Shire of Brookton

AUDIT AND RISK COMMITTEE MEETING

MINUTES

13 JULY 2023

These minutes were confirmed by Audit and Risk Committee as a true and correct record of proceedings by the Audit and Risk Committee Meeting held on 7/2/24

Presiding Member: ..... **Date:** 07/02/2024.

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1.07.23 DECLARATION OF OPENING / ATTENDANCE

The Shire president, Cr Crute, declared the Meeting open at 6:02pm.

On behalf of the Council, I would like to acknowledge that this meeting is being held on the traditional lands of the Nyoongar People, and pay respect to all Elders, past, present, and emerging. I wish to acknowledge and respect local people's continuing culture, and the contribution they make to Country, and its life.

Elected Members (Voting)

Cr KL Crute	(Shire President)
Cr HA Bell	

External Committee Members (Voting)

Mr Eric Pech

Staff (Non-Voting)

Gary Sherry	Chief Executive Officer
Deanne Sweeney	Manager Corporate and Community
Abbie Smith	Governance Officer

Leave of Absence

Cr NC Walker	(Deputy Shire President)

Visitors/Residents/Electors

2.07.23 CONFIRMATION OF PREVIOUS MINUTES

ARC 07.23-01

COMMITTEE RESOLUTION
MOVED Cr Bell Seconded Mr Pech

That the minutes of the Audit and Risk Committee meeting held in the Shire of Brookton Council Chambers, on 9th March 2023, be confirmed as a true and correct record of the proceedings.

CARRIED BY SIMPLE MAJORITY VOTE 3/0

For: Cr Crute, Cr Bell, Mr Pech
Against: Nil

3.07.23 RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

Nil.

4.07.23 PUBLIC QUESTION TIME

Nil.

5.07.23 ANNOUNCEMENTS BY THE PRESIDING MEMBER WITHOUT DISCUSSION

Nil.

6.07.23 DECLARATIONS BY MEMBERS AND OFFICERS

Financial, Proximity and Impartiality Interests

Nil.

7.07.23 PRESENTATIONS

Nil.

8.07.23 FINANCE

8.07.23.01 FINANCIAL MANAGEMENT SYSTEMS REVIEW - APRIL 2023

File No:	N/A
Date of Meeting:	13 July 2023
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Deanne Sweeney – Manager Corporate and Community
Authorising Officer:	Gary Sherry – Chief Executive Officer
Declaration of Interest:	The author and authorising officer do not have an interest in this item
Voting Requirements:	Simple Majority
Previous Report:	N/A

Summary of Report:
The Audit and Risk Committee is to review the Shire of Brookton's Financial Management System Review April 2023 and consider recommending adoption by Council.

Description of Proposal:
The Financial Management Review, included as at Attachment 8.07.23.01, is a report of the review of the Shire of Brookton's financial management systems, the findings of that review, the response of management to those findings and recommendations on the financial systems and procedures of the Shire of Brookton.

Overall the following results were obtained:

LOW	MEDIUM	HIGH	SEVERE
Monitor for continuous improvement.	Comply with risk reduction measures to keep risk as low as reasonably practical.	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.	Unacceptable. Risk reduction measures must be implemented before proceeding.
7	**5**	**0**	**0**

Background:
Local Government (Financial Management) Regulation 5(2)(c) requires that the Chief Executive Officer (CEO) examine the appropriateness and effectiveness of the financial management systems and procedures of the Shire. A Financial Management Review meets this statutory requirement.

The last review of the Financial Management Systems and Processes was undertaken in 2020.

Consultation:
Chief Executive Officer
Senior Finance Officer
AMD Chartered Accountants

Statutory Environment:
Local Government (Financial Management) Regulations 1996, Section (2) The CEO is to

(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.

Relevant Plans and Policy:
The recommendation is relevant to 2.8 Risk Management.

Financial Implications:
There are no financial implications associated with the officer recommendation.

Risk Assessment:
The risk is assessed as "Low". Failure to monitor the Shire's ongoing internal controls and risks would impact the organisations obligations to achieve legislative compliance.

Consequence / Likelihood	Insignificant	Minor	Moderate	Major	Extreme
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Rating	Action
LOW	Monitor for continuous improvement.
MEDIUM	Comply with risk reduction measures to keep risk as low as reasonably practical.
HIGH	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.
SEVERE	Unacceptable. Risk reduction measures must be implemented before proceeding.

Community & Strategic Objectives:
This item relates to delivery of core business and services detailed in the Shire of Brookton Corporate Compendium – October 2020, duly appended to the Brookton Corporate Business Plan <2032.
Specifically, the amended Policy supports the following Business Unit and Functions
19. Risk Management
19.2 Perform risk assessments
19.3 Implement risk mitigation measures

Comment
Nil.

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee recommends that Council receives the Financial Management System Review April 2023, finding and recommendations as presented in Attachment 8.07.23.01A.

(Simple Majority vote required)

ARC 07.23-02

COMMITTEE RESOLUTION
MOVED Cr Bell SECONDED Cr Crute

That the Audit and Risk Committee recommends that Council receives the Financial Management System Review April 2023, finding and recommendations as presented in Attachment 8.07.23.01A.

CARRIED BY SIMPLE MAJORITY VOTE 3/0
For: Cr Crute, Cr Bell, Mr Pech
Against: Nil

Attachments

Attachment 8.07.23.01A – Shire of Brookton 2023 Financial Management System Review

AMD
CHARTERED ACCOUNTANTS

2023 Financial Management System Review

Shire of Brookton

April 2023

Shire of Brookton
Growing the Future

The Institute of Internal Auditors

PREFERRED SUPPLIER

Independent Member of BKR INTERNATIONAL

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8 May 2023

Mr G Sherry
Chief Executive Officer
Shire of Brookton
PO Box 42
BROOKTON WA 6306

Dear Gary

2023 FINANCIAL MANAGEMENT SYSTEMS REVIEW

We are pleased to present the findings and recommendations resulting from the Shire of Brookton's (the "Shire") *Local Government (Financial Management) Regulation 1996*, Financial Management System Review.

This report relates only to procedures and items specified within AMD's Financial Management System Review Services Proposal issued in January 2023 and does not extend to any financial report of the Shire.

We would like to thank Deanne, Charlotte and Shire of Brookton team for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact our office.

Yours sincerely
AMD Chartered Accountants

MARIA CAVALLO FCA
Director

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Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Shire of Brookton's management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the Shire of Brookton. The review findings expressed in this report have been formed on the above basis.

Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of Shire of Brookton. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Brookton's information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of the Shire of Brookton's Chief Executive Officer or its delegate in connection with our engagement to perform the review as detailed in the 2023 Financial Management System Review Services Proposal. Other than our responsibility to the Council and management of the Shire of Brookton, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party.

1. Executive Summary

1.1. Background and Objectives

The primary objective of our Financial Management System Review (FMSR) was to assess the adequacy and effectiveness of systems and controls in place within the Shire; in accordance with AMD's 2023 Financial Management System Review Services Proposal (the "Review").

The responsibility of determining the adequacy of the procedures undertaken by us is that of the Chief Executive Officer (CEO). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the *Local Government Act 1995* and Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*.

Our findings included within this report are based on the site work completed by us on 13 to 15 March 2023. Findings are based on information provided and available to us during and subsequent to this site visit.

1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Collection of money;
- Section 3 - Custody and security of money;
- Section 4 - Maintenance and security of the financial records;
- Section 5 - Accounting for municipal or trust transactions;
- Section 6 - Authorisation for incurring liabilities and making payments;
- Section 7 - Maintenance of payroll, stock control and costing records; and
- Section 8 – Preparation of budget, budget reviews, accounts and reports required by the *Local Government Act 1995* or the *Local Government (Financial Management) Regulations 1996*.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 8, we are pleased to report that in context of the Shire's overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with better practice.

We note that we have very few findings following completion of our review, relative to other similar sizes Local Governments where we complete FMSR's on their behalf.

We believe this is reflective of the robust policies, procedures and processes in place at the Shire of Brookton.

The following tables provide a summary of the findings raised in this report:

	Severe Risk	High Risk	Medium Risk	Low Risk
Number of new issues reported	0	0	5	7

For details on the review rating criteria, please refer to Section 9.

Ref	Issue	Risk Rating
2.	***Collection of money***	
	We have no findings to raise in respect to the collection of money.	
3.	***Custody and security of money***	
	We have no findings to raise in respect to the custody and security of money.	
4.	***Maintenance and security of financial records***	
4.2.1	**Key Security and Access to CRC Building** Key cabinet at the Admin Office remains unlocked throughout the day. Occasions noted where staff do not always complete the key sign out book. All staff requiring access to the CRC building utilise the same alarm code.	**Medium**
4.2.2	**Disaster Recovery Plan and Disposal of IT Equipment Policy** Disaster Recovery Plan has not been reviewed annual as stated, nor has it been tested. The Shire does not have a Disposal of IT Equipment Policy.	**Medium**
5.	***Accounting for municipal and trust transactions***	
5.2.1	**Monthly Reconciliations** A number of monthly reconciliations had not been signed to evidence a review had been completed. Furthermore there is no evidence to indicate independent review of monthly financial statements.	**Low**
6.	***Authorisation for incurring liabilities and making payments***	
6.2.1	**Tender Management** A number of documents were not provided to support the tenders selected for testing.	**Medium**
7.	***Maintenance of payroll, stock control and costing records***	
7.2.1	**Human Resources Policies** The Shire does not have a policy or procedure for staff recruitment, staff performance reviews, and training and development. In addition, the code of conduct was not reviewed in accordance with the stated review date of June 2022.	**Medium**
7.2.2	**Leave Testing Exceptions** During our testing a number of leave forms were not provided. In addition, we noted occasions where the leave form did not specify the number of hours of leave taken.	**Low**
7.2.3	**Fuel Reconciliation** Variance identified during testing of the February 2023 fuel reconciliation.	**Low**
7.2.4	**Termination Checklist** The Shire did not use a termination checklist for the termination payment selected for testing.	**Low**
7.2.5	**Payroll Testing Exceptions** Monthly payroll reconciliations do not include a reconciliation to the Payroll YTD report. An authorised superannuation deduction form could not be provided. One payroll report had not been signed by the preparer.	**Low**
8.	***Preparations of budgets, budget reviews, accounts and reports required by the Act or Regulations***	
8.2.1	**Fraud Management Policy** The Shire does not have a Fraud Management Policy	**Medium**
8.2.2	**Compliance Audit Return Lodgement Date** The 2021 Compliance Audit Return was not submitted to the Department CEO by 31 March 2022 as required.	**Low**
8.2.3	**Risk Management Framework and Risk Management Policy** The Risk Management Framework and Risk Management Policy (last amended September 2021) refers to the former AS/NZS ISO 31000:2009 rather than the recent standard AS/NZS ISO 31000:2018.	**Low**

1.3 Limitations

We draw your attention to the following limitations:

- We were not required to and did not undertake an audit in accordance with Australian Auditing Standards. Consequently, no assurance will be expressed.
- We have not verified the authenticity or validity of the documentation made available to us.
- We have included information that we obtained verbally in this document. We cannot verify that this information is credible or truthful.
- If additional or new documentation or information is brought to our attention subsequent to the date of this report, which would affect the observations detailed below, we reserve the right to amend and qualify our findings accordingly.

2. Collection of money

2.1. Scope and approach

Conducted site visits of cash collection points to review the controls and procedures over the collection, receipting, recording and banking of cash collected offsite.

Site visits were completed for the following locations operated by the Shire:

- Shire of Brookton Administration Office;
- Brookton Community Resource Centre; and
- Brookton Aquatic Centre.

The following procedures were completed (as applicable) at each site:

- Documented internal controls, procedures and reconciliations in relation to all source of income;
- Tested collection, receipting, invoicing and posting procedures over cash receipts on a sample basis
- Counted petty cash and float on hand ensuring materially correct;
- Reviewed fees and charges schedule and ensure adequate internal controls in place over receipting; and
- Reviewed credit control procedures in respect to sundry debtors and rate debtors.

2.2. Detailed findings and recommendations

Our review indicated the collection of money is in line with best practice and was found to be operating effectively.

Accordingly, we have no recommendations to raise in respect to the collection of money by the Shire.

3. Custody and security of money

3.1. Scope and approach

Reviewed the security of cash and banking procedures to ensure appropriate controls and procedures are in place.

Site visits were completed for the following locations operated by the Shire:

- Shire of Brookton Administration Office;
- Brookton Community Resource Centre; and
- Brookton Aquatic Centre.

The following procedures were completed (as applicable) at each site:

- Completed site visits to cash collection points and reviewed the controls and procedures over the collection, receipting, recording and banking of cash collected offsite;
- Reviewed the security of cash and banking procedures to ensure appropriate controls and procedures are in place; and
- Reviewed compliance with investment policy.

Please note – Testing completed and procedures performed in respect to custody and security of money should be reviewed in conjunction with "Section 2 – Collection of Money".

3.2. Detailed findings and recommendations

Our review indicated the custody and security of money is in line with best practice and was found to be operating effectively.

Accordingly, we have no recommendations to raise in respect to the custody and security of money by the Shire.

4. Maintenance and security of the financial records

4.1. Scope and approach

- Reviewed information technology (IT) systems to assess physical security, access security, data backups, contingency plans, compliance and systems development; and
- Reviewed registers maintained (including building key register, tender register, gifts and travel registers etc.) and Council minutes.

4.2. Detailed findings and recommendations

4.2.1 Key Security and Access to CRC Building

Finding Rating: Medium

Our observations and enquiries indicated the following in respect to key security and key registers:

- Keys at the Administration Office are kept in an open key cabinet throughout the day with any employee physically able to access these;
- Staff will on occasion use keys from the key cabinet without completing the key sign out book; and
- The same alarm code is used by all staff to access the CRC building.

Implication/Risks

Risk of unauthorised access to Council assets.

Recommendation

We recommend:

- Keys maintained at the Administration Office be stored in the locked key cabinet to ensure access is restricted to authorised personnel;
- Staff be required to complete the key sign out book when utilising Council keys; and
- Staff who require access to the CRC building be provided with their own unique alarm code.

Management Comment:

Procedures have been amended to approve the Administration Records Officer (ARO) as the authorised personnel for the key cabinets. Cabinets are locked at all times and access is required through the ARO.

The ARO is responsible for the signing out of keys.

A Security System Code register is currently being implemented at the CRC. This will ensure all employees are provided with an individual PIN for access to the CRC building and will form part of the Engagement Checklist.

Responsible Officer: Manager Corporate & Community **Completion Date:** 27/04/2023

4.2.2 Disaster Recovery Plan and Disposal of IT Equipment Policy

Finding Rating: Medium

During our review of Information Technology (IT) policies and procedures we noted the following:

- The Shire of Brookton's Disaster Recovery Plan adoption date is recorded as 18 February 2021 with a documented requirement to review annually. However, the plan does not appear to have been reviewed annually nor has the plan been tested; and
- The Shire does not have a documented IT policy for the disposal of IT equipment.

Implication/Risks

- Without regular reviewing and testing of the Disaster Recovery Plan the Shire may fail to identify and rectify any deficiencies in the plan, and in the event of an unforeseen circumstance the Shire may experience significant delays and business disruptions.
- Without a disposal of IT equipment policy there is a risk of misappropriation of the Shire's assets, or access to sensitive Shire information where the assets have not been disposed of securely and safely.

Recommendation

We recommend the Shire:

- Review and test the Disaster Recovery Plan on a regular basis to identify any deficiencies and update the plan accordingly; and
- Implement a disposal of IT equipment policy, communicating the policy to staff and ensuring ongoing monitoring of compliance with the policy.

Management Comment:

The Disaster Recovery Plan will be reviewed at the earliest convenience. A quote has been requested from our IT provider to assist with the annual review and expected to be undertaken in the 2023/24 financial year.

Implementation of a Disposal of IT Equipment Policy is currently underway and will be presented to Council by December 2023.

Responsible Officer: Manager Corporate & Community **Completion Date:** 27/04/2023

5. Accounting for municipal or trust transactions

5.1. Scope and approach

- Reviewed all monthly reconciliations including bank, sundry debtors, sundry creditors, fixed assets, rates debtors and rateable value reconciliations ensuring correctly reconciled and reviewed;
- Reviewed and tested in detail most recent municipal and trust bank reconciliations prepared;
- Reviewed processes in respect to BAS, FBT Return and other statutory returns preparation;
- Reviewed use of reserve funds and determined whether changes in reserve purposes have been budgeted or public notice was provided;
- Reviewed trust ledger balances; and
- Reviewed policies and procedures in respect to insurance, recording claims and insuring newly acquired assets.

5.2. Detailed findings and recommendations

5.2.1. Monthly Reconciliations

Finding Rating: Low

During our review of January 2023 monthly reconciliations, we identified the following reconciliations had not been signed to evidence a review had been completed:

- sundry debtors;
- rates debtors; and
- rateable values.

Furthermore, our enquiries indicated that while the Manager Corporate and Community reviews the electronic file relating to the monthly reconciliations and the monthly statement preparation, there is no evidence of independence review.

Implication/Risks

Risk of material misstatement or error not detected on a timely basis.

Recommendation

Reconciliations are a key control and should be reviewed by someone independent of the reconciliation function on at least a monthly basis.

Furthermore, we recommend there be evidence to indicate independent review of monthly financial statements.

Management Comment:

The End of Month Procedures have been reviewed and updated to ensure dual signage on all documents.

Whilst the individual documents were not dual signed the End of Month Checklist is reviewed and signed off by the Senior Finance Officer and Manager Corporate & Community.

The End of Month checklist has been amended to include the independent review of the Monthly Financial Statements and dual signing by the Senior Finance Officer and Manager Corporate & Community.

Responsible Officer: Manager Corporate & Community **Completion Date:** 27/04/2023

6. Authorisation for incurring liabilities and making payments

6.1. Scope and approach

- Reviewed controls and procedures over the authorisation of purchase orders and making of payments;
- Tested sample of payments to ensure compliance with stated procedures;
- Reviewed credit card processes and procedures, testing transactions on a sample basis;
- Reviewed petty cash processes and procedures, testing transactions on a sample basis;
- Completed sample testing of asset additions and asset disposals;
- Reviewed asset capitalisation and depreciation policy and ensure compliance with stated policies; and
- Reviewed new loans received ensuring budgeted for or public notice provided.

6.2. Detailed findings and recommendations

6.2.1. Tender Management

Finding Rating: Medium

During our review of tender management the following documents were not provided to us in respect to tender RFT 1-2020/2021:

- Advertisements;
- Request for tender documentation;
- Details of the opening of the tender; and
- Post tender review.

As a result, our sample testing with respect to tender management was limited to the documentation provided.

Implications / Risks

- Risk of non-compliance with tender processes and related legislation.
- Lack of documentation to support project evaluation outcomes.
- Lack of formalised documentation evidencing tender performance assessment.

Recommendation

We recommend all documentation during the tender process be retained and available for review.

Management Comment:

A Tender Checklist is to be implemented and communicated to appropriate staff to ensure compliance.

Responsible Officer: Manager Corporate & Community **Completion Date:** 27/04/2023

7. Maintenance of payroll, stock control and costing

7.1. Scope and approach

- Completed site visit to the depot to review security over stocks held and allocation / costings of stocks used (including fuel and inventory stocks);
- Reviewed of the allocation of public works overheads, plant operating costs and administration overheads completed;
- Reviewed payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure these controls were operating effectively;
- Reviewed procedures and policies in place in respect of human resource management legislative and compliance requirements, recruitment, performance appraisal, disciplinary and termination procedures and leave entitlements;
- Reviewed listing of leave taken by employees ensuring authorised leave forms completed; and
- Reviewed annual leave balances and identify employees with more than eight weeks annual leave.

7.2. Detailed findings and recommendations

7.2.1. Human Resources Policies and Procedures

Finding Rating: Medium

Our observations and enquiries in respect to human resources policies and procedures identified the Shire does not have documented policies or procedures for the following:

- staff recruitment;
- staff performance reviews; and
- training and development.

In addition, we noted the code of conduct was due for review in June 2022.

Implications / Risks

- Lack of policies and/or procedures and out dated policies and procedures may lead employees misunderstanding their roles and expectations, and may not reflect the actual practices followed by Shire representatives.
- Risk Code of Conduct being out of date and non-compliant.

Recommendation

We recommend:

- the above policies and procedures be prepared, approved, implemented through appropriate communication to employees and regularly monitored; and
- the code of conduct be reviewed in accordance with stated review date and updated if required.

Management Comment:

The Shire does not have a policy or procedure for staff recruitment, staff performance reviews, and training and development. In addition, the code of conduct was not reviewed in accordance with the stated review date of June 2022.
Staff will review existing HR policies and document required procedures by 30 September 2023.

The CEO will review the Employees Code of Conduct by 30 June 2023.

Responsible Officer: Chief Executive Officer **Completion Date:** 27/04/2023

7.2.2. Leave Testing Exceptions

Finding Rating: Low

Our sample testing in respect to leave management identified the following exceptions:

- sick leave forms were not provided for two employees selected;
- a sick leave form provided was not recorded in the leave entitlement report;
- occasions where the leave form did not specify the number of hours of leave taken; and
- long service leave accrued and held by other Local Government Councils is not currently recorded in Synergy.

Implications / Risks

Without accurate leave form management, there is a risk of material misstatement of leave provisions and individual leave balances.

Recommendation

We recommend:

- Leave forms be retained for all leave taken by employees and all leave forms specify the hours of leave taken;
- Leave forms be updated to include the number of hours of leave taken; and
- Long service leave owing from other Local Government Councils be recorded in Synergy to ensure adequate records are maintained relating to accurate leave provision balances as any point in time.

Management Comment:

Leave forms have been amended to include hours taken.

A Fortnightly Payroll Checklist is currently being implemented to ensure all leave forms retained for leave taken.

LSL is not currently detailed in SynergySoft, a manual spreadsheet is kept and reviewed annually which provides details of liability owed to other council's and owed by other council's providing a net balance reported in our Annuals.

Responsible Officer: Manager Corporate & Community **Completion Date:** 27/04/2023

7.2.3. Fuel Reconciliation

Finding Rating: Low

While testing the February 2023 fuel reconciliation, we noted a variance of 239.078 litres when comparing the actual fuel balance on hand of 3,213.652 litres to the calculated closing balance of 3,452.73 litres. Management advised the reason for the variance was fuel held in the service tanks is not included in the reconciliation.

Implications / Risks

Risks of error or fraudulent transactions.

Recommendation

We recommend:

- Fuel held in service tanks be included in the fuel reconciliation each month; and

- The Shire introduce a monthly tolerance variance for fuel and investigate variances above the tolerance each month.

Management Comment:
Fuel held in the service tank is currently included in the monthly reconciliation.

We will develop a policy for a fuel tolerance of 50 Litres per month and implement as soon as resources are available, all associated documents amended to reflect the level.

The Infrastructure Department will be responsible to investigate any discrepancies and communicate this to the appropriate staff.

Responsible Officer: Manager Infrastructure Works **Completion Date:** 27/04/2023

7.2.4. Termination checklist
Finding Rating: Low

For the termination payment selected for testing, we noted there was no formal termination checklist completed, ensuring all tasks relating to the employee's termination had been completed and all council property returned.

Implications / Risks
Risk tasks required to be undertaken following an employee's departure are not completed on a timely basis.

Recommendation
We recommend a formal termination checklist be developed which is required to be completed upon termination and signed off once completed.

Management Comment:
The finding relates to a termination prior to the implementation of the Termination Checklist in June 2022.

Council has been progressing with a range of improvements to address issues, the Termination Checklist has been amended to be prepared by the Payroll Officer and reviewed by the Manager Corporate & Community.

Responsible Officer: Manager Corporate & Community **Completion Date:** 27/04/2023

7.2.5. Payroll Testing Exceptions
Finding Rating: Low

Our testing of payroll on a sample basis identified the following:
- The monthly payroll reconciliation does not include a reconciliation to the payroll YTD report;
- An authorised superannuation deduction form sampled could not be provided; and
- An instance whereby the payroll report had not been signed by the preparer.

Implications / Risks
Increased risk of fraud or error relating to payroll process.

Recommendation
We recommend:

- the monthly payroll reconciliation include a reconciliation to the payroll YTD report;
- authorised superannuation deduction forms be retained for all employees; and
- all payrun reports be signed by the preparer.

Management Comment:
A fortnightly Payroll Reconciliation has been implemented to include reconciliation of payroll YTD.

The Engagement Checklist has been amended to include the Senior Finance Officer to dual sign new employee details into the SynergySoft System.

Procedures have been amended to ensure all changes to the Payroll accounting system are dual signed by the Finance Officer - Payroll and Manager Corporate & Community.

Responsible Officer: Manager Corporate & Community **Completion Date:** 27/04/2023

8. Preparation of budgets, budget reviews, accounts and reports required by the Act or Regulations

8.1. Scope and approach

- Reviewed policy and procedure manual;
- Reviewed the procedures for preparation of the monthly financial statements, annual financial statements and annual Budget, including assessment of accounting policy, notes and applicable reporting requirements and efficiency of the process;
- Reviewed monthly financial statements ensuring presented to Council within two months and information contained within monthly financial statements in accordance with Regulation 34 of *Local Government (Financial Management) Regulations 1996*;
- Reviewed the mid-year budget review to ensure compliance with Regulation 33A of the *Local Government (Financial Management) Regulations 1996* and assessment of budgetary expenditure controls in place;
- Ensured prior year audit report and management letter have been presented to audit committee and Council; and
- Reviewed compliance with Part 6 of *the Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*.

8.2. Detailed findings and recommendations

8.2.1. Fraud Management Policy

Finding Rating: Medium

Our enquiries indicated the Shire does not have a Fraud Management Policy in place.

Implications / Risks
In the absence of a documented Fraud Management Policy and Framework, the risk of fraud related events being undetected increases.

Recommendation
We recommend the Shire develop and implement a Fraud Management Policy and Framework. This Framework would provide a system of detection and prevention of fraud, reporting of any fraud or suspected fraud and appropriate dealing of issues relating to fraud. Once documented, this Framework should be implemented and appropriately communicated to staff.

Management Comment:
The Shire does not have a policy or framework for Fraud management. This will be implemented at the earliest time subject to resources being available.

Once adopted it will be communicated to the appropriate staff.

Responsible Officer: Manager Corporate & Community **Completion Date:** 27/04/2023

8.2.2. Compliance Audit Return Lodgement Date
Finding Rating: Low

As required by Regulation 15(1) of the *Local Government (Audit) Regulations 1996*, after the compliance audit return has been presented to the Council, a certified copy of the return is to be submitted to the Departmental CEO by 31 March next following the period to which the return relates. The 31 December 2021 compliance audit return was submitted to the Departmental CEO on the 19 April 2022.

Implications / Risks
Non-compliance with Regulation 15 of the *Local Government (Audit) Regulations 1996*.

Recommendation
We recommend in accordance with Regulation 15(1) of the *Local Government (Audit) Regulations 1996*, the compliance audit return be submitted to the Departmental CEO by 31 March each year. We noted the 2022 compliance audit return was lodged by 31 March 2023.

Management Comment:
High staff turnover in the 2021/22 financial year has adversely impacted the timelines for the Shire of Brookton.

New procedures have been put into place to ensure all future key reporting dates are met ensuring compliance requirements with Regulation 15 (1) of the Local Government (Audit) Regulations 1996.

Responsible Officer: Manager Corporate & Community **Completion Date:** 27/04/2023

8.2.3. Risk Management Framework and Risk Management Policy
Finding Rating: Low

A review of the Risk Management Framework and Risk Management Policy identified:
- a reference to the former standard AS/NZS ISO 31000:2009 in the framework, instead of the more recent standard AS/NZS ISO 31000:2018; and
- the Risk Management Policy 2.8 (as contained within the Framework) was last reviewed and amended in September 2021, however still referred to the former standard AS/NZS ISO 31000:2009.

Implications / Risks
Without updated policies and procedures, staff may be unaware of Council and management's expectations regarding how they manage Shire risks. This can lead to errors, fraud and/or non-compliance.

Recommendation
We recommend the Shire review and update the Risk Management Framework incorporating all risk related policies to reflect the updated standard.

Management Comment:
The Risk Management Framework and Policy will be reviewed as soon as practical and presented at the next available Ordinary Council Meeting for endorsement.

Responsible Officer: Manager Corporate & Community **Completion Date:** 26/04/2023

9. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation's ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation's objectives by maximising opportunities and minimising adverse effects.

Our guidance to risk classification in accordance with Risk Management- Principles and Guidelines Standard AS/ISO 31000:2018 and the Shire of Brookton's Risk Management framework is as follows:

Risk is the probability that an event or action may adversely affect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

- Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.
- Consequence is the severity of the impact that would result if the event were to occur.

Our guidance to risk classification in completing our review is as follow:

Measurement of Likelihood of Risk

Likelihood is the chance that the event may occur given knowledge of the organisation and its environment. The following table provides broad descriptions to support the likelihood rating:

LIKELIHOOD TABLE

Rating	Description	Frequency
Almost Certain	Event may be expected to occur in most circumstances	> once per year
Likely	Event may probably occur in most circumstances	At least once per year
Possible	Event should occur at some time	At least once in 3 years
Unlikely	Event could occur at some time	At least once in 10 years
Rare	Event may only occur in exceptional circumstances	< once in 15 years

**Above extracted from the Shire of Brookton's Risk Management Framework*

Risk of Analysis Matrix – Level of Risk

Finding Rating for each audit issue was based on the following table:

LEVEL OF RISK GUIDE

Risk Matrix

Consequence / Likelihood	Insignificant	Minor	Medium	Major	Extreme
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

**Above extracted from the Shire of Brookton's Risk Management Framework*

Finding/Risk Acceptance Rating

RISK ACCEPTANCE CRITERIA

Risk Rating	Action
LOW	Monitor for continuous improvement
MEDIUM	Comply with risk reduction measures to keep risk as low as reasonably practical
HIGH	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable
SEVERE	Unacceptable. Risk reduction measures must be implemented before proceeding

**Above extracted from the Shire of Brookton's Risk Management Framework*

8.07.23.02	REVIEW POLICY 2.8 RISK MANAGEMENT & RISK MANAGEMENT FRAMEWORK
File No:	N/A
Date of Meeting:	13 July 2023
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Deanne Sweeney – Manager Corporate and Community
Authorising Officer:	Gary Sherry – Chief Executive Officer
Declaration of Interest:	The author and authorising officer do not have an interest in this item
Voting Requirements:	Simple Majority
Previous Report:	N/A

Summary of Report:
The Audit and Risk Committee is to consider endorsement of amendments to Policy 2.8 Risk Management and the Risk Management Framework following the Financial Management Review.

Description of Proposal:
Staff have reiviewed the Shire of Brookton's systems and procedures in relation to risk management. It has been identified that minor changes are required to

1. Policy 2.18 Risk Management and Attachment, included at Attachment 8.07.23.02A
2. Risk Management Framework included at Attachment 8.07.23.02B

The relevant changes are identified in red text to reflect the changes.

The review identified a reference to the former standard AS/NZS ISO 31000:2009 in the framework, instead of the more recent standard AS/NZS ISO 31000:2018; and the Risk Management Policy 2.8 (as contained within the Framework) was last reviewed and amended in September 2021, however still referred to the former standard AS/NZS ISO 31000:2009.

The amended policy provides greater clarification to staff on Council and management's expectations regarding how they manage risks and ensuring compliance.

Background:
Section 6.10 of the Local Government Act 1995 and Regulation 17 of the Local Government (Audit) Regulations 1996 requires the Chief Executive Officer to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance, and report the results of the review to the Audit (and Risk) Committee.

Consultation:
Consultation has occurred between Chief Executive Officer and Manager Corporate & Community.

Statutory Environment:

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.

Local Government Act 1995 S6.14
Work Health and Safety Act 2020
Work Health and Safety (General) Regulations 2022
AS/NZS 4360: 2004 Risk Management
Local Government Audit Regulations - *17*

Relevant Plans and Policy:
There are a number of policies that align to the Risk Management Framework:

- Policy 2.2 Occupational Safety and Health
- Policy 2.5 Fit for Work
- Policy 2.8 Risk Management
- Policy 2.16 Significant Accounting Policies
- Policy 2.18 Use of Corporate Credit Cards
- Policy 2.19 Financial Reserves Policy
- Policy 2.29 Working from Home
- Policy 2.43 Internal Audit Charter

The recommendation proposes amendments to the existing Policy 2.8.

Financial Implications:
There are no known financial implications to the 2023/24 budget applicable to this policy.

Risk Assessment:
On assessment against the Risk Matrix table below, the risk in relation to the amended policy and framework is assesses as "Low".

Consequence / Likelihood	Insignificant	Minor	Moderate	Major	Extreme
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Rating	Action
LOW	Monitor for continuous improvement.
MEDIUM	Comply with risk reduction measures to keep risk as low as reasonably practical.
HIGH	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.
SEVERE	Unacceptable. Risk reduction measures must be implemented before proceeding.

Community & Strategic Objectives:
This item relates to delivery of core business and services detailed in the Shire of Brookton Corporate Compendium – October 2020, duly appended to the Brookton Corporate Business Plan <2032.

Specifically, the amended Policy supports the following Business Unit and Functions

19. Risk Management
19.1 Review Risk Management Policy
19.2 Perform risk assessments
19.3 Implement risk mitigation measures

Comment
These documents are fundamental and essential to managing risk as part of governance and are fundamental to how the organisation is managed at all levels and will contribute to continuous improvement of management systems.

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee recommends that Council adopts:

1. Policy 2.8 Risk Management as included at Attachment 8.07.23.02A; and

2. the Shire of Brookton Risk Management Framework as included at Attachment 8.07.23.02B.

(Simple Majority vote required)

ARC 07.23-03
COMMITTEE RESOLUTION
MOVED Cr Bell SECONDED Cr Crute

That the Audit and Risk Committee recommends that Council adopts:

***1. Policy 2.8 Risk Management as included at Attachment* 8.07.23.02A; and**

***2. the Shire of Brookton Risk Management Framework as included at Attachment* 8.07.23.02B.**

CARRIED BY SIMPLE MAJORITY VOTE 3/0

For: Cr Crute, Cr Bell, Mr Pech
Against: Nil

Attachments
Attachment 8.07.23.02A – Policy 2.8 Risk Management (as amended)
Attachment 8.07.23.02B – Shire of Brookton Risk Management Framework (as amended)

2.8 RISK MANAGEMENT

Directorate:	Executive			
Statutory Environment:	~~*Occupation Safety and Health Act 1984 and 2005 amendments*~~ *Work Health and Safety Act 2020* ~~*Occupational Safety and Health Regulations 1996, and 2005 amendments*~~ *Work Health and Safety (General) Regulations 2022* *AS/NZS 4360: 2004 Risk Management* *Local Government Audit Regulations - 17*			
Council Adoption:	**Date:**	Oct 2016	**Resolution #:**	13.06.08.04
Last Amended:	**Date:**	Sept 2021	**Resolution #:**	OCM 09.21-11
Review Date:	June 2023			

Purpose:
The Shire of Brookton's ("the Shire") Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire's strategies, goals or objectives.

Policy:
It is the Shire's Policy to achieve best practice aligned with AS/NZS ISO 31000:~~2009~~ 2018 Risk management in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the strategic, operational, project and line management responsibilities and where possible, be incorporated within the Shire's Integrated Planning Framework.

The Shire's Senior Management Group will implement and communicate the Risk Management policy, objectives and procedures, as well as direct and monitor implementation, practice and performance.

Every employee, Elected Member, volunteer and contractor within the Shire is recognised as having a role in risk management.

Consultants may be retained at times to advise and assist in the risk management process or management of specific risks or categories of risk.

Definitions (from AS/NZS ISO 31000:~~2009~~ 2018):

- *Risk* means Effect of uncertainty on objectives.

  Note 1: *An effect is a deviation from the expected – positive or negative.*
  Note 2: *Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product, or process).*

- *Risk Management* means Coordinated activities to direct and control an organisation with regard to risk.

- *Risk Management Process* means systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Objectives:

- Optimise the achievement of the Shire's vision, experiences, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations.

Risk Appetite:

- The Shire defined its risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.
- All organisational risks reported at a corporate level are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation's appetite and are to be noted within the individual risk assessment and approved by the CEO.

Roles, Responsibilities & Accountabilities:
Council's role with assistance from the Audit and Risk Committee is to –

- Review and approve the Shire's Risk Management Policy and Risk Assessment and Acceptance Criteria.
- Liaise with Office of the Auditor General in its assessment and reporting on financial statements and performance standards annually.
- Establish and maintain an Audit and Risk Committee under provisions of the *Local Government Act, 1995* with the charter to oversee the identification of relevant risks and associated actions of mitigation across all finance and operational areas.

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures (Operational Document).

Monitor & Review:
The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

This policy will be kept under review by the Shire's Senior Management Group and will be formally reviewed by Council biennially.

Shire of Brookton

Risk Management Framework

Risk Management Policy &
Risk Management Procedures

June ~~October~~ 2019~~3~~23
Version: 2 ~~1~~

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Distribution List

Position - Organisation	Number of Copies
Shire President - Shire of Brookton	1
Chief Executive Officer - Shire of Brookton	1
Manager Corporate and Community – Shire of Brookton	1
Manager Infrastructure and ~~Emergency~~ Works – Shire of Brookton	1
Shire Councillors - Shire of Brookton	6
Local Emergency Management Committee (LEMC) – Shire of Brookton	4

Version Control

Version Number	Date	Amendment Details	Amended by
1	31/10/19	Version 1 created.	PCO
1	15/06/23	Version 2 - Reviewed in June 2023	MCC

References and related documents

The content of this document has been sourced from Shire of Brookton Policy 2.8 – Risk Management and AS/NZS 31000:~~2009~~2018 - Risk Management Principles and Guidelines.

Document Title	Document Location
AS/NZS 31000:2009 Risk Management – Principles and Guidelines	~~G:\AA KEYWORD STRUCTURE\RISK MANAGEMENT\POLICY\ ASNZS 31000200918 - Risk Management Principles and Guidelines - Extract~~
Shire of Brookton Business Continuity Plan	G:\AA KEYWORD STRUCTURE\RISK MANAGEMENT\ PLANNING
Shire of Brookton Local Emergency Management Arrangements	G:\AA KEYWORD STRUCTURE\EMERGENCY SERVICES\ PLANNING\EMERGENCY MANAGEMENT PLAN\ ADM0158 - LOCAL EMERGENCY MANAGEMENT COMMITTEE (LEMC)
Shire of Brookton Emergency Plan	G:\AA KEYWORD STRUCTURE\OCCUPATIONAL SAFETY & HEALTH\EMERGENCY PLANS

Glossary

Term	Definition
Business Continuity Planning	A process which documents a plan to manage the realisation of risk, ensuring that the business can operate to the extent required in the event of an incident.
Consequence	The outcome or result of an incident.
Context	The circumstances that form the setting for an event, statement or idea, and in terms of which it can be fully understood.
Controls	Actions that can be taken to reduce the severity or likelihood of this risk occurring.
Framework	A set of components that provide a foundation.
Likelihood	Chance of something occurring
Risk	Effect of uncertainty on objectives.
Risk Appetite	The amount of risk an organisation is willing to take on in order to achieve its objectives
Risk Assessment	Combined process of risk identification, risk analysis and risk evaluation.
Risk Management	Coordinated activities to direct and control an organisation with regard to risk.
Risk Management Process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.
Risk Owner	Staff member with the accountability and authority to manage a risk
Risk Rating	Risk priority based on consequence and likelihood assessments
Risk Register	Register of all identified risks, their consequences, likelihood, rating and treatments

Risk Management Policy

2.8 RISK MANAGEMENT

Directorate:	Executive			
Statutory Environment:	~~*Occupation Safety and Health Act 1984 and 2005 amendments*~~ *Work Health and Safety Act 2020* ~~*Occupational Safety and Health Regulations 1996, and 2005 amendments*~~ *Work Health and Safety (General) Regulations 2022* *AS/NZS 4360: 2004 Risk Management* *Local Government Audit Regulations - 17*			
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Purpose:
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Policy:
It is the Shire's Policy to achieve best practice aligned with AS/NZS ISO 31000:~~2009~~ 2018 Risk management in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the strategic, operational, project and line management responsibilities and where possible, be incorporated within the Shire's Integrated Planning Framework.

The Shire's Senior Management Group will implement and communicate the Risk Management policy, objectives and procedures, as well as direct and monitor implementation, practice and performance.

Every employee, Elected Member, volunteer and contractor within the Shire is recognised as having a role in risk management.

Consultants may be retained at times to advise and assist in the risk management process or management of specific risks or categories of risk.

Definitions (from AS/NZS ISO 31000:~~2009~~ 2018):

- *Risk* means Effect of uncertainty on objectives.

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- *Risk Management Process* means systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Objectives:

- Optimise the achievement of the Shire's vision, experiences, strategies, goals and objectives.
- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.
- Enhance risk versus return within our risk appetite.
- Embed appropriate and effective controls to mitigate risk.
- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.
- Enhance organisational resilience.
- Identify and provide for the continuity of critical operations.

Risk Appetite:

- The Shire defined its risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.
- All organisational risks reported at a corporate level are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation's appetite and are to be noted within the individual risk assessment and approved by the CEO.

Roles, Responsibilities & Accountabilities:

Council's role with assistance from the Audit and Risk Committee is to –

- Review and approve the Shire's Risk Management Policy and Risk Assessment and Acceptance Criteria.
- Liaise with Office of the Auditor General in its assessment and reporting on financial statements and performance standards annually.
- Establish and maintain an Audit and Risk Committee under provisions of the *Local Government Act, 1995* with the charter to oversee the identification of relevant risks and associated actions of mitigation across all finance and operational areas.

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures (Operational Document).

Monitor & Review:

The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

This policy will be kept under review by the Shire's Senior Management Group and will be formally reviewed by Council biennially.

Introduction

All organisations have internal and external factors and influences that make it uncertain as to whether or not they will achieve their objectives. Fundamentally, this uncertainty on the organisations objectives is called risk.

Everything an organisation does involves some form of risk. Risk is managed by anticipating, identifying, analysing and then deciding if it is an acceptable level of risk, or if actions can be taken to reduce it, to an acceptable level of risk.

This document presents the Shire's Risk Management Policy, processes and procedures which combine to form a tailored Risk Management Framework. This Framework outlines the Shires individual approach to incorporating these concepts at an organisational level.

Abiding by this framework will establish corporate governance, legislative and regulatory compliance balanced with the resources available whilst taking human and cultural factors into account.

The following flow chart (**Figure 1**) illustrates the relationships between the risk management principles, framework and process.

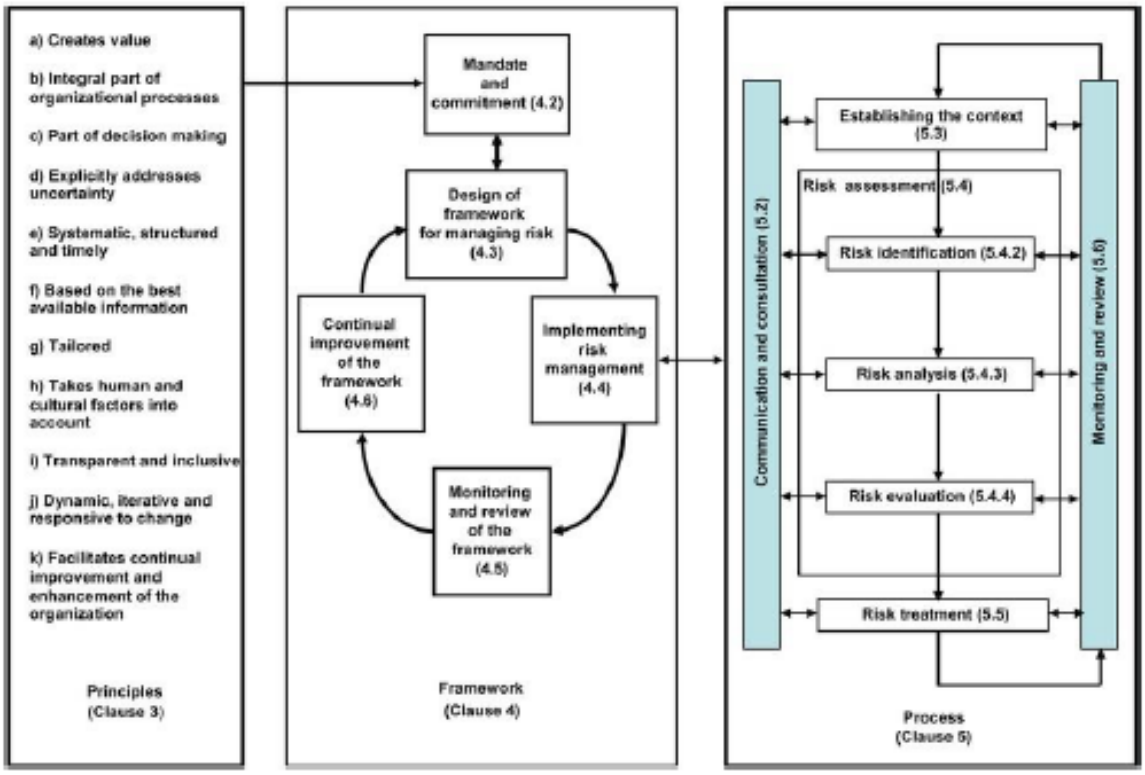


Figure 1: Relationships between the risk management principles, framework and process. ~~(Source: AS/NZS 31000:2009)~~

Three Step Risk Governance Structure

First Step

Operational areas of the Shire are the first step in ensuring risks within their scope are:

- Identified
- Reported
- Assessed
- Managed
- Monitored

Each Business Unit is accountable for all activities within their scope and responsible for:

- Establishing and implementing appropriate processes and controls.
- Completing required documentation, analysis and review.

Second Step

The Senior Management Group are the Second Step in the risk management process. In addition to individual Business Unit responsibilities the Senior Management Group provide independent oversight of risk matters as required, co-ordination of the Shire's risk reporting for the CEO, Audit Committee and Council.

Third Step

The Third Step consists of external and internal audits to assess the effectiveness of the First and Second Steps.

Internal Audits will be conducted on control processes and procedures under direction from the CEO. The Audit and Risk Committee may provide input on the direction and scope of these audits.

External Audits are conducted by the Office of the Auditor General (AOG) as required by legislation. Results are reported to the CEO and Audit and Risk Committee, as well as external parties where applicable.

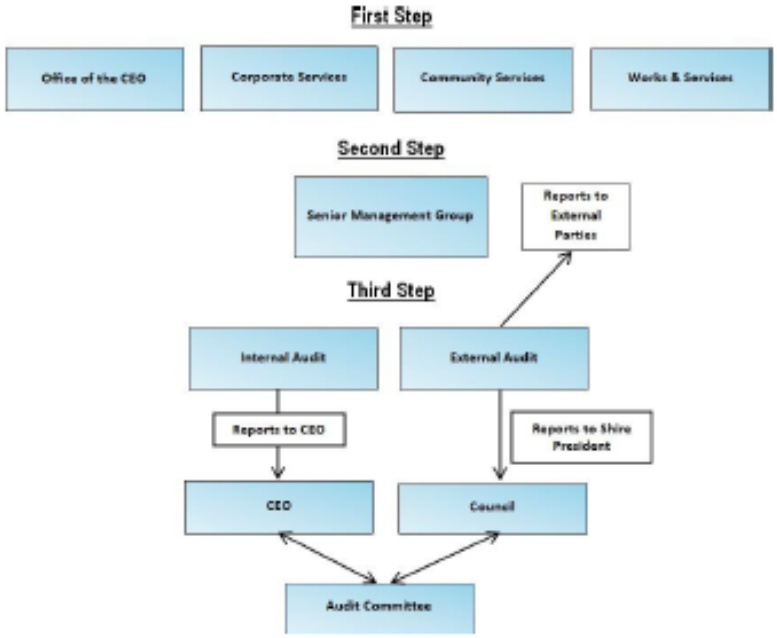


Figure 2: Three Step Governance Structure

Roles & Responsibilities

All staff need to be familiar with the application of the risk management process across their areas of responsibility.

Council

- Establish and maintain an Audit and Risk Committee.
- Facilitate resources, review and approve the Shire's Risk Management Policy and Framework.
- Liaise with Office of the Auditor General (AOG) to report on financial statements annually and the AOG is satisfied with measures being taken to mitigate risk.
- To review and consider any report or recommendation regarding the Risk Management Framework.

Audit Committee

- Oversee external and internal audit functions.
- Promote high level the transparency and accountability of the Shire's financial management systems and reporting.
- Manage the Shire's risk exposure.
- Drive a culture of continuous improvement, including adequacy of accounting, internal control, risk management, reporting and other financial management systems and practices.
- Liaise with the Office of the Auditor Genera (AOG) on all matters detailed in its Terms of Reference.
- Independently oversee all matters related to the conduct of external audits.

Chief Executive Officer (CEO)

- Ensure an effective risk management framework is implemented, applied and maintained across all Council functions.
- Allocate roles, responsibilities and accountabilities.
- Conduct internal audits as directed by the Audit and Risk Committee and as required by legislation.
- Make adequate resources available for risk management planning and implementation.
- Ensure Managers have the necessary knowledge and skills to effectively fulfil their risk management responsibilities.
- Perform regular risk management planning, review and where necessary training to effect mitigation.

Senior Management Group

- Liaise with Council and the Audit and Risk Committee on Risk Management matters.
- Review and report on the Shire's Risk Management Framework.
- Encourage, embrace and enhance a risk management culture within the Shire.
- Evaluate emerging risks, issues and topics with a pro-active approach to mitigation.
- Document risk management decisions and actions.
- Own and manage Risk Assessments at an organisational level.
- Incorporate the following risk items into Senior Management Meeting agendas:
    - New or emerging risks.
    - Review existing risks.
    - Control adequacy.
    - Outstanding issues and actions.

~~Process and Compliance Officer (PCO) – Risk Framework Owner~~

- ~~Draft and implements governance procedures for the framework.~~
- ~~Promote risk management within operational areas.~~
- ~~Underpin reporting requirements to the CEO, Audit and Risk Committee and Council on all risk related matters.~~
- ~~Provide relevant tools and training.~~
- ~~Identify and monitor risk related Key Performance Indicators (KPI's).~~
- ~~Perform internal audit functions under direction from the Audit and Risk Committee and/or CEO.~~

Managers

- Direct, encourage and embrace risk management implementation and culture within work areas.
- Own, manage and report on risk issues, as required.
- Ensure emerging risks and related issues are addressed in a timely manner and suitable form.
- Establish and implement appropriate processes and controls with assistance of the PCO.
- Complete required documentation, analysis and review, including Risk Management Action Plans and Risk Acceptance forms.
- Ensure the inclusion of risks in the Shire's Risk Register.
- Identify and monitor risk related Key Performance Indicators (KPI's).
- Identify and re-evaluate risks as a minimum of annually.

Employees (and Contractors)

- Adhere to safe work practices and perform duties in a safe manner.
- Identify and report identified risk in areas of responsibility.
- Assist in development and effective implementation of risk management controls.
- Participate in and take any actions identified by the risk management process.

Risk Management Assessment Process

1. Establishing Context

The first step in the risk management process is to define the context within which risks are to be assessed. This establishes a start point to assess the risk against the Shire's Strategic, Operational and Project related objectives.

There are two key types of risk context:

Internal context may include the organisation's culture, process, structure and strategy. Management involves looking at the ways in which an organisation carries out its day to day business, operational activities and cultural factors, which are often changeable by the management structure.

External context may include political, legal, regulatory and social environment. Management involves looking at the environment within which an organisation operates, such as legal framework and changes not usually controlled by the organisation itself.

Risk is not limited to one category or factor as exposure can be varied and come from a variety of sources. Grouping risks into categories can assist in defining context and responsibility. See Appendix 3 – Control Effectivity Table and Risk Category Definitions.

2. Risk Assessment

All Business Units need to undertake Risk and Control Assessments on an ongoing basis. For Risk Assessment Template see Appendix 4.

It is important to consider the risks involved in pursuing or not pursuing an opportunity. All significant causes and consequences should be considered under this Framework.

Each Manager needs to ensure Risk Assessments are:

- Reflective of and relevant to the Shire's actual risk environment.
- Reviewed annually as a minimum.
- Completed in standard format aligned to this Framework.

Accordingly, each Manager is to perform the following:

a) Risk Identification – means identifying sources of risk, areas of impact, events, opportunities, failure to innovate, their causes and potential consequences. The aim is to generate a list of risks based on those impacts or events.

b) Risk Analysis – involves researching and understanding the risk and the influencing factors. It provides input to evaluation and decisions on the most appropriate action to be taken. The outcome of these assessment tools is called a Risk Rating.

   The Risk Rating is determined by identifying the appropriate risk status on the Consequence and Likelihood Tables and applying these descriptor levels to the Risk Matrix. See Appendices 1 – Consequence Table and 2 – Likelihood Table, Risk Matrix and Risk Tolerance Table.

c) Risk Evaluation – based on the Risk Rating it can be determined:

   - Treatment such as controls is required.
   - Existing controls are adequate.
   - The priority for treatment requires implementation.
   - The risk is acceptable with the decision being documented and status being monitored and reviewed annually as a minimum.
   - The risk is beyond acceptance level after implementation of controls.

3. Risk Treatment

Risk Treatment involves identifying one or more options to modify risks and determining how to implement options. Once implemented treatments can provide or modify efforts to control or mitigate the risk.

Treatment options or controls may include avoiding the risk entirely, accepting the risk to pursue an opportunity, removing the source of risk, changing the likelihood of occurrence, altering the consequence level, sharing the risk, retaining the risk by an informed decision and documenting the risk tolerance.

4. Risk Acceptance

Reasonable efforts should always be taken to reduce the risk. A lack of budgeted funds is not, in itself, sufficient justification to accept a risk.

The Shire will tolerate a certain "acceptance" level of risk. Risks rated low or moderate should be monitored in line with the relevant Business Unit processes and systems. See Appendix 2 – Likelihood Table, Risk Matrix and Risk Acceptance Table.

Risk Acceptance is a management decision to be made within authority levels. A Risk Acceptance Declaration must be made in writing and signed by the appropriate Manager on the bottom of the completed Risk Assessment form.

5. Communication and Consultation

Throughout the risk management process stakeholders should be identified, consulted and involved or informed of outcomes from the risk management process, where necessary.

Risk Management awareness and training will be provided to staff as part of the Occupational Safety and Health program, and included in new employee inductions.

6. Monitoring and Review

Risk Register

The CEO ~~PCO~~ will maintain the Shire's Risk Register. As risks are identified they are to be logged on the register as are the actions taken to respond to identified risks.

Key Performance Indicators

Key Performance Indicator's (KPI's) are a measurable value which demonstrates how effectively core business objectives are being met. KPIs are not just arbitrary numbers, they express something strategic and measurable about what the organisation is trying to do, in this case monitoring trends in risk and validating treatments and controls.

When identifying KPI's the main points to ensure are that:

- Risk descriptions and casual factors are fully understood.
- The indicator is directly relevant to the risk or control.
- Predictive indicators are adopted wherever possible.
- Adequate coverage of monitoring risks and controls is provided.
- Quality data is received, documented, and used.

The trend of indicators is specifically used as an input to the Risk Assessment Template – Appendix 4.

Trend tolerances are set in accordance with the Shire's Risk Appetite. They may be set and agreed over three levels:

- Green – within appetite, no action required.
- Amber – indicator must be closely monitored, relevant controls set and implemented to bring the measure back within the green tolerance level.
- Red – beyond risk appetite. Indicator must be escalated to the CEO and Senior Management Group where appropriate actions are to be set and implemented to bring the measure back within acceptable appetite.

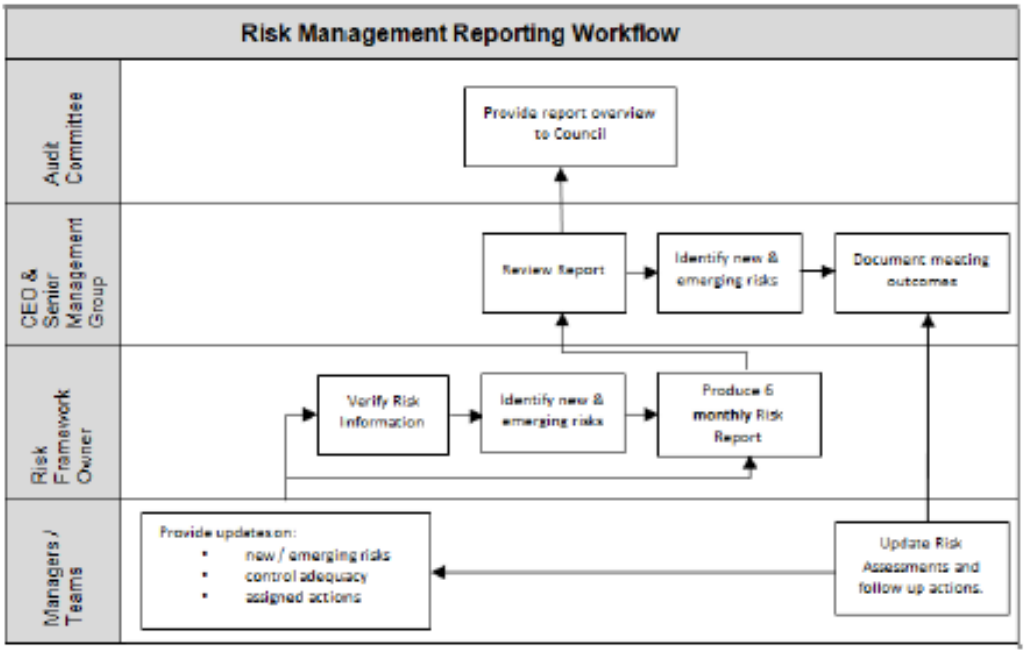
An example of a risk management KPI is to complete 'Take 5' assessments. These brief written assessments are designed to make the person undertaking them stop what they are doing, analyse the scene, take any available actions to mitigate the associated risks and document the circumstances before starting work.

Completed Take 5's can be counted and used as a KPI that these assessments are being carried out, hazards are being identified, addressed and reported. The resulting data can be captured and used to monitor the actual work environment.

Reporting

In addition to monitoring the performance of risk and hazard identification, reporting procedures and responsibilities, it is important to monitor the broader effectiveness of the framework to ensure it is continually being improved, creating value and effective in mitigating risk for the organisation. If the Framework is not fit for purpose it needs to be reported, addressed by the Senior Management Group and reviewed by the Audit and Risk Committee.

Individual documentation review anniversaries have been identified throughout the framework and should be included on the Risk Register and individual Risk Assessments and Risk Acceptance forms.



Appendix 1 - Consequence Table

RATING	PEOPLE	SERVICE DELIVERY	REPUTATION	COMPLIANCE	ASSETS	ENVIRONMENTAL	FINANCIAL
Insignificant	No injury, near miss, no impact on morale.	< 1 hour interruption to business or customers.	Some local complaints. Low or no media or political attention.	No regulatory or statutory impact.	Inconsequential damage.	Contained, immediately reversible impact managed by on site response.	$0 - $10,000
Minor	Minor First Aid treatment only. Negligible impact on morale or business.	< 1 day interruption to customers or business.	Minor community concern - no adverse effects. Some media or political attention.	Temporary non-compliance.	Minor damage rectified by routine internal procedures.	Minor impact, reversible in < 1 week by internal response.	$10,000 to $50,000
Moderate	Medical attention required. Lost time injury <30 Days. Short term effect on morale & business.	< 1 week day interruption to customers or business.	Significant community concern – minor adverse effects. Significant media or political attention.	Temporary non-compliance, minor penalties imposed.	Minor damage requiring external resources to rectify.	Moderate impact, potential to spread, can be reversed with intensive efforts.	$50,000 to $200,000
Major	Temporary disability Lost time injury >30 days. Significant impact on morale & business.	< 1 month interruption to customers or business. BCP activation.	Substantial community concern – adverse effects. Substantial media or political attention.	Non-compliance resulting in termination of service or substantial penalties.	Significant damage requiring internal & external resources to rectify.	Significant impact, likely to spread, danger of ongoing damage.	$200 000 to $500,000
Extreme	Major injury, permanent disability or fatality. Long term effect on morale & business.	> 1 month interruption to customers or business. BCP activation.	Irreparable damage to community or Shire reputation. Prolonged media or political attention.	Non-compliance results in litigation, criminal charges or significant damages or penalties.	Extensive damage requiring significant internal & external resources to rectify. Total loss of asset.	Major impact, irreversible damage.	> $500,000

Appendix 2 – Likelihood Table, Risk Matrix and Risk Acceptance Table

Likelihood Table

Rating	Description	Frequency
Almost Certain	Event may be expected to occur in most circumstances	> once per year
Likely	Event may probably occur in most circumstances	At least once per year
Possible	Event should occur at some time	At least once in 3 years
Unlikely	Event could occur at some time	At least once in 10 years
Rare	Event may only occur in exceptional circumstances	< once in 15 years

Risk Matrix

Consequence / Likelihood	Insignificant	Minor	Medium	Major	Extreme
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Acceptance Table

Risk Rating	Action
LOW	Monitor for continuous improvement.
MEDIUM	Comply with risk reduction measures to keep risk as low as reasonably practical.
HIGH	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.
SEVERE	Unacceptable. Risk reduction measures must be implemented before proceeding.

Appendix 3 – Control Effectivity Table and Risk Category Definitions.

Control Effectivity Table

Rating	Foreseeable	Description
Effective	Little scope for improvement.	Controls are operating as intended, aligned to Policies & Procedures, subject to ongoing maintenance & monitoring and being continuously reviewed and tested.
Adequate	Some scope for improvement.	Some inadequacies identified, controls are in place, being addressed and complied with and are subject to periodic review and testing.
Inadequate	Corrective action or improvement needed	Controls not operating as intended or do not exist, are not being addressed/complied with or have not been reviewed or tested for some time.

Risk Category Definitions

Risk Category	Examples	Responsible Business Unit
Teaching, training and learning	Insufficient implementation of risk management processes.	Executive (CEO)
Human Resources	Breaching employee regulations.	Executive (CEO)
Health and Safety	Documentation process not followed.	Executive (CEO)
Organisational Environment	Customer Service Charter failure	Executive (CEO)
Community Engagement	Public Notice undistributed	Community
Governance & Compliance	Noncompliance notice issued	Corporate
Financial	Invoices not paid in a timely manner.	Finance
Infrastructure	Inadequate maintenance activities	Infrastructure
IT & Record Keeping	System failure	Corporate
Ethics & Misconduct	Breach of Code of Conduct	Executive (CEO)
Procurement	Exceedance of authorisation limit	Corporate
Emergency Response	Inadequate incident response	Emergency

Appendix 4 - Risk Assessment Template

Risk Assessment Template

Shire of Brookton
Growing the future

Risk Context:		**Date:**	
Risk Category:			
Risk Identification/Description: What could go right or wrong?			
Risk Analysis			
Potential causes:			
Existing Treatments and Controls:			**Effectivity Rating**
		Overall Control Ratings:	
Consequence:			**Determination**
		Consequence	
		Likelihood	
		Risk Rating	

Actions / Treatments/ Issues	**Due Date**	**Responsibility**

Indicators, monitoring and review	**Tolerance**	**Date**	**Result**

Risk Acceptance Declaration	**Date**	**Role**	**Signature**
Comments:			

8.07.23.03 2022/23 AUDIT - INTERIM MANAGEMENT LETTER - JUNE 2023

File No:	FIN 007C
Date of Meeting:	13 July 2023
Location/Address:	Shire of Brookton
Name of Applicant:	Office of the Auditor General
Name of Owner:	N/A
Author/s:	Deanne Sweeney – Manager Corporate and Community
Authorising Officer:	Gary Sherry – Chief Executive Officer
Declaration of Interest:	The author and authorising officer do not have an interest in this item
Voting Requirements:	Simple Majority
Previous Report:	N/A

Summary of Report:
The Audit and Risk Committee to is to review the Interim Management Letter and recommend that Council receive the Interim Management Letter.

Description of Proposal:
Nexia Australia audit staff visited the Shire of Brookton on the 22 to 25 May 2023 to conduct the Interim Audit for the year ending 30 June 2023.

As a result of their review, no matters were raised in the 2023 Interim Management Letter, included at Attachment 8.07.23.03A.

Background:
Nexia Australia are the Office of the Auditor General's contracted auditors who complete the Shire of Brookton's audit work on behalf of the Office of the Auditor General.

Consultation:
Chief Executive Officer, Office of the Auditor General and Nexia Australia.

Statutory Environment:
Local Government Act 1995 and associated regulations

Relevant Plans and Policy:
1.13 Council Committees – Terms of Reference and 2.8 Risk Management.

Financial Implications:
There are no known financial implications upon either the Council's current budget or Strategic Resource Plan.

Risk Assessment:
Failure to monitor the Shire's ongoing internal controls and risks would impact the organisations obligations to achieve legislative compliance.

Consequence / Likelihood	Insignificant	Minor	Moderate	Major	Extreme
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Rating	Action
LOW	Monitor for continuous improvement.
MEDIUM	Comply with risk reduction measures to keep risk as low as reasonably practical.
HIGH	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.
SEVERE	Unacceptable. Risk reduction measures must be implemented before proceeding.

Community & Strategic Objectives:
This proposal relates to delivery of core business and services detailed in the Shire of Brookton Corporate Compendium – October 2020, duly appended to the Next Generation BROOKTON Corporate Business Plan <2021.

Specifically, the proposed amendments to the Delegation Register aligns to the following Business Unit and Function:

18. Financial Control
18.2 Conduct external/internal audits and reporting
18.6 Co-ordinate annual audits processes
18.7 conduct Audit Committee Meetings

Comment
There were no findings contained within the Interim Audit Management Letter in the current audit.

The corporate business unit will continue to identify improvements of internal controls to improve efficiencies within the organisation.

OFFICER'S RECOMMENDATION
That the Audit and Risk Committee recommends to Council:

1. to receive the Interim Management Letter from the Interim Audit for the Year ended 30 June 2023, as presented; and

2. to note there are no further actions required by the Chief Executive Officer.

(Simple Majority vote required)

ARC 07.23-04

COMMITTEE RESOLUTION
MOVED Mr Pech SECONDED Cr Bell

That the Audit and Risk Committee recommends to Council:

1. **to receive the Interim Management Letter from the Interim Audit for the Year ended 30 June 2023, as presented; and**

2. **to note there are no further actions required by the Chief Executive Officer.**

CARRIED BY SIMPLE MAJORITY VOTE 3/0

For: Cr Crute, Cr Bell, Mr Pech
Against: Nil

Attachments

Attachment 8.07.23.03A – Shire of Brookton 2023 Financial Management System Review

Office of the Auditor General
Serving the Public Interest

7th Floor, Albert Facey House
469 Wellington Street, Perth

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PO Box 8489
PERTH WA 6849

Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Our Ref: 7887

Mr Gary Sherry
Chief Executive Officer
Shire of Brookton
PO BOX 42
BROOKTON WA 6306

Dear Sir

ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2023

We have completed the interim audit for the year ending 30 June 2023. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to primarily evaluate your financial control environment, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management control issues
The result of the interim audit was satisfactory. An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7609 if you would like to discuss these matters further.

Yours faithfully

Jordan Langford-Smith
Senior Director
Financial Audit
29 June 2023

8.07.23.04 REVIEW OF THE AUDIT & RISK COMMITTEE TERMS OF REFERENCE

File No:	N/A
Date of Meeting:	13 July 2023
Location/Address:	N/A
Name of Applicant:	N/A
Name of Owner:	N/A
Author/s:	Deanne Sweeney – Manager Corporate and Community
Authorising Officer:	Gary Sherry – Chief Executive Officer
Declaration of Interest:	The author and authorising officer do not have an interest in this item
Voting Requirements:	Simple Majority
Previous Report:	N/A

Summary of Report:
The Committee is to consider recommendations to Council arising from the biennial review of the Terms of Reference for the Audit and Risk Committee, prior to the next Local Government Ordinary Election being held in October 2023.

Description of Proposal:

As per 7.6.2 of the Audit & Risk Committee terms of reference, the Audit & Risk Committee is to review its performance and terms of reference biennially and report to Council.

The Audit & Risk Committee Terms of Reference, with the recommended minor amendments, is included at Attachment 8.07.23.04A.

Background:

Council must appoint an Audit & Risk Committee to oversee financial reporting, internal control structure, risk management systems, legislative compliance, ethical accountability, and the internal and external audit functions. The Committee makes recommendations and reports to Council on these matters.

The primary objective of the Audit Committee is to accept responsibility for the annual external audit and liaise with the local governemnt's auditor so that Council can be satisfied with the performance of the local government in managing its financial afffairs.

In accordance with clause 7.6.2 of the Audit and Risk Committee Terms of Reference, the committee is required to, biennially review its terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to Council for approval.

Consultation:
Internal consultation has occurred with the Chief Executive Officer.

Statutory Environment:
Local Government Act 1995

Relevant Plans and Policy:
The recommendation is relevant to 1.13 Council Committees – Terms of Reference.

Financial Implications:

The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

Risk Assessment:
The risk in relation to the amended policy is assesses as "Medium". It is a statutory requirement to have an Audit and Risk Committee. The Terms of Reference are to be reviewed bi-annually and recommended to Council.

Consequence / Likelihood	Insignificant	Minor	Moderate	Major	Extreme
Almost Certain	Medium	High	High	Severe	Severe
Likely	Low	Medium	High	High	Severe
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium

Risk Rating	Action
LOW	Monitor for continuous improvement.
MEDIUM	Comply with risk reduction measures to keep risk as low as reasonably practical.
HIGH	Review risk reduction and take additional measures to ensure risk is as low as reasonably achievable.
SEVERE	Unacceptable. Risk reduction measures must be implemented before proceeding.

Community & Strategic Objectives:
This item relates to delivery of core business and services detailed in the Shire of Brookton Corporate Compendium – October 2020, duly appended to the Brookton Corporate Business Plan <2032.

Specifically, the amended Policy supports the following Business Unit and Functions
18. Financial Control
18.2 Conduct external/internal audits and reporting
18.7 Conduct Audit Committee Meetings

Comment
Nil.

OFFICER'S RECOMMENDATION

That the Audit and Risk Committee recommends to Council to adopt the Audit and Risk Committee Terms of Reference, as presented in Attachment 8.07.23.04A

(Simple Majority vote required)

ARC 07.23-05

COMMITTEE RESOLUTION
MOVED Cr Bell SECONDED Cr Crute

That the Audit and Risk Committee recommends to Council to adopt the Audit and Risk Committee Terms of Reference, as presented in Attachment 8.07.23.04A

CARRIED BY SIMPLE MAJORITY VOTE 3/0

For: Cr Crute, Cr Bell, Mr Pech
Against: Nil

Attachments

Attachment 8.07.23.04A – Shire of Brookton 2023 Financial Management System Review

Shire of Brookton

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. Purpose of the Terms of Reference

The purpose of the terms of reference is to facilitate the operation of the Audit and Risk Committee (the Committee).

2. Introduction

The Committee has been established in accordance with Part 7 of the *Local Government Act, 1995* and constitutes an advisory committee formally appointed by and responsible to the Council.

This Committee does not have any:

- Executive powers;
- Authority to implement actions in areas over which management has responsibility;
- Financial responsibility; nor
- Management functions.

It is independent of the Shire's Administration with fundamental oversight and a need to focus on matters relating to internal and external audit, and risk exposure and mitigation pertinent to the Shire of Brookton.

Accordingly, the Committee's is to assist the Shire Council in:

- Liaising with the Office of the Auditor Genera (AOG),
- Overseeing external and internal audit functions;
- Promoting high level the transparency and accountability of the Shire's financial management systems and reporting;
- Managing its risk exposure; and
- Driving a culture of continuous improvement.

Furthermore, the Committee is to report to Council with appropriate advice and recommendations on matters relevant to this Terms of Reference in order to facilitate decision making by Council in the discharge of responsibilities pursuant to statutory requirements.

3. Objectives

The objectives of the Committee are to oversee:

3.1 The integrity of external financial reporting, including accounting policies.

3.2 The scope of work, objectivity, performance and independence of the external auditor.

3.3 The establishment, effectiveness and maintenance of controls and systems to safeguard the Shire's financial and physical resources.

3.4 The systems or procedures that are designed to ensure the Shire and its subsidiaries comply with relevant statutory and regulatory requirements.

3.5 The process for recognising risks arising from the Shire's operations, strategies, and consider the adequacy of measures taken to manage those risks.

3.6 The process and systems which protect the Council against fraud and irregularities.

3.7 The promotion of best practice in striving to instil and maintain a culture of continuous improvement.

The Committee must also add to the credibility of Council by promoting ethical standards through its work.

4. Authority

The Committee has the authority to:

4.1 Review and suggest improvements to internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken.

4.2 Monitor and advise the CEO in reviews conducted under regulation 17 (1) of the Local Government (Audit) Regulations, 1996 and regulation 5 (2) (o) of the Local Government (Financial management) Regulations, 1996.

4.3 Formally meet with the AOG appointed auditors as necessary.

4.4 Seek resolution on any disagreements between management and the AOG auditors on financial and performance reporting.

4.5 Advise Council on any or all of the above as deemed necessary.

5. Composition of Committee Members

5.1 The Committee is to comprise of three (3) Elected Members appointed by Council.

5.2 The Council is to also appoint at least one (1) external Committee member from within the community and one (1) external independence advisor.

The independent advisor should have a Certified Practicing Account (CPA) qualification or similar with recent work experience in dealing with small to medium business, and demonstrated understanding of:

- Accounting Standards (AASB)
- Tax Legislation
- Local Government Act 1995
- Local Government experience and/or Band 1 Council

5.3 The Presiding Member and Deputy Presiding Member is be appointed biennially by the Committee through election by all committee members after the Ordinary Local Government Election.

5.4 The appointed Committee members should collectively have a broad range of skills and experience relevant to the operations of the Shire.

5.5 A quorum will be a minimum of 50% of the membership of the Committee.

5.6 Each Committee member must declare proximity, financial or impartiality interests that relate to matters considered at every meeting.

5.7 New members are to receive relevant information and be briefed immediately following their appointment to assist in performing their responsibilities on the Committee.

6. Meetings

6.1 Meetings may be called by the Presiding Member of the Committee, or at the request of the Shire President or Chief Executive Officer.

6.2 The meetings are open to the public, unless the Presiding Member or Chief Executive Officer deem it necessary to proceed behind closed doors pursuant to Section 5.23 of the *Local Government Act, 1995*.

6.3 All Elected Members not appointed to this Committee are invited to attend each meeting as an observer.

6.4 The Chief Executive Officer is responsible for arranging Committee meetings and may invite members of management, internal and external auditors or other employee to attend meetings as observers and to provide pertinent information, as necessary.

6.5 The Committee should meet at least twice ~~four (4) times~~ per year with a meeting schedule to be set that includes the dates, location, and where possible a proposed work plan for each meeting for the forthcoming year, that covers all the responsibilities outlined in this terms of reference.

6.6 Meeting agendas are to be prepared and provided at least one week in advanced notice to members, along with appropriate briefing materials as well as be advertised in the Community with no later than 72 hours prior to the meeting being convened.

6.7 Minutes are to be taken at each meeting and presented to the subsequent meeting for confirmation and Council for receipt and acknowledgement.

7. Responsibilities

The Committee is to perform the following responsibilities:

7.1 Risk Management

7.1.1 To review and suggest improvements on the current and comprehensive risk management framework and associated procedures for effective identification and management of the Shire's business and financial risks, including fraud.

7.1.2 To determine whether a sound and effective approach is being administered in managing the Shire's major risks, including those associated with individual service delivery, projects, and activities, such as community events.

7.1.3 To assess the impact of the Shire's risk management framework on its exposure to litigation and insurance arrangements.

7.1.4 To review and suggest improvements to developing and implementing fraud control arrangements and be satisfied the Shire has appropriate processes and systems in place to detect, capture and effectively respond to fraud.

7.1.5 To ensure adequate systems of internal control are in place to mitigate key business risks and promote the effectiveness and efficiency of operations.

7.1.6 To oversee, review and suggest improvements to internal audit functions in accordance with Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

7.1.7 To receive and review all audit reports and provide advice and recommendations to the Council on significant issues identified in audit reports with a focus of continuous improvement.

7.2 Financial Report

7.2.1 To review and suggest improvements to significant account and reporting issues, including:

- complex or unusual transactions;
- identified accounting anomalies;
- professional and regulatory pronouncements and legislative changes; and
- effect on the financial reporting requirements.

7.2.2 To review (with management and the AOG) the external audit results, including any difficulties or deficiencies identified and suggest improvements, if required.

7.2.3 To review and suggest improvements to the annual financial report in consideration of legislative requirements and appropriate accounting principles.

7.2.4 To review and suggest improvements to the financial information presented to Council and the Community in the financial reports based on transparency and accountability measures, without revealing information that could be used to aid in fraudulent activity.

7.2.5 To review (with management and the AOG) all matters required to be communicated to the Committee under the Australian Auditing Standards, and suggest improvements if required.

7.2.6 To review, suggest improvements and recommend adoption of the Annual Financial Statements to Council.

7.3 Compliance

7.3.1 To review, suggest improvements and monitor systems and processes to ensure relevant compliance with legislative requirements, with associated reporting to Council.

7.3.2 To keep informed of the findings of any examinations by regulatory agendas and any auditor (internal or external) observations and monitor management's response to these findings.

7.3.3 To obtain regular updates from management about compliance matters.

7.3.4 To review and suggest improvements to the annual Compliance Audit Return (CAR) and report the results to the Council.

7.4 External Audit

7.4.1 To discuss with the OAG auditor's the proposed audit scope and methodology for financial and performance audits, including any reliance on internal auditor activity.

7.4.2 To consider the findings and recommendations of relevant financial and performance audits performed by the OAG auditors, and ensure the Shire Administration implements relevant recommendations in a timely manner.

7.4.3 To provide an opportunity for the Committee to meet with the OAG auditors to discuss any matters consider by either party to be of concern.

7.4.4 To monitor and provide feedback on management's implementation of external audit recommendations.

7.5 Reporting Responsibilities

7.5.1 To report regularly to the Council on the Committee's activities, issues, and related recommendations through circulation of minutes.

7.5.2 To monitor and ensure open communication and co-operation is achieved between the internal auditor, the external OAG auditors, and the Shire's management.

7.6 Other Responsibilities

7.6.1 To perform other activities related to this Terms of Reference, as requested by the Council.

7.6.2 To perform a biennial review and suggest improvements to this Terms of Reference for Council's consideration and approval prior to the next Local Government Ordinary Election.

9.07.23 STATUS TABLE – REGULATION 17

The following table provides an understanding of governance matters identified through annual audits or required by legislation and an update on the progress of addressing relative compliance. The status is presented to satisfy the requirements of Regulation 17 of the Local Government (Audit) Regulations, 1996.

Black – No changes from previous reports
Blue – Additions from last Audit & Risk Committee meeting

Item #	Date Initiated	Item Title	OAG Findings or other Statutory Requirements	Risk Factor	Officer Status Update	Assigned to	Estimated Due Date	% Complete
11	9-Jul-20	Review of Workforce Plan	Forms part of the Integrated Planning and Reporting Framework that informs the annual budget - subject to review every two years.	Moderate	Draft Workforce Plan template compiled – progress to be performed in the coming months following full re-alignment of officer duties and transfer of a number of service delivery functions in-house (ie swimming pool management, cleaning, bushfire management). 12.07.2021 - commencement with Moore Australia for the suite of plans IPR. 22/12/22 - To be submitted as a project for the 2023/24 budget. **05/07/23 - Provision in 2023/24 Draft Budget**	CEO	May-21 Dec-21	20%
15	9-Jul-20	Review of Local Laws	A review of the Shire of Brookton's Local Laws to be conducted.	Moderate	12.07.2021 – Draft Meeting Procedures Local Law and revocation of Extractive Industry Local Law endorsed by Council in April 2021 – presently awaiting gazettal. **05/07/23 - Provision in 2023/24 Draft Budget**	CEO	Ongoing	20%
4.2.1	Apr-23	Key Security and Access to CRC Building	Keys maintained at the Administration Office be stored in the locked	Medium	Procedures have been amended to approve the Administration Records Officer (ARO) as —the authorised	MCC	Jun-23	100%

Item #	Date Initiated	Item Title	OAG Findings or other Statutory Requirements	Risk Factor	Officer Status Update	Assigned to	Estimated Due Date	% Complete
			key cabinet to ensure access is restricted to authorised personnel. Staff be required to complete the key sign out book when utilising Council keys. Staff who require access to the CRC building be provided with their own unique alarm code.		personnel for the key cabinets. Cabinets are locked at all times and access is required through the ARO. The ARO is responsible for the signing out of keys. A Security System Code register is currently being implemented at the CRC. This will ensure all employees are provided with an individual PIN for access to the CRC building and will form part of the Engagement Checklist. **05/07/23 - New security system installed at CRC with individual PIN's.**			
4.2.2	Apr-23	Disaster Recovery Plan and Disposal of IT Equipment Policy	Review and test the Disaster Recovery Plan on a regular basis to identify any deficiencies and update the plan accordingly; and Implement a disposal of IT equipment policy, communicating the policy to staff and ensuring ongoing monitoring of compliance with the policy.	Medium	The Disaster Recovery Plan will be reviewed at the earliest convenience. A quote has been requested from our IT provider to assist with the annual review and expected to be undertaken in the 2023/24 financial year. Implementation of a Disposal of IT Equipment Policy is currently underway and will be presented to Council by December 2023.	MCC	Dec-23	0%
5.2.1	Apr-23	Monthly Reconciliations	Reconciliations are a key control and should be reviewed by	Low	The End of Month Procedures have been reviewed and updated to ensure dual signage on all documents. Whilst	MCC	Apr-23	100%

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			someone independent of the reconciliation function on at least a monthly basis. Furthermore, we recommend there be evidence to indicate independent review of monthly financial statements.		the individual documents were not dual signed the End of Month Checklist is reviewed and signed off by the Senior Finance Officer and Manager Corporate & Community. The End of Month checklist has been amended to include the independent review of the Monthly Financial Statements and dual signing by the Senior Finance Officer and Manager Corporate & Community.			
6.2.1	Apr-23	Tender Management	We recommend all documentation during the tender process be retained and available for review.	Medium	A Tender Checklist is to be implemented and communicated to appropriate staff to ensure compliance.	MCC	Dec-23	0%
7.2.1	Apr-23	Human Resources Policies and Procedures	Staff recruitment, staff performance reviews & training and development policies and procedures be prepared, approved, implemented through appropriate communication to employees and regularly monitored; and the code of conduct be reviewed in accordance with stated	Medium	The Shire does not have a policy or procedure for staff recruitment, staff performance reviews, and training and development. In addition, the code of conduct was not reviewed in accordance with the stated review date of June 2022. Staff will review existing HR policies and document required procedures by 30 September 2023. The CEO will review the Employees Code of Conduct by 30 June 2023. **5/7/2023 HR Policies will be reviewed and included in a total review of the Shire of Brookton Policy Manual to be**	CEO	**February-24 Jul-23**	0%

Item #	Date Initiated	Item Title	OAG Findings or other Statutory Requirements	Risk Factor	Officer Status Update	Assigned to	Estimated Due Date	% Complete
			review date and updated if required		**reviewed by Council after the October 2023 Elections. 5/7/2023 The CEO will review the Shire of Brookton Employees Code of Conduct by 31st July 2023.**			
7.2.2	Apr-23	Leave Testing Exceptions	Leave forms be retained for all leave taken by employees and all leave forms specify the hours of leave taken; Leave forms be updated to include the number of hours of leave taken; and Long service leave owing from other Local Government Councils be recorded in Synergy to ensure adequate records are maintained relating to accurate leave provision balances as any point in time.	Low	Leave forms have been amended to include hours taken. A Fortnightly Payroll Checklist is currently being implemented to ensure all leave forms retained for leave taken. LSL is not currently detailed in SynergySoft, a manual spreadsheet is kept and reviewed annually which provides details of liability owed to other council's and owed by other council's providing a net balance reported in our Annuals.	MCC	Oct-23	80%
7.2.3	Apr-23	Fuel Reconciliation	Fuel held in service tanks be included in the fuel reconciliation each month; and The Shire introduce a monthly tolerance variance for	Low	Fuel held in the service tank is currently included in the monthly reconciliation. We will develop a policy for a fuel tolerance of 50 Litres per month and implement as soon as resource are available, all associated documents	MIW	Dec-23	0%

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			fuel and investigate variances above the tolerance each month.		amended to reflect the level. The Infrastructure Department will be responsible to investigate any discrepancies and communicate this to the appropriate staff.			
7.2.4	Apr-23	Termination checklist	We recommend a formal termination checklist be developed which is required to be completed upon termination and signed off once completed.	Low	The finding relates to a termination prior to the implementation of the Termination Checklist in June 2022. Council has been progressing with a range of improvements to address issues, the Termination Checklist has been amended to be prepared by the Payroll Officer and reviewed by the Manager Corporate & Community.	MCC	Apr-23	100%
7.2.5	Apr-23	Payroll Testing Exceptions	The monthly payroll reconciliation include a reconciliation to the payroll YTD report; authorised superannuation deduction forms be retained for all employees; and all payrun reports be signed by the preparer.	Low	A fortnightly Payroll Reconciliation has been implemented to include reconciliation of payroll YTD. The Engagement Checklist has been amended to include the Senior Finance Officer to dual sign new employee details into the SynergySoft System. Procedures have been amended to ensure all changes to the Payroll accounting system are dual signed by the Finance Officer - Payroll and Manager Corporate & Community.	MCC	Apr-23	100%
8.2.1	Apr-23	Fraud Management Policy	We recommend the Shire develop and implement a Fraud	Medium	The Shire does not have a policy or framework for Fraud management. This will be implemented at the earliest	MCC	Dec-23	0%

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			Management Policy and Framework. This Framework would provide a system of detection and prevention of fraud, reporting of any fraud or suspected fraud and appropriate dealing of issues relating to fraud. Once documented, this Framework should be implemented and appropriately communicated to staff.		time subject to resources being available. Once adopted it will be communicated to the appropriate staff.			
8.2.2	Apr-23	Compliance Audit Return Lodgement Date	We recommend in accordance with Regulation 15(1) of the Local Government (Audit) Regulations 1996, the compliance audit return be submitted to the Departmental CEO by 31 March each year. We noted the 2022 compliance audit return was lodged by 31 March 2023.	Low	High staff turnover in the 2021/22 financial year has adversely impacted the timelines for the Shire of Brookton. New procedures have been put into place to ensure all future key reporting dates are met ensuring compliance requirements with Regulation 15 (1) of the Local Government (Audit) Regulations 1996.	CEO	Apr-23	100%

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8.2.3	Apr-23	Risk Management Framework and Risk Management Policy	We recommend the Shire review and update the Risk Management Framework incorporating all risk related policies to reflect the updated standard.	Low	The Risk Management Framework and Policy will be reviewed as soon as practical and presented at the next available Audit & Risk Committee and Ordinary Council Meeting for endorsement.	MCC	Dec-23	50%

10.07.23 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING

Nil.

11.07.23 CLOSURE OF MEETING

The presiding member declared the meeting closed at 6:32pm.