

SHIRE OF LEONORA



AUDIT AND RISK COMMITTEE MEETING AGENDA

TO BE HELD TUESDAY, 18TH JUNE, 2024 AT THE CONCLUSION OF THE
ORDINARY COUNCIL MEETING

A handwritten signature in black ink, appearing to read "Ty Matson", is written over a horizontal line.

TY MATSON
CHIEF EXECUTIVE OFFICER

SHIRE OF LEONORA
ORDER OF BUSINESS FOR MEETING TO BE HELD
TUESDAY 18TH JUNE, 2024.

1	DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS / FINANCIAL INTEREST DISCLOSURES	
2	RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE	
	2.1 ATTENDANCE	
	2.2 APOLOGIES	
	2.3 LEAVE OF ABSENCE	
	2.4 APPLICATIONS FOR LEAVE OF ABSENCE	
3	CONFIRMATION OF MINUTES FROM PREVIOUS MEETING	
	(Sent out previously)	
	Draft motion: That the Minutes of the Audit and Risk Committee Meeting held on 19 March, 2024 be confirmed as a true and accurate record.	
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4.0 REPORTS**4.1 CHIEF EXECUTIVE OFFICER REPORTS****4.1.(A) RISK MANAGEMENT UPDATES - DECEMBER, 2023**

SUBMISSION TO:	Audit and Risk Committee Meeting Meeting Date: 18th June 2024
AGENDA REFERENCE:	4.1.(A) JUN 24
SUBJECT:	Risk Management Updates - December, 2023
LOCATION/ADDRESS:	Leonora
NAME OF APPLICANT:	Leonora
FILE REFERENCE:	1.10 - Audits - Reports & Minutes
AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT	
NAME:	Kiara Lord
OFFICER:	Manager Business Services
INTEREST DISCLOSURE:	Nil
DATE:	13th June 2024
SUPPORTING DOCUMENTS:	1. Risk Updates Summary - May, 2024 ↓

BACKGROUND

From 1 July 2022, the Shire of Leonora sought proposals through Vendor Panel from external consultants for compliance and governance services, which included risk management support services. Moore Australia (WA) were successful with their proposal and have been engaged to provide compliance and risk management support services for 2022, 2023 & 2024.

The Shire's Risk Management Strategy, as previously reviewed by the Audit and Risk Committee, and the Shire's risk management policy (previously adopted by Council) align to AS/NZS ISO 31000:2018 Risk Management Guidelines. The Risk Management Strategy is prepared utilising the Principles, Framework and Process as defined within the standard, considers the context of the Shire and conforms to the requirements of the standard by providing the necessary guidance and direction to be followed by the Shire in its risk management activities, aligned to the risk management policy.

The guidance and direction within the Risk Management Strategy includes the assessment, prioritisation and communication of risk. This includes the reporting of risks through the Audit and Risk Committee. The reporting of risk management activities historically occurred through quarterly 'dash board reports', bi-annual 'summary reports' and an annual 'risk control assurance workshop', which will continue through the Shire's current engagement with Moore Australia.

To date, workshops have been held onsite with on 13 March 2023, 1 June 2023 and 20 May 2024 to review risk profiles, controls, consider emerging or new risks as well as to set out planned control assurance activities for the year. Desktop reviews of the risk profiles are carried out as required, and most recently on 4 December 2023. The desktop review incorporates observations and updates to current controls and risk treatments, records these updates within the current risk profiles, and to the risk register. Further site visits by Moore Australia WA have been undertaken in August 2023, November 2023 and February 2024, to risk management activities. Following these workshops and

desktop reviews, updates to the risk profiles have been made, and the risk register populated with updated information to be reported to the Audit and Risk Committee.

These activities continue to form the foundation for risk management activities to be reported and monitored through the Audit and Risk Committee.

COMMENT:

The most recent risk updates from the workshop held 20 May 2024 have been undertaken with consideration to the changes in operations and organisational structure in recent times. Further updates and improvements to the risk management strategy are being planned to occur in the next reporting period with Moore Australia WA.

The risk summary report is to be provided bi-annually to the committee. This report enables analysis of what has changed for the organisation, and whether these changes result in new or emerging risks against each risk profile. This subsequently allows for the risk register to be updated, and to summarise new risks or changes to existing risks for the committee. The risk summary report highlighting risk changes identified against each profile since the last review, including actions and treatments in place for high level risks, was provided at an information session for the committee.

A quarterly dashboard report is essentially a progress report informing the committee with a summary of the current number of risks, unaddressed high level risks, total new risks etc. The table below demonstrates the format of quarterly reports to the committee communicating risk movements.

Risk Category	No. of High or Extreme Rated Risks Identified	No. of High or Extreme Rated Risks after Treatment (Residual Risk)	No. of New Risks Identified (May 2024)	No. of Risks Closed (May 2024)
Performance	2	1	0	0
Environmental	3	2	1	0
Reputational Damage	2	1	0	0
Financial	5	3	0	0
Service Delivery / Business Interruption	5	3	0	0
Legislative / Regulatory / Policy/ Work, Health & Safety	6	1	1	0

Discussions with Moore Australia as well as future site visits will be undertaken to further update risk profiles, actions and treatments for the next reporting period. These reports will be updated for the next meeting for committee information.

CONSULTATION

Moore Australia (Consultants)

STATUTORY ENVIRONMENT

Regulation 17.1 of the *Local Government (Audit) Regulations 1996* requires the CEO to monitor the appropriateness and effectiveness of systems and procedures in regard to risk management, internal controls and legislative compliance.

POLICY IMPLICATIONS

The Risk Management Policy outlines the Shire's commitment and approach to managing risks impacting on day-to-day operations and the delivery of strategic objectives.

FINANCIAL IMPLICATIONS

Provision is included in the 2023/24 Adopted Budget for Moore Australia to deliver compliance and governance services, including risk management support, in line with the awarded Vendor Panel RFQ.

RISK ASSESSMENT

This item has been evaluated against the Shire's Risk Management Strategy, Risk Assessment Matrix. The perceived level of risk is high prior to treatment. The progression of risk management activities aligned with the Risk Management Strategy will reduce the risk to medium.

STRATEGIC IMPLICATIONS

One of Council's responsibilities in risk management is to be satisfied risks are identified, managed and controlled appropriately, to achieve the Shire's strategic objectives, as well as to support the allocation of funds / resources to treat risks as required.

The Chief Executive Officer and executive team play a key role in the establishment and development of an effective risk management framework. To ensure the successful delivery of the strategic planning objectives, the strategy requires ongoing monitoring and revision for alignment to the Plan for the Future.

One role of the audit committee is to monitor identified strategic high level risks and their treatment solutions to ensure the community receives the services delivered effectively, as outlined within the Plan for the Future.

Monitoring and reviewing activities will continue to provide evidence of the appropriateness and effectiveness of systems and procedures in regard to risk management, internal control and legislative compliance, as required by the *Local Government (Audit) Regulations 1996*. The Risk Management Strategy also provides direction for the implementation of risk management activities.

Strategic references within the Shire of Leonora's Plan for the Future 2021-2031 demonstrate connections between services and the desired outcomes and community vision for the Shire of Leonora, particularly in relation to Leadership objective, outcomes and strategies such as 4.1.2.4 Provide appropriate governance and leadership to the Shire, 4.2.1.3 Seek high level of compliance in organisational practices.

RECOMMENDATIONS

That the Audit and Risk Committee receive the summary of updates to the risk profiles, the risk register and risk profiles up to May 2024, and the above report updating risk management activities undertaken to date.

VOTING REQUIREMENT

Simple Majority

SIGNATURE



Chief Executive Officer

Shire of Leonora – May 2024 Risk Updates Summary

Risk Category	Risk Profile Update	Risk Register Update
All risk categories/general	<ul style="list-style-type: none"> • Updates to due dates for risk treatments as developed in workshop with leadership team. • Responsible officer updates applied to reflect current positions occupied within organisational structure. 	<ul style="list-style-type: none"> • Risk re-assessment dates updated. • Risk ratings for all categories may require further updates, additional changes to be advised through future risk management reports.
Performance	<p>Risk treatment/actions/updates amended:</p> <ul style="list-style-type: none"> • Update applied to action relating to contract register from 'maintain' to 'establish' as required improvements have been identified. • Action relating to review meetings has been updated from 'investigate' systems for review meetings to be held to 'maintain' as previous action has been achieved (investigation and implementation). 	<ul style="list-style-type: none"> • Risk 13 updated to note new controls including identification of required improvement of contract register and management systems, as well as training which has been booked to assist with these efforts. This is supported by noted future actions to include the requirement to establish a contract register and supporting procedures. Additional future actions remain noting supporting procedures to revised policies may need to be developed and mechanisms for communication to staff of policy updates and implications. Progression of systems for monitoring and project management of external suppliers remains. • Risk 14 new actions modified to reference the progression of implementation of systems for maintenance planning and schedules including system for monitoring and reporting of outstanding maintenance items. Also notes planned review of Strategic Resource Plan in 2024/25. Future actions to progress with these initiatives remain.

Shire of Leonora – May 2024 Risk Updates Summary

Risk Category	Risk Profile Update	Risk Register Update
Environmental Risk	<p>Controls updated to note:</p> <ul style="list-style-type: none"> Effectiveness updated for landfill to reflect improvements including dedicated staffing, CCTV monitoring and regulatory approval of post closure management plans. Pollution insurance has been removed from controls as no identified activities where this may be required. <p>Risk treatment/actions/updates amended:</p> <ul style="list-style-type: none"> Removal of action for annual review / consideration of pollution insurance as not required within current operations. New action included in relation to hazardous materials (including asbestos). 	<ul style="list-style-type: none"> Risk 3 no new actions required to date. Future actions remain to reflect monitoring by Shire of operational procedures for compliance with reclaimed water while regulatory body are reviewing practices etc. Risks 4 & 5 new actions updated to note the maintenance of routine monitoring and landfill and liquid waste site, monitoring of CCTV to assist with compliance monitoring and revenue controls. Risk 5 new actions also note planned additional cells in 2024/25 for each category of waste to assist with management and compliance. Future actions updated notes future budget consideration for consultant to assist with improvements to waste processing should licence conditions be updated. Future actions remain complementing new actions noted. New Risk 24 identified through risk assurance workshop held 20/05/2024 relating to management of hazardous materials.
Reputational Damage	<p>Risk Description and Scope updated to note:</p> <ul style="list-style-type: none"> Corrected terminology from 'elected member' to 'council member'. <p>Controls updated to note:</p> <ul style="list-style-type: none"> Corrected terminology from 'elected member' to 'council member'. Update to terminology (policy vs procedure) <p>Risk treatment/actions/updates amended:</p> <ul style="list-style-type: none"> Updates to due dates for ongoing tasks. Corrected terminology from 'elected member' to 'council member'. 	<ul style="list-style-type: none"> Risk 19 new actions updated to note collation of information required to populate staff training matrix progressing and Code of Conduct refresher training scheduled June 2024. Risk 20 updated to note updates to procurement practices progressing. Controls and systems for compliance and compliance calendar management also updated. Future actions noted to include 'develop and maintain' documented procedures in recognition of current tasks being undertaken to progress this action.

Shire of Leonora – May 2024 Risk Updates Summary

Risk Category	Risk Profile Update	Risk Register Update
Financial	Risk treatment/actions/updates amended: <ul style="list-style-type: none"> • Updates to due dates for ongoing tasks applied. 	<ul style="list-style-type: none"> • Risk 10 updated to note progress of pay matrix and development of processes for HR/payroll and engagement of professional advice for HR/IR activities. Risk rating remains unchanged to reflect potential risks as procedures continue to be developed. Future actions update to note progression of development of procedures, and removal of HR review (as alternate actions are now being progressed). Also notes procedures will need to consider potential move to alternate ERP system. • Risk 11 action updated to reflect ongoing procurement training requirements (through development of training matrix) and development of procedures. Future actions updated to 'maintain' consideration for future policy reviews as required and training. • Risk 12 new actions updated to intended external training being considered relating to procurement education through development of training matrix. Future actions remain noting development and maintenance of supporting procedures may be needed as ongoing review of training matrix and service planning occurs. • Risk 21 new actions updated to anticipate finalised IT Strategic Plan development and implementation plan and consideration for security review. Residual risk rating updated in consideration of workshop discussions and risk profile review. Future actions also updated to reference progression of the IT strategic plan, and consideration to 2024/25 budget provision for security review.
Service Delivery/Business Interruption	Risk treatment/actions/updates amended: <ul style="list-style-type: none"> • Updates to due dates for ongoing tasks applied. 	<ul style="list-style-type: none"> • Risk 2 actions updated to note completion of IT Strategic Plan review and pending final report. This may assist in developing and testing continuity and disaster recovery plans. Future action updated to correlate. • Risk 16 actions updated to reflect completion of review of IT Strategic and Improvement Plan, pending final report. Future action updated to note pending finalisation. • Risk 17 new actions modified to note implementation of asset maintenance systems and planned development of service plans by managers.

Shire of Leonora – May 2024 Risk Updates Summary

Risk Category	Risk Profile Update	Risk Register Update
Legislative/Regulatory /Policy/ Work Health & Safety	<p>Controls updated to note:</p> <ul style="list-style-type: none"> Effectiveness updated for WHS Audits & WHS Risk Register controls. Audit performed in previous year, with many resources allocated to implement improvements etc. <p>Risk treatment/actions/updates amended:</p> <ul style="list-style-type: none"> Updates to due dates for ongoing tasks. 	<ul style="list-style-type: none"> Risk number 1 action updated to reflect ongoing procurement training requirements (through development of training matrix) and development of procedures. Future actions updated to 'maintain' consideration for future policy reviews as required and training and communication of updates to staff. Risk 8 actions note progression of WHS audit and continued implementation of improvements. Residual risk rating reassessed in consideration of workshop discussions and risk profile control effectiveness update. Risk number 9 updated to note progression of improvements and updates into HR and payroll practices. Risk 18 updated to note improvement for revenue and stock controls at airport for Avgas. Also notes service plan and associated procedures as well as training matrix development for procurement and other controls. New Risk 25 identified through risk assurance workshop held 20/05/2024 relating to legislative compliance for indigenous heritage surveys.

4.0 REPORTS**4.2 MANAGER OF BUSINESS SERVICES REPORTS****4.2.(A) RELATED PARTY TRANSACTIONS AND DISCLOSURES**

SUBMISSION TO:	Audit and Risk Committee Meeting Meeting Date: 18th June 2024
AGENDA REFERENCE:	4.2.(A) JUN 24
SUBJECT:	Related Party Transactions and Disclosures
LOCATION/ADDRESS:	Leonora
NAME OF APPLICANT:	N/A
FILE REFERENCE:	1.8
AUTHOR, DISCLOSURE OF ANY INTEREST AND DATE OF REPORT	
NAME:	Kiara Lord
OFFICER:	Manager Business Services
INTEREST DISCLOSURE:	Nil
DATE:	13th June 2024
SUPPORTING DOCUMENTS:	Nil

BACKGROUND

In accordance with AASB 124 *Related Party Disclosures*, local governments must disclose in the annual financial statements related party relationships, transactions, and outstanding balances (including commitments) from 1 July 2016. Related parties include Key Management Personnel (KMP), which in the Shire of Leonora's case will include all elected members and executive staff, their close family members and any entities that they control or jointly control. The disclosure requires any transactions with these parties, whether monetary or not, to be identified and assessed whether disclosure is required or not. A disclosure may be in aggregate and will only occur where a transaction has occurred.

Regarding the disclosures, the following approach was developed in a workshop held at the June 2017 Audit and Risk Committee Meeting to ensure that management can properly address the requirements of the accounting standard:

- A procedure / guide for related party disclosures to be established, which includes the updating of returns quarterly through the Audit and Risk Committee Meetings
- Establishment of a system to identify and record related parties of KMPs
- Establishment of a system to identify and record related party relationships of KMPs
- Establishment of a system to identify and record related party transactions
- Identify 'Ordinary Citizen Transactions' (OCTs) that will not be disclosed by Council
- Create declaration forms to be completed by KMPs
- Set a materiality threshold for management to apply when assessing transactions for inclusion in the financial statements
- Identified the need for a separate workshop to be scheduled for newly elected members and
- For the Audit and Risk Committee to recommend any changes required to the above processes

STATUTORY ENVIRONMENT

Disclosures were required from Local Government entities from 1 July 2016 in accordance with AASB 124 *Related Party Disclosures*, with the first disclosures made in the Financial Statements for the year ended 30 June 2017.

POLICY IMPLICATIONS

There are no policy implications resulting from the recommendation of this report.

FINANCIAL IMPLICATIONS

There are no financial implications resulting from the recommendation of this report that will have any detrimental effect on the Shire's finances.

STRATEGIC IMPLICATIONS

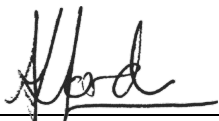
Strategic References within the Shire of Leonora Strategic Community Plan 2017-2027 demonstrate connections between services and the desired outcomes and community vision for the Shire of Leonora, particularly in relation to Governance services in this instance such as 4.1 Efficient service offerings to the community, 4.2 Effective and open engagement with all sections of the community, 4.5 Strong leadership and planning.

RECOMMENDATIONS

That the Audit and Risk Committee note the approach taken and the systems established by management with regard to addressing the requirements of *AASB 124 Related Party Disclosures*.

VOTING REQUIREMENT

Simple Majority

SIGNATURE

Manager of Business Services

5.0 NEXT MEETING

17th September, 2024

6.0 CLOSURE OF MEETING