



# Minutes

of the Shire of Cranbrook  
**Audit Committee**  
held on Wednesday 16 June 2021  
At 12:30pm in the Cranbrook Council Chambers

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# MINUTES

## 1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

The Chairperson, Cr Slater declared the meeting open at 12.30pm. The Chairperson will alert the meeting to the procedures for emergencies including evacuation, designated exits and muster points.

## 2. ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE

### 2.1 ATTENDANCE

Chairperson  
Councillors

Cr PW (Peter) Slater  
Cr PL (Phil) Horrocks  
Cr PM (Peter) Beech  
Cr P (Peter) Denton  
Cr RW (Robert) Johnson  
Cr DS (David) Carey  
Cr VN (Vanessa) Fiegert  
Cr JA (Jen) Quick

Acting Chief Executive Officer  
Manager Corporate and Community  
Manager of Works

Mr GR (Garry) Adams  
Mrs PA (Trish) Standish  
Mr JE (Jeff) Alderton

Members of the Public

### 2.2 APOLOGIES

Cr ER (Ruth) Bigwood

### 2.3 APPROVED LEAVE OF ABSENCE

Nil

## 3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

### 3.1 AUDIT COMMITTEE MEETING – 17 February 2021

Moved Cr Denton, seconded Cr Carey that the minutes from the Audit Committee Meeting held on 17 February 2021, be confirmed as a true and correct record.

Carried 8/0

#### 4. GENERAL BUSINESS

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##### 4.1 RISK MANAGEMENT REVIEW – AUDIT REGULATION 17

<b>RESPONSIBLE OFFICER:</b>	Garry Adams – Acting Chief Executive Officer
<b>REPORT AUTHOR:</b>	Trish Standish – Manager Corporate and Community
<b>FILE REFERENCE:</b>	FM9
<b>APPLICANT:</b>	N/A
<b>DATE OF REPORT:</b>	8 June 2021
<b>ATTACHMENTS:</b>	Risk Report – Confidential Attachment <i>Attachment covered under Confidential Cover, in accordance with s5.23 (2)(c) and (e, iii) of the Local Government Act 1995, being: (e) a matter that if disclosed, would reveal – (iii) information about the business.</i>

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##### **Purpose**

The purpose of this report is to comment on the Shire’s risk management capability and compliance in respect of Local Government (Audit) Amendment Regulations 2013 – Regulation 17 (Risk Management Procedures).

##### **Background**

Amendments to the Local Government Audit Regulations in 2013 require CEOs to review and report to their Audit Committee and Council, at least every two financial years, on the appropriateness and effectiveness of systems and procedures in relation to:

- Risk management
- Internal controls; and
- Legislative compliance

The Audit Committee is to consider the CEO’s review and report the results of the review to Council. The previous review was undertaken in December 2018.

##### **Officer’s Comment**

The review has been completed in house by the Executive Management Team (EMT) and relevant staff. The EMT finalised the risk management review on Tuesday, 8 June 2021. The format for the desk top audit included reviewing and updating the Shire’s existing Risk Management Framework, comprising Risk Management Policy and Procedures, and Risk Profiles with a view to enabling compliance with the Regulations.

##### Internal Control

- Reviewing the separation of roles and functions, processing and authorisations;
- Reviewing the system of document control and approvals, including letters, emails and financial records;
- Reviewing control of information technology applications, including back up arrangements and security of information;
- Reviewing financial controls whilst recognising that this functional risk area is mitigated by the engagement of external auditors and accountants; and
- Monitoring compliance with legislation and regulations.

The review has been based on the following risk profiles for the following 15 themes:

- Inadequate asset sustainability practices
- Business and community disruption
- Failure to fulfil compliance requirements (statutory, regulatory)
- Inadequate document management processes
- Ineffective employment practices
- External theft and fraud
- Ineffective management of facilities, venues and events
- Failure of Information Technology and communication systems and infrastructure
- Misconduct
- Inadequate project / change management
- Inadequate engagement practices
- Inadequate environmental management
- Errors, omissions and delays
- Inadequate safety and security practices
- Inadequate supplier / contract management

The findings are included in the attached confidential report indicating the various stages of completion. The following matrices are used when completing agenda reports and in day-to-day activities for staff.

RATING	PEOPLE	INTERRUPTION TO SERVICE	REPUTATION (Social / Community)	COMPLIANCE	PROPERTY (Plant, Equipment, Buildings)	NATURAL ENVIRONMENT	FINANCIAL IMPACT
<b>Insignificant (1)</b>	Near-Miss	No material service interruption Less than 1 hour	Unsubstantiated, localised low impact on community trust, low profile or no media item.	No noticeable regulatory or statutory impact	Inconsequential damage	Contained, reversible impact managed by on site response	Less than \$2,000
<b>Minor (2)</b>	First Aid Treatment	Short term temporary interruption – backlog cleared < 1 day	Substantiated, localised impact on community trust or low media item	Some temporary non compliances	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	\$2,001 - \$10,000
<b>Moderate (3)</b>	Medical treatment / Lost time injury >30 Days	Medium term temporary interruption – backlog cleared by additional resources < 1 week	Substantiated, public embarrassment, moderate impact on community trust or moderate media profile	Short term non-compliance but with significant regulatory requirements imposed	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	\$10,001 to \$100,000
<b>Major (4)</b>	Lost time injury <30 Days / temporary disability	Prolonged interruption of services – additional resources; performance affected < 1 month	Substantiated, public embarrassment, widespread high impact on community trust, high media profile, third party actions	Non-compliance results in termination of services or imposed penalties to Shire / Officers	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	\$100,001 to \$500,000
<b>Extreme (5)</b>	Fatality, permanent disability	Indeterminate prolonged interruption of services non-performance > 1 month	Substantiated, public embarrassment, widespread loss of community trust, high widespread multiple media profile, third party actions	Non-compliance results in litigation, criminal charges or significant damages or penalties to Shire or Officers	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact	More than \$500,000

LEVEL	RATING	Project TIME	Project COST	Project SCOPE / QUALITY
1	Insignificant	Exceeds deadline by >5% of project timeline	Exceeds project budget by 2%	Minor variations to project scope or quality
2	Minor	Exceeds deadline by >10% of project timeline	Exceeds project budget by 5%	Scope creep requiring additional work, time or resources. Reduced perception of quality by Stakeholders.
3	Moderate	Exceeds deadline by >15% of project timeline	Exceeds project budget by 7.5%	Scope creep requiring additional work, time and resources or shortcuts being taken. Stakeholder concerns.
4	Major	Exceeds deadline by >20% of project timeline	Exceeds project budget by 15%	Project goals, deliverables, costs and/or deadline failures. Project no longer aligned with the project scope Stakeholder intervention in project.
5	Extreme	Exceeds deadline by 25% of project timeline	Exceeds project budget by 20%	Failure to meet project objectives. Project outcomes negatively affecting the community or the environment. Public embarrassment, third party actions.

Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

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

It is worth noting also that the review did not focus on financial management systems and processes within the organisation as this is the subject of a separate external audit conducted annually.

The attached report has been provided under confidential cover in accordance with section 5.23 of the Local Government Act 1995. It is the Shire's third report to be introduced under the risk management framework. Its focus is on embedding and driving continual improvement. Future reports will continue to provide relevant insight and recommendations to assist governance activities for the EMT.

### **Statutory Environment**

Local Government (Audit) Amendment Regulations 2013 state:

Regulation 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
  - b. internal control; and
  - c. legislative compliance
- (2) The review may relate to any or all of the matters referred to in sub-regulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least every 2 calendar years.
- (3) The CEO is to report to the audit committee the results of that review.

Part 7 of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996 address the situation of audit.

Regulation 16 – Functions of audit committee

An audit committee

- (c) is to review a report given to it by the CEO under regulation 17(3) (the CEO’s report) and is to –
- (i) report to the council the results of that review; and
  - (ii) give a copy of the CEO’s report to the council.

### **Policy Applicable – Implications**

Council Policy 1.8 Governance – Risk Management – states:

Purpose

‘To align effective risk management practices across Council within a common framework that can be clearly understood and applied by everyone engaged in Council business. The policy assists the organisation to prevent / minimise the adverse effects of risks associated with its operation and to capitalise on any positive opportunities’.

### **Financial Implications**

Each risk identified in the attached report may have its own financial implications which will be the subject of normal budget consideration.

### **Risk Implications**

The risks associated with matters in this report are

- Failure to fulfil statutory, regulatory or compliance requirements
- Providing inaccurate advice/information

**The impact** of the risk is Non-Compliance and Reputational

**The consequence** of these risks is considered to be Minor

**The likelihood** is Unlikely

Hence the **risk rating** for this item is Low

Risk mitigation includes ensuring that the Executive Management Team reviews the Shire’s risk profiles on a regular basis and in keeping with statutory requirements.

### **Strategic Community Plan Reference**

The 2017-2027 Shire of Cranbrook, Strategic Community Plan states that:

*Objective 4: Leadership - Demonstrate strong governance, leadership and organisational growth*

Outcome 4.1: Excellence in governance, compliance, regulation and reporting

Strategy 4.1.1: Maintain a high level of corporate governance, responsibility and accountability



**Consultation**

Consultation for this report included members of the Executive Management Team and relevant administration staff.

**VROC Implications**

There are no strategic VROC implications from this report

**Voting Requirements**

Simple Majority

**OFFICER'S RECOMMENDATION/AUDIT COMMITTEE DECISION**

**Moved Cr Horrocks, seconded Cr Beech that the Audit Committee recommends to the Council that the CEO's report on the Review of Risk Management, Internal Controls and Legislative Compliance be received.**

**Carried 8/0**

**5. CLOSURE OF MEETING**

There being no further business to discuss the Chairperson, Cr Slater declared the meeting closed at 12.34pm.