix AAR: 8.1A) as issued by the Office of the Auditor General (OAG) of the Annual Financial Statements for the 2021/22 financial year.**
- 2. Acknowledges that the 2021/22 Audit Exit meeting and Behind Closed Doors session with Council's auditors was held at the Audit & Risk Committee meeting on the 7th of December 2022 as per the adopted 2022 Annual Audit Work Plan.**

Background

- *Audit Exit Meeting*

In accordance with section 7.12A (2) of the *Local Government Act* and the *Local Government (Audit) Regulation 1996*, Council is required to meet with the external auditor at least once per year. Council has delegated to the Audit & Risk Committee the power to meet with the external auditor in accordance with the provisions of the Act.

Whilst the Audit Entrance Meeting held in May 2022 provided an overview on how the audit process is undertaken, the Audit Exit Meeting provides an opportunity for the full Audit & Risk Committee to openly discuss items or concerns pertaining to the 2021/22 Annual Financial Report.

At the Ordinary Council Meeting dated 15th of December 2021 [Council Res 417-21], Council received and endorsed the *2022 Annual Audit Work Plan* document which included recommendations from the Office of the Auditor General (OAG) *Western Australian Public Sector Audit Committees – Better Practice Guide*.

Outlining the functions, responsibilities and associated activities, section 6 of the *2022 Annual Audit Work Plan* stipulates the Audit & Risk Committee is -

'To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses'.

- *Annual Meeting – 2021/22 Draft Audit Report*

On the recommendation of its Audit & Risk Committee, Council is required to appoint an auditor per s7.3 of the *Local Government Act 1995 (LGA 1995)*. The *LGA 1995* also requires that the Local Government meet annually with the auditor.

From 1st of July 2017, the *Local Government Amendment (Auditing) Act 2017* was enacted giving the Auditor General a mandate to audit all Western Australian local governments. *The Local Government Amendment (Auditing) Act 2017* is an Act to amend the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General and for related purposes. The change in legislation effectively required all local government audits to come under the control of the Office of the Auditor General (OAG).

In 2019/20 Council received its first annual audit of the financial statements under the direction of the Office of the Auditor General (OAG) which was outsourced to Council's previous auditors. In 2020/21 the OAG continued its standard practice by outsourcing approximately 85% of local government annual financial audits by partnering with accredited audit firms to improve its audit

processes, quality and reporting. The OAG maintains an active role in quality control and engagement throughout the audit process.

In April 2021 Council received notification from the OAG advising that audit firm Moore Australia (WA) had been appointed to conduct the annual financial audit for a 3 year period, commencing with the audit for the year ended 30th of June 2021.

During the 2021/22 financial year, Council staff liaised directly with Moore Australia, who in turn, communicated directly with the OAG throughout the process. The interim audit was conducted onsite from 18th to 20th of May 2022 with the Interim Audit Results report presented to the Audit & Risk Committee on the 14th of September 2022, noting that the audit was declared satisfactory with **‘no findings issued’** - an excellent result.

The final audit was held from the 10th to 13th of October 2022. The results from the final audit are presented within this draft unqualified audit report.

The Audit and Risk Committee meeting scheduled to be held on Wednesday 7th of December 2022, provides the opportunity for the Audit and Risk Committee to meet in person with the OAG Assistant Director of Financial Audit, Mr Suraj Karki, as well as Moore Australia (WA) auditors Mr Wen-Shien Chai, and Ms Hayley Platt (via Zoom).

Legal Implications

Local Government Act 1995

7.12A. Duties of local government with respect to audits

- (1) A local government is to do everything in its power to —
 - (a) assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and
 - (b) ensure that audits are conducted successfully and expeditiously.
- (2) Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.

Local Government (Audit) Regulations 1996, Regulation 17:

17. CEO to review certain systems and procedures
 - (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.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

Local Government (Financial Management) Regulations 1996, Regulation 5:

5. CEO's duties as to financial management
 - (1) Efficient systems and procedures are to be established by the CEO of a local government —

- (a) for the proper collection of all money owing to the local government; and
 - (b) for the safe custody and security of all money collected or held by the local government; and
 - (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
 - (d) to ensure proper accounting for municipal or trust —
 - (i) revenue received or receivable; and
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;
 and
 - (e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and
 - (f) for the maintenance of payroll, stock control and costing records; and
 - (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.
- (2) The CEO is to —
- (a) ensure that the resources of the local government are effectively and efficiently managed; and
 - (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
 - (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

s7.2. *Audit*

The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

7.3. *Appointment of auditors*

- (1) Subject to subsection (1A), a local government is to, from time to time whenever such an appointment is necessary or expedient, appoint* a person, on the recommendation of the audit committee, to be its auditor.

* Absolute majority required.

7.9. *Audit to be conducted*

- (1) An auditor is required to examine the accounts and annual financial report submitted for audit and, by the 31 December next following the financial year to which the accounts and report relate or such later date as may be prescribed, to prepare a report thereon and forward a copy of that report to —

- (a) the mayor or president; and
- (b) the CEO of the local government; and
- (c) the Minister.

- (2) Without limiting the generality of subsection (1), where the auditor considers that —

- (a) there is any error or deficiency in an account or financial report submitted for audit; or
- (b) any money paid from, or due to, any fund or account of a local government has been or may have been misapplied to purposes not authorised by law; or
- (c) there is a matter arising from the examination of the accounts and annual financial report that needs to be addressed by the local government,

details of that error, deficiency, misapplication or matter, are to be included in the report by the auditor.

7.12AB. *Conducting a financial audit*

The auditor must audit the accounts and annual financial report of a local government at least once in respect of each financial year.

7.12AD. Reporting on a financial audit

- (1) *The auditor must prepare and sign a report on a financial audit.*
- (2) *The auditor must give the report to —*
 - (a) *the mayor, president or chairperson of the local government; and*
 - (b) *the CEO of the local government; and*
 - (c) *the Minister.*

7.12A. Duties of local government with respect to audits

- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (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.*

Local Government (Audit) Regulations 1996

9. Performance of audit

- (3) *An auditor must carry out the work necessary to form an opinion whether the annual financial report —*
 - (a) *is based on proper accounts and records; and*
 - (b) *fairly represents the results of the operations of the local government for the financial year and the financial position of the local government at 30 June in accordance with —*
 - (i) *the Act; and*
 - (ii) *the Australian Accounting Standards (to the extent that they are not inconsistent with the Act).*

Local Government Amendment (Auditing) Act 2017

No. 5 of 2017

An Act to amend the Local Government Act 1995 to provide for the auditing of local governments by the Auditor General and for related purposes.

3. Act amended

This Act amends the Local Government Act 1995.

4. Section 1.4 amended

- (1) *In section 1.4 delete the definition of auditor and insert:*

auditor means —

 - (a) *in relation to an audit, other than a performance audit —*
 - (i) *in relation to a local government that has an audit contract that is in force — a person for the time being appointed under Part 7 Division 2 to be the auditor of the local government; and*
 - (ii) *in relation to a local government that does not have an audit contract that is in force — the Auditor General;*
 - and*
 - (b) *in relation to a performance audit — the Auditor General;*

Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

The Audit and Risk Committee has in previous years met with the Auditor to consider the audit of the Annual Financial Statements and financial position of Council.

Budget Implications

The 2022/23 budget provides an allocation \$34,600 for the conduct of the annual audit.

The Annual Financial Report presents the financial performance for the past financial year and is scrutinised by an independent auditor to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Rate Setting Statement.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:8.1B) for full assessment document.

Tier 1 – No discernible Inherent Risk has been identified (no Risk Theme or Consequence).	
Risk Event	Annual Meeting – 2021/22 Draft Audit Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	- Legal & Compliance - Not meeting its compliance obligations pursuant to the Local Government (Audit) Regulations 1996 and Australian Accounting Standards. - Reputational – Loss of reputation through non-compliance or mismanagement of funds.

Officer Comment

Council's auditors Moore Australia (WA) visited the Council office in October 2022 to conduct the final audit, with three audit staff in attendance. Council staff had prepared the draft annual financial statements, together with all of the working files and audit material provided to the auditors during their visit. Council staff subsequently worked with the auditors to finalise the annual financial statements.

The audit did not identify any areas of concern and the auditors have provided an unqualified Audit Report (draft format). The Audit Report (Appendix AAR: 8.1A – provided under separate cover) advises that the financial report of the Shire of Dardanup gives a true and fair view of the Shire of Dardanup financial position as at 30th of June 2022 and of its performance during the year, and complies with Australian Accounting Standards.

- *Audit Closed Door Session*

At the release of OAG reports presented to Parliament, Council staff review each report to determine if any of the OAG recommendations can be made to improve Council's current processes.

The OAG report *Western Australian Public Sector Audit Committees – Better Practice Guide* provided guidance to local governments to recommend that during the financial audit exit meeting with the OAG, the audit committee has a closed-door session with the auditors without management present.

This recommendation was subsequently adopted in the Audit & Risk Committee Charter 'Terms of Reference' and forms the basis of this report. It is proposed that in order to allow the Audit & Risk Committee to meet with the Council Auditors without Shire management present, that the Committee Suspend Standing Orders and go Behind Closed Doors.

8.2 Title: 2020/21 Annual Financial Report

Reporting Department	Corporate & Governance Directorate
Responsible Officer	Mr Phil Anastasakis - Deputy CEO
Reporting Officer	Mrs Natalie Hopkins - Manager Financial Services
Legislation	Local Government Act 1995
Council Role	Executive/Strategic.
Voting Requirement	Simple Majority.
Attachments	AAR 8.2A 2021/22 Annual Financial Report AAR 8.2B Risk Assessment

Overview

This report presents the Annual Financial Report for the 2021/22 financial year to the Audit and Risk Committee and Council for consideration and adoption.

Change to Officer Recommendation

No Change. **OR:**

As per *Local Government (Administration) Regulations 1996* 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

OFFICER RECOMMENDED RESOLUTION

THAT the Audit & Risk Committee recommends that Council receive the Shire of Dardanup 2021/22 audited Annual Financial Statements for the financial year ended 30th of June 2022 (Appendix AAR: 8.2A).

Background

Section 6.4 of the *Local Government Act 1995* requires a Local Government to prepare an Annual Financial Report each financial year. This report has been audited and is provided as (Appendix AAR: 8.2A).

The Annual Financial Report has been prepared in accordance with the *Local Government (Financial Management) Regulations 1996* and includes the following:

- Statement by the Chief Executive Officer;
- Statement of Comprehensive Income (by Nature or Type);
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Rate Setting Statement;
- Notes to and forming Part of the Financial Statements; and
- Auditor Report.

In accordance with section 5.53 of the *Local Government Act 1995*, the 2021/22 Annual Financial Report forms part of the Annual Report.

The adoption of the Annual Financial Report by Council allows for the adoption of the Annual Report and the holding of the Annual Electors Meeting which is proposed to be held on Wednesday

25th of January 2023, commencing at 6.00pm in the Eaton Council Chambers, following the completion of the monthly Council meeting.

Legal Implications

Local Government Act 1995

5.53. Annual Reports

- (1) The local government is to prepare an annual report for each financial year.
- (2) The annual report is to contain —
 - (f) the financial report for the financial year; and

6.4. Financial Report

- (1) A local government is to prepare an annual financial report for the preceding financial year and such other financial reports as are prescribed.
- (2) The financial report is to —
 - (a) be prepared and presented in the manner and form prescribed; and
 - (b) contain the prescribed information.
- (3) By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor —
 - (a) the accounts of the local government, balanced up to the last day of the preceding financial year; and
 - (b) the annual financial report of the local government for the preceding financial year.

Local Government (Financial Management) Regulations 1996

4. AAS, effect of

- (1) These regulations are in addition to and not in derogation of the requirements of the AAS.
- (2) If a provision of the AAS is inconsistent with a provision of these regulations, the provision of these regulations prevails to the extent of the inconsistency.
- (3) All words in the Act or these regulations that import revenue or expenditure are to be interpreted to permit compliance with the requirements of the AAS.

5A. Local governments to comply with AAS

Subject to regulation 4, the annual budget, annual financial report and other financial reports of a local government must comply with the AAS.

R36. Annual financial report, content of (Act s. 6.4(2))

- (1) The annual financial report is to include —
 - (a) a statement setting out all movements of money to and from reserve accounts which has not been included in the income statement but which has been included in the rate setting statement; and
 - (b) if the net current assets carried forward from the previous financial year for the purpose of the budget of the financial year to which the report relates is different from the net current assets shown in the audited annual financial report for the previous financial year, the amount of that difference; and
 - [(c), (d) deleted]
 - (e) in relation to the disposal of a class of assets —
 - (i) the net book value of that class of assets; and

- (ii) *the sale price of that class of assets; and*
 - (iii) *the profit or loss on the sale of that class of assets; and*
 - (f) *notes or statements containing the information set forth in regulations 37 to 50.*
 - (2) *The annual financial report is to include the following —*
 - (a) *the rate setting statement included under regulation 22(1)(d) in the annual budget for the year to which the report relates;*
 - (b) *adjacent to each item in that rate setting statement that states an amount, the end-of-year amount for the item;*
 - (c) *adjacent to each item in the income statement that states an end-of-year amount, the original or amended budget estimate for the item;*
 - (d) *adjacent to each item that states an end-of-year amount required by a provision of these regulations listed in the Table to this subregulation, the original or amended budget estimate for the item.*
- | | |
|------|--|
| R37. | <i>Trust fund, information about in annual financial report</i> |
| R38. | <i>Reserve accounts, information about in annual financial report</i> |
| R39. | <i>Rates, information about in annual financial report</i> |
| R40. | <i>Service charges, information about in annual financial report</i> |
| R41. | <i>Fees and charges, information about in annual financial report</i> |
| R42. | <i>Discounts for early payment etc., information about in annual financial report</i> |
| R43. | <i>Interest charges etc., information about in annual financial report</i> |
| R44. | <i>Fees etc. to council members, information about in annual financial report</i> |
| R45. | <i>Trading undertakings, information about in annual financial report</i> |
| R46. | <i>Major land transactions, information about in annual financial report</i> |
| R47. | <i>Completed major land transactions, information about in annual financial report</i> |
| R48. | <i>Borrowings, information about in annual financial report</i> |
| R49. | <i>Invested money, information about in annual financial report</i> |
| R50. | <i>Financial ratios to be included in annual financial report</i> |
| R51. | <i>Annual financial report to be signed etc. by CEO and given to Department</i> |

Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

Each year the Council is required to receive the audited Annual Financial Report.

Budget Implications

The Annual Financial Report is produced internally and the preparation and printing costs are incorporated within the staffing, printing and stationery budgets. The Annual Financial Report presents the financial performance for the past financial year and is scrutinised by an independent auditor to ensure compliance with legislation and accounting standards. The financial impact upon the current financial year is that the audited net current assets position becomes the actual brought forward surplus/(deficit) for the Rate Setting Statement.

Budget – Whole of Life Cost

As no asset/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

CnG CP128 – *Significant Accounting Policies* applies.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.2B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2021/22 Annual Financial Report
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance - Risk of Council breaching the Local Government Act 1995 – Risk that the audited 2021/22 Annual Financial Report is not received by Council.

Officer Comment

The 2021/22 Annual Financial Report has been produced in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996*, and to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

The Annual Financial Statements for the year ended 30th of June 2022 have been completed, and have been audited by the Office of the Auditor General (OAG) appointed auditors, Moore Australia (WA). Council's Auditors have issued an unqualified draft Audit Report (Appendix AAR: 8.2A). The draft Audit Report is also shown on page 57 of the Annual Financial Report and will form part of the Annual Report scheduled to be adopted at the Ordinary Council meeting on 14th of December 2022.

The financial statements includes the Index of Notes to the Finance Report which can be found on page 8 of the Annual Financial Report. Other changes relating to reduced Disclosure elements are summarised below.

- **Changes to Australian Accounting Standards Board (AASB)**

During the 2021/22 year, there were no new Australian Accounting Standards that came into effect.

Prior year AASB changes continue to impact Council's financial resources significantly and are summarised below.

- **AASB 15 Revenue from Contracts with Customers**

AASB 15 *Revenue from Contracts with Customers* required Council to assess grant and other revenue for which there is a future contract performance obligation.

- **AASB 16 Leases**

Recognition Council's Lease Liability has meant the vast majority of existing leases now require Council to capitalise each lease from the date of adopting the new standard, or on commencement of a new lease. The accounting treatment requires Council to measure and record the lease liability of all Leases at the present value of the future lease payments

(using a discount rate), and recognise a corresponding right-of-use (ROU) asset which is depreciated over the life of the ROU asset (i.e. 'over the life of the lease').

➤ *AASB 1058 Income of Not-for-Profit Entities*

Similar to AASB 15, *AASB 1058 Income of Not-for-Profit Entities* is about deciding which accounting period various items of revenue belong to. As per prior audited financial statements, Council has continued to recognise rates received in advance as 'Prepaid Rates' and revenue received in advance 'Prepaid Revenue' in the Statement of Financial Position.

- Local Government Reform

Clear and accurate financial management and reporting is critical for public confidence in local government. As a result of recent reform, changes have been made to the *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations*. For the 2021/22 Annual Financial Report – the following two major changes occurred as a result of legislative changes:

- Removal of the Statement of Comprehensive Income by Program; and
- Removal of the financial ratios in the Annual Financial Report.

Part of the ongoing reform will be to establish new standardised templates for local government financial statements, with a reduce element on smaller Councils (eg Band 3 and 4). The Department of Local Government, Sport and Cultural Industries (DLGSCI) is focused on working with local government stakeholders towards the introduction of Model Financial Statements for the 2022/23 financial year which they hope to release to the sector in April 2023.

Officer Comment

The DLGSCI has also indicated that the financial metrics reporting on the MyCouncil website will also be reviewed and adjusted to ensure they best reflect the underlying financial position of the local government.

- Financial Summary

As at 30th of June 2022, Council's Equity (Total Assets *minus* Total Liabilities) increased by \$77,898,613 from \$205,536,402 to \$283,435,015. The increase in Total Equity is primarily due to the revaluation of Council's Infrastructure assets (excluding Bridges), which are required to be revalued no more than every 5 years in accordance with the *Local Government (Financial Management) Regulations 1996*.

Council's carry forward surplus at 30th of June 2022 is \$175,393. This was against the forecast budgeted carry forward surplus in the 2022/23 budget of \$16,552. The favourable variance of \$158,841 will be included in the mid-year budget review for consideration. The total carry forward surplus amount equates to approximately 0.3% of total adopted budgeted expenditure for 2021/22.

In summary, the Shire of Dardanup is in a sound financial position.

This result is directly attributed to:

1. Comprehensive integrated financial planning model;
2. Commitment to investment in infrastructure asset renewal;
3. Cash backed funding model for future asset obligations; and
4. Structured planning for all borrowings.

I would like to take the opportunity to thank all Corporate & Governance staff for their efforts and high service standard during the year under review.

Council is requested to consider and receive the audited Annual Financial Statements for the 2021/22 financial year.

8.3 Title: 2023 Annual Audit Work Plan

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Legislation	<i>Local Government Act 1995</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR 8.3A Risk Assessment</i>

Overview

This report to the Audit and Risk Committee provides members with the Annual Audit Work Plan for 2023 for their consideration and subsequent recommendation to Council.

Change to Officer Recommendation

No Change. **OR:**

As per *Local Government (Administration) Regulations 1996* 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee recommends that Council receive and endorse the 2023 Annual Audit Work Plan.

Background

In accordance with section 7.1A of the *Local Government Act 1995* Council has established an Audit and Risk Committee. The Audit and Risk Committee operates in accordance with all relevant provisions of the Act and the *Local Government (Audit) Regulations 1996* and the *Local Government (Administration) Regulations 1996*.

Since the emergence of Regulation 17 of the *Local Government (Audit) Regulations 1996*, the operation of the Audit and Risk Committee has been expanded to not only support the local government in effective financial management but also to provide effective corporate governance. This is achieved through the review of systems and procedures in place relating to risk management, internal control and legislative compliance.

To assist and guide the Audit and Risk Committee on the functions, roles and responsibilities that are undertaken in a calendar year, and in accordance with the committee Charter, an Annual Audit Work Plan has been developed.

This reports presents to the committee the proposed 2023 Annual Audit Work Plan.

Legal Implications

Local Government Act 1995

7.1A. *Audit committee*

(1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*

- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

** Absolute majority required.*

- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

This is the third Annual Audit Work Plan to be considered by the Audit and Risk Committee.

Budget Implications

Setting the Annual Audit Work Plan for the Audit and Risk Committee is administered through staff time which is supported by the salaries and wages budget specific to the Corporate and Governance directorate.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance - None.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:8.3A) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.	
Risk Event	2023 Annual Audit Work Plan.
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.
Risk Category Assessed Against	Legal and Compliance Not considering the Annual Work Plan would not be in line with the Audit and Risk Committee Charter.
	Reputational Council’s reputation could be seen in a negative light for not adhering to the Audit and Risk Committee Charter.

Officer Comment -

The following Terms of Reference within the Audit and Risk Committee Charter instructs that:

“A forward annual work plan will be agreed by the Committee each year. The forward annual work plan will cover all Committee responsibilities as detailed in this ToR”.

The Charter provides a template to assist and guide the committee on the functions and roles and responsibilities that may be undertaken in a calendar year. Staff have used this template as a guideline and the proposed ‘Annual Audit Work Plan’ for the calendar year January 2023 to December 2023 is presented as follows:

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	* Apr/ May 23	14 Jun 23	13 Sep 23	6 Dec 23
1. Committee Operation					
Biennial review of the Charter (Terms of Reference). <i>Next Due 2023.</i>	This will be considered at OCM pre-election date.				
Agree on the annual audit work plan; and set priority areas for the coming year.					✓
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.					✓
New members are briefed on their appointment to assist them to meet their Committee responsibilities. <i>Next Due 2023.</i>					✓
Appointment of Presiding Member and Deputy Presiding Member. <i>Next Due 2023.</i>					✓
2. Risk Management					
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 14-08-2019 [Res 250-19]	✓				
Receive the biannual dashboard report			✓		✓
3. Legislative Compliance					
Review the annual Compliance Audit Return (CAR) and report to	✓				

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	* Apr/ May 23	14 Jun 23	13 Sep 23	6 Dec 23
the Council the results of that review.					
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).	✓			✓	
4. Internal Audit					
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				✓	
5. Financial Reporting					
Consider and recommend adoption of the Annual Financial Report to Council.					✓
6. External Audit (OAG)					
Audit Entrance Meeting with Chair and Deputy Chair as representatives of the Audit and Risk Committee, Management and Council Auditors.		*			
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.					✓
Examine the reports of the auditor to – i.) determine if any matters raised require action to be taken by the local government; and ii.) ensure that appropriate action is taken in respect of those matters.					✓
Audit Exit Meeting with Audit and Risk Committee, Management and Council Auditors. To meet with the auditor, once in each year and provide a report to Council on the matters discussed					✓

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	* Apr/ May 23	14 Jun 23	13 Sep 23	6 Dec 23
and the outcome of those discussions.					
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	✓		✓	✓	✓
7. Regulation 17 Triennial Review (report next Due: March 2024)					
To consider the CEO’s triennial review on risk management, internal control and legislative compliance.	Not Applicable – next due 2024				
Set the action plan arising from auditor recommendations from the Regulation 17 review.	Not Applicable – next due 2024				
Receive an update on the action plan arising from auditor recommendations from the 2021 Regulation 17 review (until all action items are completed).	✓				
8. Financial Management Systems Triennial Review (report next Due: March 2025)					
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review.	Not Applicable – next due 2025				
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2025				
Receive an update on the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2025				
9. Governance Health & Financial Sustainability 4-Yearly Review (report next Due: November/December 2023)					
To consider the CEO’s Governance Health and Financial Sustainability Review, and report to the Council the results of that review.	Not Applicable – next due 2023				
Set the action plan arising from the recommendations from the review.	Not Applicable – next due 2023				
Receive an update on the action	Not Applicable – next due 2023				

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	* Apr/ May 23	14 Jun 23	13 Sep 23	6 Dec 23
plan arising from the recommendations from the review.					
Undertake an independent external assessment of the Committee at least once in every three years. This assessment may be included in the scope of the Governance Health and Financial Sustainability Review.					Not Applicable – next due 2023
10. Information Systems Security Audit					
Receive the audit report arising from the 2 yearly Information Systems Security Audit. <i>Report Next Due: 31-12-2024</i>					Not Applicable – next due 2024
Set the action plan arising from the recommendations from the Information Systems Security Audit. <i>Report Next Due: 31-12-2024</i>					Not Applicable – next due 2024
Receive an update on the action plan arising from the recommendations from the 2022 Information Systems Security Audit.	✓	✓	✓	✓	✓

** A minimum of four meetings per annum is required, however an additional meeting may be scheduled for April/May 2022 that serves as an audit entrance meeting with Council's appointed Auditors, Chair and Deputy Chair as representatives of the Audit and Risk Committee and management.*

8.4 *Title: Biannual Risk Management Dashboard Report*

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
Legislation	<i>Local Government Act 1995</i> <i>Local Government (Audit) Regulations 1996, Regulation 17</i>
Council Role	<i>Legislative.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR:8.4A – Risk Dashboard Report</i> <i>AAR:8.4B – Risk Assessment Tool</i>

Overview

The purpose of this report is to present the six-monthly Risk Management Dashboard Report to the Audit and Risk Committee for consideration.

Change to Officer Recommendation

No Change. **OR:**

As per *Local Government (Administration) Regulations 1996* 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee receive the Biannual Risk Management Dashboard Report for this reporting period, and as provided for in (Appendix AAR 8.4A).

Background

In August 2019 Council, through the Audit and Risk Committee, adopted the revised Risk Management Governance Framework (the Framework) for the Council. The Framework has been developed to connect all of the risk management processes and methodologies and to clearly articulate the appetite for risk. This ensures Council's commitment to meeting its compliance obligations pursuant to the *Local Government (Audit) Regulations 1996*, Regulation 17.

In accordance with the reporting requirements of the Framework, the Senior Corporate Governance Officer is required to present the Audit and Risk Committee with a Risk Dashboard Report (Appendix AAR 8.4A) every six (6) months. In addition, the Terms of Reference within the Audit and Risk Committee Charter state the following as a committee objective:

- 5.8 *To consider the Shire of Dardanup Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness and progress on the relevant action plans biannually.*

Legal Implications

Local Government Act 1995

Local Government (Audit) Regulations 1996, Regulation 17:

17. CEO to review certain systems and procedures

(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 not less than once in every 3 financial years.

(3) The CEO is to report to the audit committee the results of that review.

Council Plan

13.1 - Adopt best practice governance.

13.2 - Manage the Shire's resources responsibly.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

The Audit and Risk Committee have been presented with Risk Management Dashboard Report's at the following meetings:

Committee Meeting Date	AAR Resolution Number
4 th of December 2019	AAR 05-19
3 rd of June 2020	AAR 14-20
7 th of December 2020	AAR 26-20
16 th of June 2021	AAR 08-21
1 st of December 2021	AAR 31-21
8 th of June 2022	AAR 09-22

Budget Implications

As part of the Senior Corporate Governance Officer role, regular reporting of risk management is essential. Therefore the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost - None.

Council Policy Compliance

Risk Management Governance Framework

- *Administration Policy AP023*
- *Procedure PR036*
- *Australian Standard AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines*

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR 8.4B) for full assessment document.

TIER 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Event	Biannual Risk Management Dashboard Report	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.
	Reputational	Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

Officer Comment

It is essential to monitor and review the management of risks, as changing circumstances may result in some risks increasing or decreasing in significance.

The Risk Management Dashboard Report for this reporting period (Appendix AAR 8.4A) summarises the risks of Council and provides the treatment plans (actions) that have been identified by management to improve certain key control ratings. Typically these control ratings have been identified as inadequate and a treatment plan (action) has been determined to improve the control effectiveness to at least adequate.

To provide a comparison between reporting periods, table 1 below indicates that there are 16 treatments/action plans in place, compared with 17 treatments last reporting period. Five new treatments have been added, with 6 being completed. As treatments are cleared or completed they are removed from the Dashboard.

Table 1 – Treatment Plan Summary

(Last reporting period)			(This reporting period)		
Total	Completed	In Progress	Total	New	In Progress
17	6	11	16	5	11

The Risk Management Dashboard Report (Appendix AAR 8.4A) also provides an indication of the value of the combined controls in mitigating levels of risk. This is summarised by the overall control rating (how effective the controls in place are operating) and the overall risk rating (the determined level of risk). From the last reporting period, there remains no change to the Overall Control Rating or the Overall Risk Rating for any of the themes. In summary, the Dashboard demonstrates that 9 combined controls are rated as ‘Adequate’ and 7 are rated as ‘Effective’.

The Audit and Risk Committee can expect the next Risk Dashboard Biannual Report at the committee meeting scheduled for June 2023.

8.5 Title: Western Australian Auditor General - Schedule of Reports

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
Legislation	<i>Local Government Act 1995 Local Government (Audit) Regulations 1996</i>
Council Role	<i>Executive/Strategic.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR 8.5A Risk Assessment AAR 8.5B Report 8 – Forensic Audit Results 2022</i>

Overview

This report provides the Audit and Risk Committee with a schedule of Western Australian Auditor General Reports that have been released since the September 2022 committee meeting.

Change to Officer Recommendation

No Change. **OR:**

As per *Local Government (Administration) Regulations 1996* 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee receive the December 2022 report on the Western Australian Auditor General – Schedule of Reports.

Background

The *Local Government Amendment (Auditing) Act 2017* was proclaimed on 28th of October 2017. The purpose of the Act was to make legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General.

The Act also provides for a category of audits known as ‘performance audit reports’ which examine the economy, efficiency and effectiveness of any aspect of a local governments operations. The findings of these audits are likely representative of issues in other local government entities that were not part of the sample. In addition, the Auditor General releases ‘guides’ to help support good governance within a local government’s operations.

The Auditor General encourages all entities, not just those audited, to periodically assess themselves against the risks and controls noted in each of the performance audit reports and guides when published. Testing our performance against the Auditor General findings and reporting the outcomes to the Audit and Risk Committee can be viewed as a vital component of managing compliance reporting under Regulation 17.

Legal Implications*Local Government Act 1995**Local Government (Audit) Regulations 1996, r17**Reg 17. CEO to review certain systems and procedures*

- (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.*

Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.**Precedents**

The Audit and Risk Committee previously received a report at the September 2022 meeting that responded to the reports released by the OAG from June 2022 to September 2022.

Budget Implications

As part of the Senior Corporate Governance Officer role, regular monitoring and assessment of reports released by the OAG is deemed a matter of good governance and a vital component of managing compliance under Regulation 17. Therefore the cost to Council is through staff time and the usage of IT/Software systems where applicable.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR:8.5A) for full assessment document.

Tier 2 – 'Low' or 'Moderate' Inherent Risk.	
Risk Event	Western Australian Auditor General – Schedule of Reports
Inherent Risk Rating (prior to treatment or control)	Moderate (5 - 11)
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Category Assessed Against	Legal and Compliance	Not considering the risks, controls and recommendations arising from the Auditor General’s report could have an impact on Council not meeting its compliance requirements.
	Reputational	Council’s reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.

Officer Comment

Since the last committee meeting, the only reports released by the OAG have been specific to their business operations. These reports are reflected in the table below and are provided to members as informing documents only:

DATE	REPORT NO	REPORT	APPENDIX
27-09-2022	NA	Annual Report 2021-2022	Councillor Portal; or Web accessible: Annual Report 2021-2022 - Office of the Auditor General
16-11-2022	8	Forensic Audit Results 2022	AAR:8.5B

- *2021-2022 Annual Report*

The OAG’s 2021-2022 Annual Report outlines the operations of the OAG and presents their financial statements and performance indicators.

Due to the report being 150 pages long, it was provided to all Councillors via email on the 12th of October 2022, or alternatively can be accessed through the Councillor Portal or web.

- *Report 8 - Forensic Audit Results 2022*

The OAG has released their annual results report to Parliament on the progression of their forensic audit program being delivered by the OAG’s Forensic Audit business unit. For some context, the OAG’s Forensic Audit business unit’s purpose is to improve resilience to fraud and corruption across the WA public sector by conducting targeted, risk based, forensic audits that identify vulnerabilities to, and potential indicators of, significant fraud in State government entities.

This report essentially summarises what the OAG has been doing in the fraud awareness space throughout 2022. Any tabled reports (of relevance) mentioned within Report 8 have previously been provided to the Audit and Risk Committee.

Staff and elected members will have the opportunity to attend a Fraud Awareness Training in February 2023, which was formerly supported by Council (through the Audit and Risk Committee). This training will strengthen our current fraud and corruption risk management, and organisational culture.

- *Conclusion*

The OAG report review process will continue to be applied to future reports and guides released by the Auditor General. The analysis of these reports provides Council with a greater level of confidence in internal control practices and processes throughout Council operations.

8.6 Title: Confirmation of Completed Committee Responsibilities for 2022

Reporting Department	<i>Corporate & Governance Directorate</i>
Responsible Officer	<i>Mr Phil Anastasakis - Deputy CEO</i>
Reporting Officer	<i>Mrs Cindy Barbetti - Senior Corporate Governance Officer</i>
Legislation	<i>Local Government Act 1995</i>
Council Role	<i>Legislative.</i>
Voting Requirement	<i>Simple Majority.</i>
Attachments	<i>AAR 8.6A – 2022 Annual Audit Work Plan AAR 8.6B – Risk Assessment</i>

Overview

To provide Council, through the Audit and Risk Committee, with annual confirmation of the responsibilities that have been completed in accordance with the Audit and Risk Committee Charter and subsequent 2022 Annual Audit Work Plan.

Change to Officer Recommendation

No Change. **OR:**

As per *Local Government (Administration) Regulations 1996* 11(da) Council records the following reasons for amending the Officer Recommended Resolution:

OFFICER RECOMMENDED RESOLUTION

THAT the Audit and Risk Committee:

- 1. Receive this report confirming the Audit and Risk Committee's responsibilities that have been completed in accordance with the 2022 Annual Audit Work Plan.**
- 2. Update the pending resolution numbers noted within this report.**
- 3. Recommends that Council endorse this report confirming the Audit and Risk Committee's responsibilities that have been completed in accordance with the 2022 Annual Audit Work Plan.**

Background

In June 2020, the Auditor General released the 'Western Australian Public Sector Audit Committees - Better Practice Guide' as a beneficial resource to state and local governments when further developing the role of audit committees. The Guide takes into consideration the relevant functions, responsibilities and associated activities that a committee will undertake and has been a resourceful guide when reviewing the Charter of the Audit and Risk Committee of Council.

The Charter, which incorporates the Terms of Reference, Instrument of Appointment and Annual Audit Work Plan template, was endorsed by Council on the 29th of September 2021 [Res 295-21].

The 2022 Annual Audit Work Plan (Appendix : AAR 8.6A) that assists and guides the committee on the functions, roles and responsibilities that are undertaken throughout 2022, was endorsed by Council on 15th of December 2021 [Res 417-21].

The following committee operation function is noted within the 2022 Annual Audit Work Plan:

Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.

Scheduled: December 2022.

This report has been compiled in response to the above committee operation function, and seeks a direct decision from Council on the responsibilities that have been completed in accordance with the 2022 Annual Audit Work Plan.

Legal Implications

Local Government Act 1995

7.1A. Audit committee

- (1) *A local government is to establish an audit committee of 3 or more persons to exercise the powers and discharge the duties conferred on it.*
- (2) *The members of the audit committee of a local government are to be appointed* by the local government and at least 3 of the members, and the majority of the members, are to be council members.*

** Absolute majority required.*

- (3) *A CEO is not to be a member of an audit committee and may not nominate a person to be a member of an audit committee or have a person to represent the CEO as a member of an audit committee.*
- (4) *An employee is not to be a member of an audit committee.*

Council Plan

13.1 - Adopt best practice governance.

14.2 - Ensure equitable, inclusive and transparent engagement and decision- making.

Environment - None.

Precedents

Council is required to confirm annually the Committee responsibilities that have been completed. This function was previously considered at the 15th of December 2021 Ordinary Council Meeting [416-21].

Budget Implications

This confirmation is administered through staff time which is supported by the salaries and wages budget specific to the Corporate and Governance directorate.

Budget – Whole of Life Cost

As no assets/infrastructure is being created, there are no whole of life costs relevant to this item.

Council Policy Compliance

- *Audit and Risk Committee Charter*
- *Western Australian Public Sector Audit Committees – Better Practice Guide*

Risk Assessment

The Risk Management Governance Framework has been considered in arriving at the officer recommendation. Please refer to (Appendix AAR: 8.6B) for full assessment document.

Tier 2 – ‘Low’ or ‘Moderate’ Inherent Risk.		
Risk Event	Confirmation of Completed Committee Responsibilities.	
Inherent Risk Rating (prior to treatment or control)	Low (1 - 4)	
Risk Action Plan (treatment or controls proposed)	As the Inherent Risk Rating is below 12, this is not applicable.	
Residual Risk Rating (after treatment or controls)	As the Inherent Risk Rating is below 12, this is not applicable.	
Risk Category Assessed Against	Legal and Compliance	Not confirming the committee’s responsibilities that have been completed, would not be in line with the recommendations from the Auditor General’s publication (Better Practice Guide), or the Audit and Risk Committee Charter.
	Reputational	Council’s reputation could be seen in a negative light for not adhering to the functions of the Charter or the Better Practice Guide.

Officer Comment

- Committee Meetings 2022*

The committee has formally met on the following four (4) occasions throughout 2022:

- 16th of March 2022;
- 8th of June 2022;
- 14th of September 2022; and
- 7th of December 2022 (this meeting).

In addition, the Audit Entrance Meeting was held on the 5th of May 2022 (via the Microsoft Teams application) with the Audit and Risk Committee Chairperson, Deputy Chairperson, Moore Australia representative, OAG representative and Management.

- Annual confirmation of completed committee responsibilities*

The following table provides the 2022 Annual Audit Work Plan that was endorsed for the period January 2022 to December 2022, and also provides management’s response on the completion of these functions. Where necessary, some items have been carried forward to 2023.

AUDIT AND RISK COMMITTEE – 2022 ANNUAL AUDIT WORK PLAN						MANAGEMENT RESPONSE
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	16 Mar 22	* Apr/ May 22	8 Jun 22	14 Sep 22	7 Dec 22	
1. Committee Operation						
Biennial review of the Charter (Terms of Reference). Next Due 2023.	Not Applicable – next due 2023					
Agree on the annual audit work plan; and set priority areas for the coming year.					✓ Res: Pending	This function is occurring at this committee meeting
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.					✓ Res: Pending	This function is occurring at this committee meeting
New members are briefed on their appointment to assist them to meet their Committee responsibilities. Next Due 2023.	Not Applicable – next due 2023					
Appointment of Presiding Member and Deputy Presiding Member. Next Due 2023.	Not Applicable – next due 2023					
2. Risk Management						
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 14-08-2019 [Res 250-19] Report Next Due: 2022	Carried forward to March 2023 meeting. The Risk Management Governance Framework is scheduled for an external review, with a workshop now to be held on 14 February 2023 with Executive and Management. Following the workshop, a report will be presented to the Audit and Risk Committee at the March 2023 meeting.					
Receive the biannual dashboard report			✓ AAR 09-22		✓ Res: Pending	Completed
3. Legislative Compliance						
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review.	✓ AAR 02-22					Completed
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).	✓ AAR 04-22			✓ AAR 15-22		Completed
4. Internal Audit						
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				✓ AAR 16-22		Completed
5. Financial Reporting						
Consider and recommend adoption of the Annual Financial Report to Council.					✓ Res: Pending	This function is occurring at this committee meeting
6. External Audit (OAG)						
Audit Entrance Meeting with Chair and Deputy Chair as representatives of the Audit and Risk Committee, Management and Council Auditors.		* ✓ Not minuted				Completed Microsoft Teams Meeting held 5 May 2022 with Chair, Deputy Chair, Moore Australia representative, OAG representative & Management

AUDIT AND RISK COMMITTEE – 2022 ANNUAL AUDIT WORK PLAN						MANAGEMENT RESPONSE
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	16 Mar 22	* Apr/ May 22	8 Jun 22	14 Sep 22	7 Dec 22	
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.					✓ Res: Pending	These functions are occurring at this committee meeting
Examine the reports of the auditor to – iii.) determine if any matters raised require action to be taken by the local government; and iv.) ensure that appropriate action is taken in respect of those matters.					✓ Res: Pending	
Audit Exit Meeting with Audit and Risk Committee, Management and Council Auditors. To meet with the auditor, once in each year and provide a report to Council on the matters discussed and the outcome of those discussions.					✓ Res: Pending	
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	✓ AAR 06-22		✓ AAR 10-22	✓ AAR 14-22	✓ Res: Pending	Completed
7. Regulation 17 Triennial Review (report next Due: March 2024)						
To consider the CEO's triennial review on risk management, internal control and legislative compliance.	Not Applicable – next due 2024					
Set the action plan arising from auditor recommendations from the Regulation 17 review.	Not Applicable – next due 2024					
Receive an update on the action plan arising from auditor recommendations from the 2021 Regulation 17 review (until all action items are completed).	Carried forward to March 2023 meeting. <i>A full review of Administration Policies and Procedures remains the only outstanding finding from the 2021 Regulation 17 Review. The Senior Corporate Governance Officer has commenced this process and a report will be provided to the Audit and Risk Committee at the March 2023 meeting to confirm this is complete.</i>					
8. Financial Management Systems Triennial Review (report next Due: March 2022)						
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review.	✓ AAR 03-22					Completed
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – all actions marked as complete					
Receive an update on the action plan arising from auditor	Not Applicable – all actions marked as complete					

AUDIT AND RISK COMMITTEE – 2022 ANNUAL AUDIT WORK PLAN						MANAGEMENT RESPONSE
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	16 Mar 22	* Apr/ May 22	8 Jun 22	14 Sep 22	7 Dec 22	
recommendations from the Financial Management Systems Review.						
9. Governance Health & Financial Sustainability Four-Yearly Review (report next Due: March 2024)						
To consider the CEO's Governance Health and Financial Sustainability Review, and report to the Council the results of that review.						Not Applicable – next due 2024
Set the action plan arising from the recommendations from the review.						Not Applicable – next due 2024
Receive an update on the action plan arising from the recommendations from the review.						Not Applicable – next due 2024
Undertake an independent external assessment of the Committee at least once in every three years. This assessment may be included in the scope of the Governance Health and Financial Sustainability Review.						Not Applicable – next due 2024
10. Information Systems Security Audit (report next Due: 2022-23)						
Receive the audit report arising from the 2 yearly Information Systems Security Audit.					✓ Res: Pending	These functions are occurring at this committee meeting
Set the action plan arising from the recommendations from the Information Systems Security Audit.					✓ Res: Pending	
Receive an update on the action plan arising from the recommendations from the Information Systems Security Audit.						Not Applicable – next due March 2023

** A minimum of four meetings per annum is required, however an additional meeting may be scheduled for April/May 2022 that serves as an audit entrance meeting with Council's appointed Auditors, Chair and Deputy Chair as representatives of the Audit and Risk Committee and management.*

9. ELECTED MEMBER MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

None.

10. NEW BUSINESS OF AN URGENT NATURE

[Please Note: This is Not General Business – This is for Urgent Business Approved By the Person Presiding or by Decision. In cases of extreme urgency or other special circumstance, matters may, with the consent of the person presiding, or by decision of the members present, be raised without notice and decided by the meeting.]

11. MATTERS BEHIND CLOSED DOORS

11.1 Title: Information Systems Security Report

Reporting Department	Corporate & Governance Directorate
Responsible Officer	Mr Phil Anastasakis - Deputy CEO
Reporting Officer	Mr Chris Murray - Manager Information Services
Legislation	Local Government Act 1995
Council Role	Executive/Strategic.
Voting Requirement	Simple Majority.

REPORT UNDER SEPARATE COVER

Note: In accordance with the Local Government Act 1995 5.23 (2) this report is not available to the public. The Chairperson tables the confidential report on this matter and provides copies to each elected member. The report will be located in the Records Management System of the Council.

OFFICER RECOMMENDED RESOLUTION

THAT the Audit & Risk Committee return from Behind Closed Doors [time].

Note: In accordance with Standing Order 5.2(6) the Presiding Officer, may cause the motion passed by the Audit & Risk Committee whilst behind closed doors to be read out.

12. CLOSURE OF MEETING

The date of the next Audit & Risk Committee Meeting will be Wednesday, 15th of March 2023.

There being no further business the Chairperson to declare the meeting closed.