



MINUTES

AUDIT & RISK MANAGEMENT COMMITTEE

to be held on

Thursday, 10 March 2022 at 5.30pm

at the

**Shire of Morawa Council Chambers,
26 Winfield Street, Morawa**



WESTERN AUSTRALIA'S
WILDFLOWER COUNTRY

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DISCLOSURE OF FINANCIAL/ IMPARTIALITY/ PROXIMITY INTERESTS

Local Government Act 1995 – Section 5.65, 5.70 and 5.71 Local Government (Administration) Regulation 34C

<i>This form is provided to enable members and officers to disclose an Interest in a matter in accordance with the regulations of Section 5.65, 5.70 and 5.71 of the Local Government Act and Local Government (Administration) Regulation 34C</i>			
Name of person declaring the interest			
Position			
Date of Meeting			
Type of Meeting (Please circle one)	Council Meeting/ Committee Meeting/ Special Council Meeting Workshop/ Public Agenda Briefing/ Confidential Briefing		
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality
Interest Disclosed			
Item Number and Title			
Nature of Interest			
Type of Interest (please circle one)	Financial	Proximity	Impartiality

Signature: _____

Date: _____

Important Note: Should you declare a **Financial** or **Proximity** Interest, in accordance with the Act and Regulations noted above, you are required to leave the room while the item is being considered. For an **Impartiality** Interest, you must state the following prior to the consideration of the item:

“With regard to agenda item (read item number and title), I disclose that I have an impartiality interest because (read your reason for interest). As a consequence, there may be a perception that my impartiality on the matter may be affected. I declare that I will consider this matter on its merits and vote accordingly.”

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Item 1	Opening of Meeting	6
Item 2	Acknowledgement of Traditional Owners and Dignitaries.....	6
Item 3	Recording of Attendance	6
3.1	Attendance	6
3.2	Attendance by Telephone / Instantaneous Communications.....	6
3.3	Apologies.....	6
3.4	Approved Leave of Absence.....	6
3.5	Disclosure of Interests	7
Item 4	Applications for Leave of Absence	7
Item 5	Response to Previous Questions	7
Item 6	Questions from Members without Notice	7
Item 7	Announcements by Presiding Member without Discussion	7
Item 8	Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting.....	7
Item 9	Confirmation of Minutes of Previous Meeting	7
Item 10	Reports of Officers.....	8
10.1	Financial Management Review 2022.....	8
10.2	2021 Compliance Audit Return.....	10
10.3	Report on Significant Matter raised in Annual Financial Report Audit Opinion	14
Item 11	Motions of Which Previous Notice Has Been Given	17
Item 12	New Business of an Urgent Nature	17
Item 13	Closure	17

Item 1 Opening of Meeting

The Presiding Member to declare the meeting open at 5.30pm.

Item 2 Acknowledgement of Traditional Owners and Dignitaries

The Presiding Member acknowledges the traditional custodians, the Yamatji people, and recognises the contribution of Yamatji elders past, present and future, in working together for the future of Morawa.

Item 3 Recording of Attendance**3.1 Attendance****Committee Members**

President Councillor Karen Chappel (Presiding Member)
Deputy President Councillor Ken Stokes
Councillor Dean Carslake
Councillor Jane Coaker
Councillor Debbie Collins

Staff

Chief Executive Officer	Scott Wildgoose
Executive Manager Corporate & Community Services	Jackie Hawkins

3.2 Attendance by Telephone / Instantaneous Communications

In accordance with section 14 of the *Local Government (Administration) Regulations 1996* "Meetings held by electronic means in public health emergency or state of emergency (Act s. 5.25(1)(ba))", the President to declare that this Meeting may take place via instantaneous communication. All Councillors and staff are to be available either via telephone (teleconference) or in person.

Due to the current level of Covid Risk all Councillors and Staff will be attending the meeting electronically with the Council Chambers still open for the public to attend.

3.3 Apologies

Councillor Yvette Harris
Councillor Shirley Katona

Executive Manager Works and Assets Paul Buist

3.4 Approved Leave of Absence

Nil

3.5 Disclosure of Interests
Nil**Item 4 Applications for Leave of Absence**

Nil

Item 5 Response to Previous Questions

Nil

Item 6 Questions from Members without Notice

Nil

Item 7 Announcements by Presiding Member without Discussion

Nil

Item 8 Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting

The Elected Members to declare that they had given due consideration to all matters contained in the agenda.

- President Councillor Karen Chappel (Presiding Member)
- Deputy President Councillor Ken Stokes
- Councillor Dean Carslake
- Councillor Jane Coaker
- Councillor Debbie Collins

Item 9 Confirmation of Minutes of Previous Meeting**OFFICER'S RECOMMENDATION/RESOLUTION**

220301

Moved: Cr Stokes

Seconded: Cr Collins

That the Audit Committee Meeting Minutes held on Tuesday, 21 December 2021 are confirmed to be a true and correct record.

CARRIED BY SIMPLE MAJORITY 5/0

Disclaimer

Members of the public are cautioned against taking any action on Council decisions, on items in this agenda in which they may have an interest, until formal notification in writing from the Shire has

been received. Decisions made at this meeting can be revoked pursuant to the Local Government Act 1995.

Item 10 Reports of Officers

Cr Collins moved to suspend standing orders to allow the CEO to summarise the Financial Management Review.

220302 Moved Cr Collins Seconded Cr Stokes

CARRIED BY SIMPLE MAJORITY 5/0

CEO provided an overview of the Financial Management Review 2022. All questions in relation to the review and proposed actions were answered.

Cr Collins moved to resume Standing Orders.

220303 Moved Cr Collins Seconded Cr Stokes

CARRIED BY SIMPLE MAJORITY 5/0

10.1 Financial Management Review 2022

Author: Executive Manager Corporate and Community Services

Authorising Officer: Chief Executive Officer

Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICERS RECOMMENDATION

That the Audit Committee:

1. Receive the Financial Management Review 2022.
2. Endorse the actions taken or proposed to be taken by staff to resolve items identified in the report; and
3. Require progress updates on implementation of the proposed management actions at the next Audit & risk Management Committee meeting.

AUDIT AND RISK COMMITTEE RESOLUTION

220304 Moved: Cr Chappel Seconded: Cr Coaker

That the Audit Committee:

1. **Receive the Financial Management Review 2022.**
2. **Endorse the actions taken or proposed to be taken by staff to resolve items identified in the report; and**
3. **Request the CEO to provide an update on actions taken in response to the findings in the Financial Management Review at an Audit and Risk Committee Meeting to be held at 5:30pm on Thursday 9 June 2022**

Reason for Change

The Audit and Risk Committee wanted to set a clear timeframe for the CEO to provide updates on actions taken.

CARRIED BY SIMPLE MAJORITY 5/0

PURPOSE

The purpose of this report is to present to the Audit & Risk Management Committee (ARMC) the Financial Management Review 2022 (FMR).

DETAIL

In accordance with Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996, local government CEOs are to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government not less than once in every three financial years and report to the local government the results of the reviews.

RSM Australia were engaged to undertake the review in January 2022. Their report is attached. **(Attachment 1)**

The previous FMR was conducted in 2016 and the findings reported to Council in July 2016 and the current review is 2 years overdue.

The CEO on reviewing the local governments financial management systems and the report submitted by RSM has deemed the Shire's financial management as adequate and effective for an organisation of this size.

From the FMR report provided management have produced a Status Report **(Attachment 2)** that lists all the functions reviewed and where reported the issues identified and the planned actions to remedy the issues. This report will be updated regularly and presented to the ARMC for review.

LEVEL OF SIGNIFICANCE

Moderate– provides a representation of how effective the current controls that have been implemented at the Shire of Morawa are.

CONSULTATION

Internal

Chief Executive Officer
Finance team

External

RSM

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Local Government (Audit) Regulations 1996

FINANCIAL AND RESOURCES IMPLICATIONS

There are no financial or resource implications

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Shire of Morawa Community Strategic Plan 2018-2028

Outcome 4.3 A local government that is respected, professional and accountable.

RISK MANAGEMENT CONSIDERATIONS

Findings outlines in the FMR report are assigned a risk rating. These ratings are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. Preparation of a schedule of management actions and reporting progress to the ARMC ensures findings are appropriately addressed.

CONCLUSION

Whilst there are several areas where Council's systems and procedures can be improved, there are many areas where the controls in place are of a good standard.

ATTACHMENTS

Attachment 1 – Financial Management Review 2022

Attachment 2 – Financial Management Review Status Report

10.2 2021 Compliance Audit Return

Author: Chief Executive Officer

Authorising Officer: Chief Executive Officer

Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICERS RECOMMENDATION/RESOLUTION**220305****Moved: Cr Stokes****Seconded: Cr Collins**

That with respect to the Local Government Compliance Audit Return 2021 for the Shire of Morawa, the Audit Committee recommend that Council:

- 1. Note and accept the Compliance Audit Return (Attachment 1) for the local government of the Shire of Morawa for the period 1 January 2021 to 31 December 2021; and**
- 2. Request the Chief Executive Officer to submit a certified copy of the Compliance Audit Return to the Director General of the Department of Local Government Sport and Cultural Industries by 31 March 2021.**

CARRIED BY SIMPLE MAJORITY 5/0

PURPOSE

The Department of Local Government, Sport and Cultural Industries (the Department) has distributed the 2021 Compliance Audit Return for completion by the Shire of Morawa. The Compliance Audit Return is one of the tools that allow the Audit Committee and Council to monitor how the organisation is functioning. The Compliance Audit Return is required to be presented to Council for adoption before its submission to the Department.

Each local government is to carry out a compliance audit for the period 1 January to 31 December each year against the requirements included in the Compliance Audit Return (Return) set out by the Department of Local Government Sport and Cultural Industries (the Department).

DETAIL

The Return places emphasis on the need to bring to Council's attention cases of non-compliance or where full compliance was not achieved. In addition to explaining or qualifying cases of non-compliance. The return also requires Council to endorse any remedial action taken or proposed to be taken in relation to instances of non-compliance.

This year's Return has again been prepared by electronic means and will be submitted electronically to the Department.

The Compliance Audit Report for 2021 for the Shire of Morawa will be presented for review at the ordinary meeting of Council being held on 17 March 2021.

In comparison to 2020 when various areas of non-compliance were identified including in the areas of Annual Returns and various Registers, most areas of the 2021 return have been deemed fully compliant.

The only area of improvement/non-compliance that was evident in 2020 and in 2021 is the Financial Management Review. Whilst this review was not completed prior to December 2021, if challenged the Shire would argue that the impact of Cyclone Seroja meant that a multitude of task were delayed

or impacted. The Financial Management Review has now been completed and is presented to the March 2022 meeting for acceptance which will mean next years Return will be compliant in this area.

Whilst the Shire has fixed the issue in terms of reporting Councillor Training on the website, it should be noted that a number of Councillor's training requirement have not been met in terms of mandatory requirements and once reforms are implemented this may lead to Councillors being stood down.

The only other areas of non-compliance in 2021 are:

Adoption of Model Code of Conduct for Council – was 17 days late due to Council meeting timing, although the regulations essentially implement the model code if no Shire specific code was adopted within 3 months. Had zero operational impact.

Corporate Business Plan – the Local Government (Administration) Regulations 1996 require the Corporate Business Plan to be reviewed annually. The Shire hasn't reviewed its Corporate Business Plan since November 2019. Given the corporate business plan represents how the Shire will utilise its resources to work towards achieving the Strategic Community Plan, it makes sense to hold off on reviewing this document until after the major review of the Strategic Community Plan. The CEO's plan moving forward is to incorporate the capital works plan and more financial information within the Corporate Business Plan to make the annual review process more valuable and relevant to the organisation. Given Covid and a Cyclone over the last two years the Shire has been operating more in a flexible response state with more response and recovery focus than aligned to the strategic framework, this seems completely valid given these unpredictable times.

In terms of the Tender section, the Shire actually undertook zero tenders under the formal tender process and utilised the WALGA Preferred Supplier Program for all large purchase transactions, these purchases are thus tender exempt, but the Shire did report them in the Tender register for transparency purposes.

LEVEL OF SIGNIFICANCE

Medium – requirement under *Local Government Act 1995* administered by the Department.

CONSULTATION

- Chief Executive Officer
- Executive Managers
- Senior Staff

LEGISLATION AND POLICY CONSIDERATIONS

- *Local Government Act 1995*
- *Local Government (Administration) Regulations 1996*
- *Local Government (Rules of Conduct) Regulations 2007*
- *Local Government (Audit) Regulations 1996*

- 14. *Compliance audits by local governments*
 - (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
 - (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
 - (3A) *The local government’s audit committee is to review the compliance audit return and is to report to the council the results of that review.*
 - (3) *After the audit committee has reported to the council under sub regulation (3A), the compliance audit return is to be —*
 - (a) presented to the council at a meeting of the council; and*
 - (b) adopted by the council; and*
 - (c) recorded in the minutes of the meeting at which it is adopted.*

[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5; amended in Gazette 30 Dec 2011 p. 5580-1.]

- 15. *Compliance audit return, certified copy of etc. to be given to Executive Director*
 - (1) *After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —*
 - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and*
 - (b) any additional information explaining or qualifying the compliance audit, is to be submitted to the Executive Director by 31 March next following the period to which the return relates.*
 - (2) *In this regulation —*
 - certified** *in relation to a compliance audit return means signed by —*
 - (a) the mayor or president; and*
 - (b) the CEO.*

[Regulation 15 inserted in Gazette 23 Apr 1999 p. 1725.]

FINANCIAL AND RESOURCES IMPLICATIONS

Nil

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Shire of Morawa Community Strategic Plan 2018-2028

Outcome 1.1 A local government that is respected, professional and accountable.

Outcome 1.2 Long term financial viability.

RISK MANAGEMENT CONSIDERATIONS

Shire of Morawa Risk Management Governance Framework

Appropriate governance of risk management within the Shire of Morawa provides:

- Transparency of decision making
- Clear identification of the roles and responsibilities of the risk management functions
- An effective Governance Structure to support the risk framework

CONCLUSION

The 2021 return has seen an improvement in the Shire's compliance practises and it is hoped this continuous improvement will continue. No remediation action above what is already planned, is required.

ATTACHMENTS

Attachment 1 – 10.2 Compliance Audit Return 2021

10.3 Report on Significant Matter raised in Annual Financial Report Audit Opinion

Author: Executive Manager Corporate & Community Services

Authorising Officer: Chief Executive Officer

Disclosure of Interest: The Author and Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

OFFICER'S RECOMMENDATION/RESOLUTION

220306

Moved: Cr Stokes

Seconded: Cr Coaker

That the Audit Committee recommends that Council:

1. Endorses the report (as attached) addressing the matter identified as significant by the auditor in the audit report relating to the Shire's Annual Financial Report 2020-2021
2. Endorses the CEO to distribute the report on the Shire website and to the Minister for Local Government in compliance with the Local Government Act.

CARRIED BY SIMPLE MAJORITY 5/0

PURPOSE

To ensure compliance with Section 7.12A of the Local Government Act 1995 the Shire of Morawa is required to prepare a report addressing the matters identified as significant by the Office of the Auditor General when auditing the Shire Annual Financial Report 2020-2021.

DETAIL

The Audit Committee held the Audit Close meeting for the 2020-2021 Financial Report on the 21 December 2021 where representatives from the OAG and the OAG contract auditors Nexia were in attendance online.

To maintain compliance with the Local Government, Act the Shire is required to prepare a report addressing any significant matters raised by auditors. This report is to be sent to the minister within 3 months of the audit opinion being received. As such the attached report has been prepared addressing the significant matter raised by the OAG being the adverse trend in the Operating Surplus Ratio.

The report essentially suggests three action areas in response to the findings:

1. Undertake a review of the Shire's Long Term Financial Plan/Strategic Resource Plan including Asset Management Plans
2. Review operational expenditure
3. Review operating income

Undertake a review of the Shire's Long Term Financial Plan/Strategic Resource Plan including Asset Management Plans

The Shire has already established that it needs a review of its long term financial planning and Moore Australia have been contracted to develop a revised long term financial plan taking into account asset management and other resource requirements. Moore will also look at compliance with ratios as part of long term planning.

By undertaking a long term financial plan review the Shire is able to see what impacts current spending, rates and asset deterioration is likely to have on the financial position of the Shire 10 years into the future. If the Shire is suffering from an adverse trend or declining financial position it is expected that this round of long term planning will identify modifications to alleviate this decline.

Review Operating Expenditure and Income

Whilst these are two separate action areas, they represent two sides of the same process.

Income from Fees and Charges is reviewed annually as part of the budget process, but whilst the Shire could consider implementing a significant increase it must consider the impact on the community when undertaking this course of action. Many of Shire's fees are legislated or have been set based on expenditure. Other areas are deemed to be a community service such as the swimming pool, so the charge does not cover costs.

The Shire as part of its normal annual budget deliberations will review its operational practices and to try and identify any efficiency gains. One of the major stumbling blocks with trying to reduce expenditure is the ever increasing costs to insurance and electricity which Council has no control over.

LEVEL OF SIGNIFICANCE

Medium – the non-completion of the attached report would represent non-compliance with the Act.

CONSULTATION

Senior Management Team
Office of the Auditor General

LEGISLATION AND POLICY CONSIDERATIONS

Local Government Act 1995

Local Government (Audit) Regulations 1996

FINANCIAL AND RESOURCES IMPLICATIONS

The review of the long term financial plan has already commenced, and staff are hoping to have it completed to bring to Council by May 2022.

STRATEGIC AND SUSTAINABILITY IMPLICATIONS

Shire of Morawa Community Strategic Plan 2018-2028 (Desktop Review June 2020)

Outcome 4.3 A local government that is respected, professional and accountable.

RISK MANAGEMENT CONSIDERATIONS

Medium – the attached report represents a compliance matter. The significant matter raised being the adverse trend, does not appear to raise a high risk to the Shire at this stage but needs to be monitored moving forward.

CONCLUSION

The attached report will ensure compliance with the Local Government Act and the actions proposed are in line with the Shire's commitment to its financial sustainability.

ATTACHMENTS

Attachment 1 – 10.1 Report on Significant Matter (Section 7.12A(4a) of the Local Government Act 1995)

Item 11 Motions of Which Previous Notice Has Been Given

Nil

Item 12 New Business of an Urgent Nature

Nil

Item 13 Closure

There being no further business, the Presiding Member to declare the meeting closed at 5.47pm.