

## Audit & Risk Committee Notice of Meeting | 7<sup>th</sup> December 2021

Dear Councillors

I respectfully advise that the AUDIT & RISK COMMITTEE MEETING will be held in the Shire Council Chambers, 10 Jennaberring Road, Quairading, WA on Tuesday 7<sup>th</sup> December 2021 commencing at 5.00pm.

Councillors will have an opportunity to meet the new CEO, Nicole Gibbs before the Commencement of the meeting.

MEETING AGENDA ATTACHED

*Graeme Fardon*

**Graeme Fardon**  
**CHIEF EXECUTIVE OFFICER**

Date: 3<sup>rd</sup> December 2021

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### Disclaimer

Members of the public should note that in any discussion regarding any planning or other application that any statement or intimation of approval made by any member or officer of the Shire of Quairading during the course of any meeting is not intended to be and is not to be taken as notice of approval from the Shire of Quairading. No action should be taken on any item discussed at a Council meeting prior to written advice on the resolution of the Council being received.

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## SHIRE OF QUAIRADING

### Audit & Risk Committee

#### ITEM 1      OPENING & ANNOUNCEMENTS

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The Chairperson opened the Meeting at \_\_\_\_\_ pm.

"Before we start our Meeting, I would like to acknowledge that we are meeting on Noongar land and we pay respect to the original custodians...past, present and future and welcome you all here today for this Meeting".

#### ITEM 2      ATTENDANCE AND APOLOGIES

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##### **Councillors**

Cr JN Haythornthwaite	Chairperson
Cr PD Smith	Shire President
Cr TJ Stacey	Deputy Shire President
Cr E Cheang	
Cr BR Cowcill	
Cr JC Hayes	
Cr JR Hippisley	
Cr B McGuinness	

##### **Council Officers**

Mr GA Fardon	Current Chief Executive Officer
Ms NJ Gibbs	New Chief Executive Officer
Mrs LM Horton	Executive Manager of Corporate Services
Mr RM Bleakley	Executive Manager Community, Projects and Strategy

##### **Observers/Visitor**

Nil

##### **Apologies**

##### **Approved Leave of Absence**

Nil

#### ITEM 3      DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

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Nil

## ITEM 4 DECLARATIONS OF INTEREST

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Elected Members in accordance with section 5.61 and 5.65 of the Local Government Act 1995 and the Local Government (Model Code of Conduct) Regulations 2021 Schedule 1 Division 4 regulation 22:

A member who has an interest in any matter to be discussed at a Council or Committee meeting that will be attended by the member must disclose the nature of the interest -

- (a) in a written notice given to the CEO before the meeting; or
- (b) at the meeting immediately before the matter is discussed.

Local Government employees in accordance with section 5.70 or 5.71 of the Local Government Act 1995 and the Local Government (Administration) Regulations 1996 Part 4A Division 2, regulation 19AD:

An employee who has an interest in any matter to be discussed at a council or committee meeting attended by the local government employee disclose the nature of the interest –

- (a) in a written notice given to the CEO before the meeting; or
- (b) at the meeting immediately before the matter is discussed.

## ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING

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### 5.1 Confirmation of Minutes – 14<sup>th</sup> September 2021

#### RECOMMENDATION

**MOVED** \_\_\_\_\_ **SECONDED** \_\_\_\_\_

That the Minutes of the Audit & Risk Committee Meeting held on the 14<sup>th</sup> September 2021 be confirmed as a true and accurate record.

**CARRIED** \_\_\_\_/\_\_\_\_

**VOTING REQUIREMENTS** - Simple Majority

### 5.2 Business Arising

## SHIRE OF QUAIRADING

### Audit & Risk Committee

The Quairading Audit & Risk Committee Minutes of the Meeting held on 14<sup>th</sup> September 2021 commencing at 5.00 pm.

#### ITEM 1      OPENING & ANNOUNCEMENTS

---

The Chairperson opened the Meeting at 5.00 pm.

"Before we start our Meeting, I would like to acknowledge that we are meeting on Noongar land and we pay respect to the original custodians...past, present and future and welcome you all here today for this Meeting".

Cr Jo Haythornthwaite welcomed Mrs Leah Horton to her first Audit & Risk Committee Meeting.

#### ITEM 2      ATTENDANCE AND APOLOGIES

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##### **Councillors**

Cr JN Haythornthwaite	Chairperson / Deputy Shire President
Cr WMF Davies	Shire President
Cr BR Cowcill	
Cr JR Hippisley	
Cr B McGuinness	
Cr PD Smith	
Cr TJ Stacey	

##### **Council Officers**

Mr GA Fardon	Chief Executive Officer
Mrs LM Horton	Executive Manager of Corporate Services
Mr A Rourke	Executive Manager of Works & Services
Mr RM Bleakley	Executive Manager Community, Projects and Strategy

##### **Observers/Visitor**

Nil

##### **Apologies**

Cr JW Haythornthwaite

##### **Approved Leave of Absence**

Nil.

#### ITEM 3      DEPUTATIONS / PRESENTATIONS / SUBMISSIONS

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Nil

## ITEM 4 DECLARATIONS OF INTEREST

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Nil received at this time.

## ITEM 5 CONFIRMATION OF MINUTES AND BUSINESS ARISING

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### 5.1 Confirmation of Minutes – 8<sup>th</sup> June 2021

**RECOMMENDATION: AR1-21/22**

**MOVED Cr Cowcill SECONDED Cr Stacey**

That the Minutes of the Audit & Risk Committee Meeting held on the 8<sup>th</sup> June 2021 be confirmed as a true and accurate record.

**CARRIED 7/0**

### 5.2 Business Arising

Nil.

## ITEM 6 STANDING ITEMS – EXTERNAL AUDIT

### *Audit & Risk Committee - Terms of Reference 7.6*

#### 6.1 2020/2021 Financial Audit – Office of the Auditor General (OAG)

<b>Meeting Date</b>	14 <sup>th</sup> September 2021
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	EMCS Leah Horton
<b>Attachments</b>	(i) Interim Management Letter Attachment (Under Separate Cover) (ii) Interim Management Letter to President – 30.06.2021 (iii) Audit Fee Letter - 31.05.2021 (iv) Audit Engagement Letter - 16.07.2021 (v) Annual Financial Report Extension Request – 10.09.2021
<b>Owner/Applicant</b>	Office of the Auditor General (OAG)
<b>Disclosure of Interest</b>	Nil

#### OFFICER RECOMMENDATION

##### **RECOMMENDATION: AR2-21/22**

##### **MOVED Cr Davies SECONDED Cr Smith**

That the Audit and Risk Committee recommend to Council that: -

1. Council receive the Interim Management Letter and Interim Management Letter Attachment from Anna Liang, Assistant Director Financial Audit; Office of the Auditor General for the audit Year ended 30<sup>th</sup> June 2021.
2. Council notes the Management’s Responses and Planned Actions from the Auditor’s Letter.
3. Council notes the Request submitted to the Department of Local Government, Sport and Cultural Interests for an Extension of time to the 31<sup>st</sup> October 2021 for the submission of the Annual Financial Statements to the Auditor.

**CARRIED 7/0**

#### IN BRIEF

- AMD Chartered Accountants (AMD) have been contracted by the Office of the Auditor General (OAG) to perform the Shire’s Financial Report Audit on the OAG’s behalf for a 3-year period, commencing with the audit for the year ended 30 June 2021.
- The Pre Audit (Entrance) Meeting was conducted with Tim Partridge, Director of AMD; Anna Liang, OAG Representative Director, the Audit and Risk Committee and Executive Staff on the 8<sup>th</sup> June 2021. This meeting was conducted via phone conference.
- The Interim Audit has been completed by AMD, through Offsite work and an Onsite Audit Visit from 13-14 July 2021. The (draft) Interim Management Letter showing seven findings with recommendations was received from AMD on 20<sup>th</sup> August 2021.

- Management have provided Comments on the Findings & Recommendations and these have been incorporated into the Letter and forwarded to the OAG by AMD.
- The Interim Management Letter and Interim Management Letter Attachment was received from the OAG on 9<sup>th</sup> September 2021, attachment (i) and (ii).
- Council requested Minister's approval for an extension to the 30<sup>th</sup> September 2021 deadline for completing the Annual Financial Report due to a delay advised by Bob Waddell and Associates. The extension request to 31<sup>st</sup> October 2021 is detailed in attachment (v).
- Council staff are now planning for the Final Audit of the Shire's Annual Financial Statements for 30 June 2021, preparing for the Onsite Final Audit by AMD (to be rescheduled).

## **MATTER FOR CONSIDERATION**

Receipt of the Interim Management Letter and Attachment for the Year Ended 30<sup>th</sup> June 2021.

## **BACKGROUND**

The External Audit, also known as Financial Audits or Audit of the Annual Financial Statements, focuses on providing an objective and independent examination of the Financial Statements prepared by the Shire, increasing the value and user confidence in the Financial Statements.

The *Local Government Amendment (Auditing) Act 2017* made legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General. This Act allows the Auditor General to contract out some or all of the financial audits, but all audits will be the responsibility of the Auditor General.

The changes also allow for the Auditor General to undertake performance audits that focus on the economy, efficiency and effectiveness of any aspect of local government operations. These performance audits are similar to that of an Internal Audit, therefore the Auditor General may undertake both External and Internal Audits.

AMD Chartered Accountants (AMD) have been contracted by the Office of the Auditor General (OAG) to perform the Shire's Financial Report Audit for a 3-year period, commencing with the audit for the year ended 30<sup>th</sup> June 2021. The Audit occurs in two steps, the first being an Interim Audit, with the final stage being the Audit work to attest the balances and notes that comprise the Annual Financial Statements.

The Annual Interim Audit of Council's Financials for the audit year ending 30<sup>th</sup> June 2021 was conducted with an initial Entrance Meeting via phone on 8<sup>th</sup> June 2021 and an Onsite Audit Visit from 13-14 July 2021, with subsequent offsite work completed by AMD until mid-August 2021.

The draft Interim Management Letter was then received by AMD on 20<sup>th</sup> August 2021, with Management Comments and Planned Actions provided and returned on 25<sup>th</sup> August 2021.

As representatives of the Office of the Auditor General (OAG), AMD submitted the Interim Management Letter for finalisation to the OAG. The OAG completed the Internal Audit Review and returned the Interim Management Letter and Interim Management Letter Attachment on 9<sup>th</sup> September 2021, attachments (i) and (ii).

Bob Waddell and Associates have been engaged to complete the Shire's Annual Financial Statements for the year ended 30<sup>th</sup> June 2021. Due to Work Scheduling for multiple Council Clients, he will not be able to finalise the Annual Financial Report (ARF) and Supporting documents for the 30<sup>th</sup> September 2021 deadline. Mr Waddell has undertaken to have the AFR completed ready by 11<sup>th</sup> October 2021.

As a result, the Shire's Chief Executive Officer wrote to the Department of Local Government, Sport and Cultural Interests on 10<sup>th</sup> September 2021, pursuant to Section 6.4 (3) of the *Local Government Act 1995*, to seek Minister's approval for an extension to the 31<sup>st</sup> October 2021 for completion of the AFR for the



year ended 30<sup>th</sup> June 2021, attachment (v). This will consequently delay the Onsite Final Audit by AMD that was scheduled to be completed on 11-13 October 2021, however it is expected that the Extension Period (if granted) will enable full accounting compliance to be achieved within the statutory timeframes.

Despite this, Council staff are in the preparation stages to gather the required documentation requested by AMD for the Onsite Final Audit and will continue to work towards the statutory timeframes.

## **STATUTORY ENVIRONMENT**

*Local Government Act 1995*

*Local Government (Audit) Regulations 1996*

## **POLICY IMPLICATIONS**

N/A.

## **FINANCIAL IMPLICATIONS**

The Office of the Auditor General have advised the indicative fee for conducting the External Audit for the 2020/21 Annual Financial Statements to be \$27,000 (ex GST). The amount of \$30,000 has been included in the 2021/22 Budget to ensure coverage of this indicative fee and any additions that may be incurred.

## **STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 – 2031**

### **5. GOVERNANCE AND LEADERSHIP**

#### **5.4 Implement systems and processes that meet legislative and audit obligations**

## **COMMUNITY CONSULTATION**

No Community consultation was required or undertaken in relation to this report.

## **RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.**

Financial - Risk Matrix Rating is considered Low. Cost of the Annual Audit is included in the Budget. The Audit's purpose is not to uncover any financial fraud, however having strong financial processes, as raised in the Management report can reduce the risk of this occurring.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low. Compliant with legislative requirements. Failure to complete the Annual Financial Audit would lead to increased Reputational Risk and possible actions by the OAG.

Operation – Risk Matrix Rating is assessed as Low. Council's Management and Administration Staff assisted the Auditor by providing all information and documents requested by AMD.

Natural Environment – Risk Matrix Rating is assessed as Low.

## **COMMENT**

Between June to August 2021 the Interim Audit was conducted, with the Interim Management Letter and Interim Management Letter Attachment being produced. The Attachment Letter is confidential and includes findings, risk ratings, recommendations and management comments.

As represented in the table below, the Attachment Letter includes seven findings, with the detail included in the attachment. This report is presented for the Committee's consideration.

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Key Account Monthly Processes	✓		
2. Creditor Master File Review	✓		
3. Purchase Orders	✓		
4. Information Technology Environment	✓		
5. Daily Banking Preparation		✓	
6. Interim Rating		✓	
7. Termination Checklist		✓	

The CEO and the EMCS have prepared and provided Management's responses on the Findings and detailed Actions that have already been taken or will be taken to ensure that the Recommendations are implemented.

Any matters to be discussed resulting from the telephonic meeting with the OAG and AMD.

## ITEM 7      STANDING ITEMS – INTERNAL AUDIT

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*Audit & Risk Committee - Terms of Reference 7.5*

*No Matters for Consideration*

## ITEM 8 STANDING ITEMS – FINANCIAL REPORTING

### *Audit & Risk Committee - Terms of Reference 7.2*

#### 8.1 Grant Funding Status Report

<b>Meeting Date</b>	14 <sup>th</sup> September 2021
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	EMCPS Richard Bleakley
<b>Attachments</b>	(i) Grants Register Status Report 1 (ii) Grants Register Status Report 2 (Summary Report)
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### OFFICER RECOMMENDATION

##### RECOMMENDATION: AR3-21/22

##### MOVED Cr Hippisley SECONDED Cr Stacey

That the Audit and Risk Committee recommend to Council that: -

Council notes the Grants Status Reports dated September 2021.

**CARRIED 7/0**

#### IN BRIEF

- This Report provides an update on the status of grants submitted and new grant opportunities and is provided for information.
- This Report includes Grants that are continuing /carried over from the 2020/2021 and are being acquitted in the current Financial Year.
- This report includes Grant Funded Projects that are scheduled to be delivered in 2021/22.
- Report details current successful Grants (Competitive and Non Competitive).
- No Grant Applications were declined in 2020/2021.
- Application to Lotterywest for the Community Park has been submitted in the past month.
- Further Grant Funding avenues being explored by the Grants Team are detailed.

#### MATTER FOR CONSIDERATION

Noting the Grants Status Report.

#### BACKGROUND

Council requires the Chief Executive Officer to report on the Eligible Grant Eligibility and Grant Activity during the 2021/2022 Year.

Report is to include Grant funding success rate i.e. number of applications, number achieved and value / timelines of received funding.

**STATUTORY ENVIRONMENT**

Nil.

**POLICY IMPLICATIONS**

Nil.

**FINANCIAL IMPLICATIONS**

All Approved Grants have been included in Council's Adopted Budget for the 2021/2022 Financial Year.

Council will receive \$786,694 under the Local Roads and Community Infrastructure Program Extension (COVID-19) – Phase 3. The Guidelines and Conditions of this additional funding have yet to be received, however it is expected that the Guidelines and Eligible Project Criteria will be similar to those applied in Phase 1 and Phase 2 of the Program.

Council has budgeted for \$493,049 of the Phase 3 Grant Funding to be utilised in the current Financial Year with the balance of \$293,049 to be allocated in the Draft Budget and expended in the 2022/2023 Year (Completion date by 30<sup>th</sup> June 2023). Utilisation of the balance of Phase 3 will also be dependent upon the outcome of Council's Community Park Application to Lotterywest.

Details of Council's Cash and In-Kind Contributions are listed in the Grants Register Status Report (Attachment No. 1).

**STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 - 2031****5. GOVERNANCE AND LEADERSHIP**

5.3 Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

5.4 Implement systems and processes that meet legislative and audit obligations

**COMMUNITY CONSULTATION**

No Community consultation was required or undertaken in relation to this report.

**RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.**

Financial - Risk Matrix Rating is assessed as Low. All Grants approved have been included in the 2021/2022 Adopted Budget.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low. The Report provides transparency on the treatment and use of the Government Grant Funding and provides Committee with information to assess how Management is administering the various Grants.

Operation – Risk Matrix Rating is assessed as Low. Preparation and maintenance of the Grants Register is undertaken within Council's existing Organisational Structure and resources.

Natural Environment – Risk Matrix Rating is assessed as Low.

Attachment 1 – Grants Register Report as at 9<sup>th</sup> September 2021 provides a summary of current project grant portfolio.

Attachment 2 – Grant Program Status Report details the Shire’s grant inventory status – competitive and non-competitive.

Status	Number	Grant Funding
Acquittal Period	2	\$1,074,790
Active	9	\$4,259,176
Approved	1	\$2,000
Applications	1	\$570,000
New research	8	\$55,500 (Estimated Value)
<b>Total</b>	<b>21</b>	<b>\$5,961,466</b>

## ITEM 9      STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

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*Audit & Risk Committee - Terms of Reference 7.3*

*No matters for consideration.*

## ITEM 10 STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES

### Audit & Risk Committee - Terms of Reference 7.1, 7.3

#### 10.1 Report on Excess Annual Leave and Long Service Leave

<b>Meeting Date</b>	14 <sup>th</sup> September 2021
<b>Responsible Officer</b>	EMCS Leah Horton
<b>Reporting Officer</b>	SFO Jodie Yardley
<b>Attachments</b>	Nil
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### OFFICER RECOMMENDATION

##### RECOMMENDATION: AR4-21/22

##### **MOVED Cr Cowcill SECONDED Cr Hippisley**

That the Audit and Risk Committee Recommend to Council that: -  
Council receive the report on the Shire's Leave Liabilities.

**CARRIED 7/0**

#### IN BRIEF

Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee.

#### MATTER FOR CONSIDERATION

Report on Excess Annual Leave and Long Service Leave Entitlements and Leave Liabilities.

#### BACKGROUND

The current Policy defines excess leave as when the Employee has accrued more than eight weeks paid annual leave.

#### STATUTORY ENVIRONMENT

*Local Government Act 1995*

Local Government (Long Service Leave Regulations)

Local Government Industry Award 2020

The Industry Award defines Excess Leave as -

*"An Employee has an **excess leave accrual** if the employee has accrued more than eight weeks paid annual leave"*

#### POLICY IMPLICATIONS

Current Policy: Leave Management Policy (ORG.2)

#### FINANCIAL IMPLICATIONS

Annual and Long Service Leave Reserve Fund Cash Balance as at 31<sup>st</sup> August 2021 is \$166,319



The Annual Budget treats Current Leave as Accruals.

The Annual and Long Service Leave Reserve funds any prior year Leave entitlements taken by Staff or paid out.

The current Liability for both types of Leave (if all Claimed on 31<sup>st</sup> August 2021) is calculated at \$209,613.

The current position represents 79.3% Coverage of the Liability by the Leave Reserve Fund.

### **STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 – 2031**

<b>5. GOVERNANCE AND LEADERSHIP</b>	
5.3	Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community
5.4	Implement systems and processes that meet legislative and audit obligations

### **COMMUNITY CONSULTATION**

N/A

### **RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.**

Financial – Risk Matrix Rating is considered as Medium Risk. Financial exposure and therefore Risk escalation if Leave accruals are not monitored and managed. Adequate Reserve balances reduce the risk of Financial exposure.

Health – Risk Matrix Rating is considered as Low Risk

Reputation – Risk Matrix Rating is considered as Low Risk

Operation – Risk Matrix Rating considered Low Risk

Natural Environment – Risk Matrix Rating is considered as Low Risk.

### **COMMENT**

This report has been prepared to inform the Audit and Risk Committee of the current leave liabilities and of any employees who have excess leave and the steps taken to reduce these liabilities.

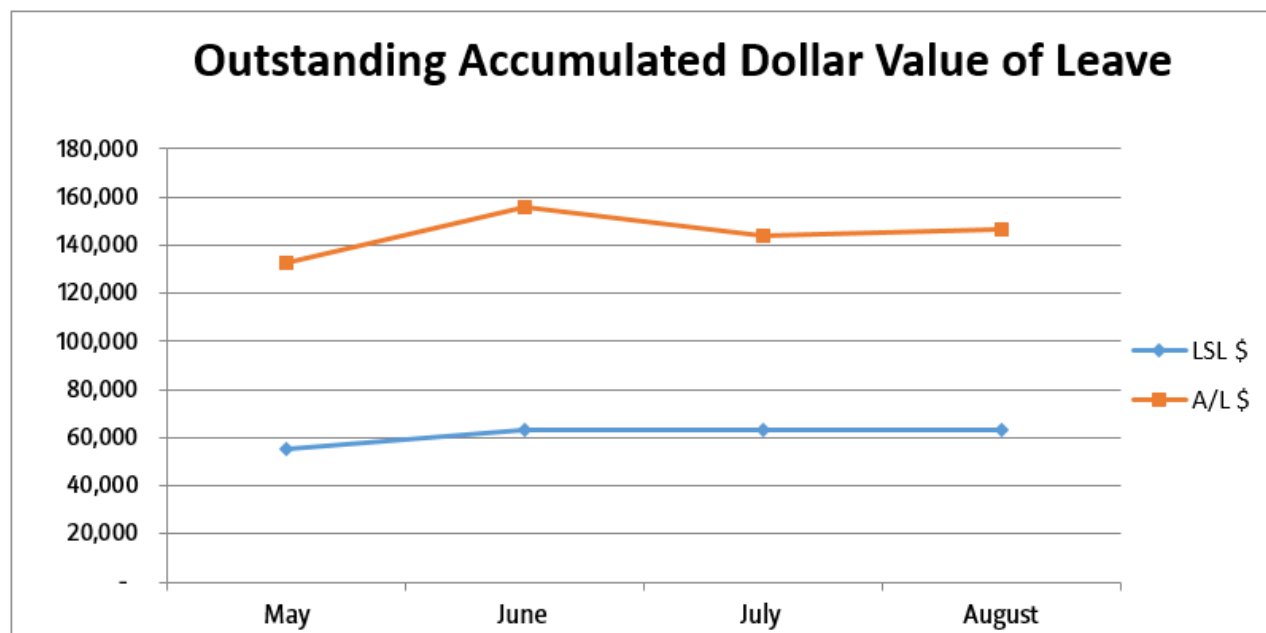
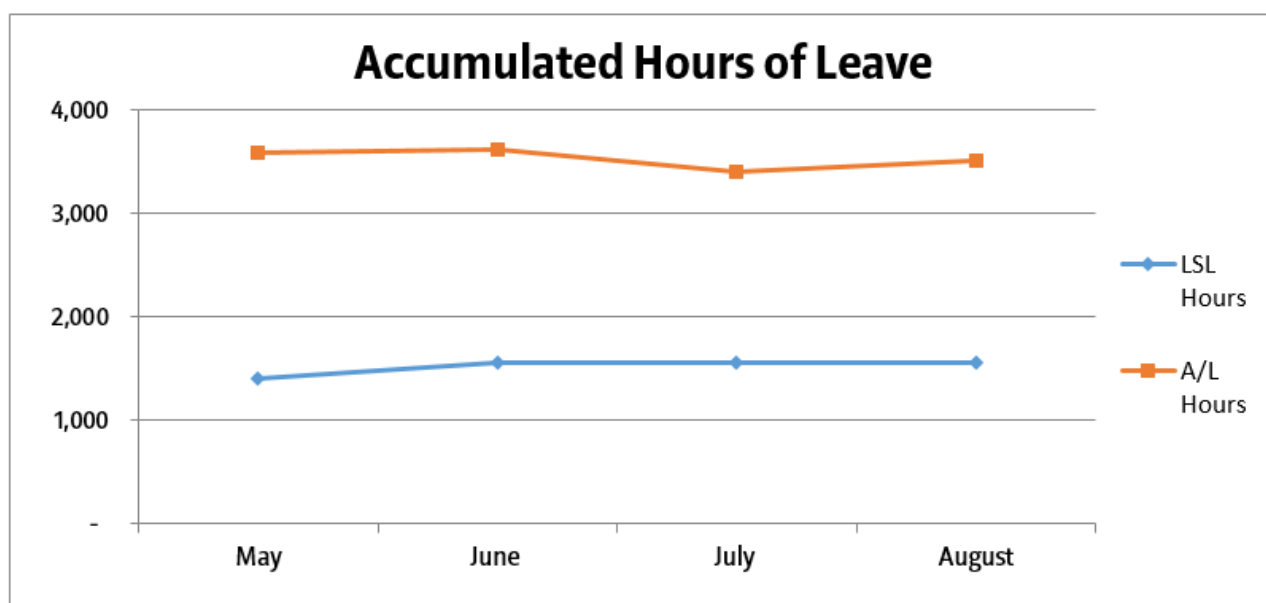
As at the 31<sup>st</sup> August 2021, two employees have taken recently annual leave, reducing their annual leave entitlement balance to a non-excess level, and some employees have left Council's employment. Currently, there is one employee with excess annual leave, which is being managed by the CEO.

Since May 2021, there has been an increase of 11% (in Dollar Value) in the Annual Leave Liability. Although an employee has accrued, we have recruited two new employees and some employees have separated, the result exhibits a natural increase during this period where employees have taken less Leave.

The Long Service Leave Liability has had a 14% increase since May 2021. This is due to a reporting error in May 2021, which has been corrected. Two employees have also accrued long service leave. Since June, Long Service Leave Liability has maintained its stability throughout August.

	<i>LSL Hours*</i>	<i>LSL \$*</i>	<i>AL Hours</i>	<i>AL \$</i>
<i>May</i>	2,190 / 1,407	77,633 / 55,555	3,640 / 3,592	134,746 / 132,553
<i>June</i>	1,555	63,101	3,625	156,032
<i>July</i>	1,555	63,101	3,409	144,028
<i>August</i>	1,555	63,101	3,517	146,512

\*An error in the system generated LSL liabilities was found and has been fixed. This has altered the LSL liabilities for the full year.



## 10.2 Risk Management Dashboard Review – June 2021

*Quarterly progress and tracking report on issues identified as high risk to Council.*

<b>Meeting Date</b>	14 <sup>th</sup> September 2021
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	CEO Graeme Fardon
<b>Attachments</b>	(i) Risk Dashboard Report (Under separate cover)
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

### OFFICER RECOMMENDATION

#### RECOMMENDATION: AR5-21/22

#### MOVED Cr Davies SECONDED Cr McGuinness

That the Audit and Risk Committee recommends to Council that it:

That Council receive the Risk Management Quarterly Report for June 2021.

**CARRIED 7/0**

**VOTING REQUIREMENTS** –Simple Majority

### IN BRIEF

- Council has requested that the Chief Executive Officer conduct a review of its Risk Management and report progress on issues identified as High Risk.
- Council last reviewed its Risk Management Policy in December 2020.
- The Executive Management Team (EMT) last formally reviewed the Risk Dashboard Report in July 2019.
- The CEO conducted a Desktop Review in February 2021 and presented it to the February 2021 Strategic Planning Meeting.
- Risk Dashboard is to be formally reviewed every 2 Years.
- Review was scheduled to be completed by the 31<sup>st</sup> July 2021.
- The LGIS Risk Team facilitated a Risk Workshop with the Executive Management Team and relevant Staff on the 28<sup>th</sup> June 2021 to conduct the formal Review of the Dashboard.
- Attached Risk Dashboard has been further considered by the EMT and now submitted to the Audit & Risk Committee.

### MATTER FOR CONSIDERATION

For the Audit and Risk Committee to review the Chief Executive Officer's Risk Dashboard Review Report.

That Committee recommend that Council receive the Risk Management Dashboard – June 2021

## BACKGROUND

The Shire of Quairading Council recognises that risk management is an integral part of good governance and management practice.

The Risk Management Governance Framework requires that:

- Risk management is performed consistently throughout the whole organisation
- Risks are assessed and managed in a context that is relevant to each part of the organisation.

All levels of staff have a role to play in adopting risk management awareness and integrating risk management activities within their business unit environments.

As part of the Risk Management Governance Framework, a relationship between Strategic and Operational risks exists, allowing risk oversight to occur at both of these contexts. (i.e. at an Executive or Operational level). In particular, there is potential for risk to be escalated and/or de-escalated between Strategic and Operational Risk as a result of risk changing either through increased controls effectiveness or an emerging or changing Operational risks requiring Executive Management Team oversight.

Council's Risk Management Governance Framework provides the foundations for designing, developing, implementing, monitoring, reviewing, and communicating risk management and continuous improvement of performance associated with Council strategy, operations and routine tasks.

The items identified as "high risk" in the Framework Review were:

Employment Practices  
 Errors, Omissions & Delays  
 External Theft & Fraud (including Cyber)  
 Project & Change Management

Risk profiles are included in all Officers Reports to Council and Committees and the Risk Matrix is used to identify known perceived risk causes.

Currently the following headings are utilised to assess risk:

Financial  
 Health  
 Reputation  
 Operation  
 Natural environment

Risks are to be assessed at the following levels within the organisation:

LEVEL	DESCRIPTION
Strategic Risks	<p>Strategic Level Risks for Council are associated with achieving the organisation's long term objectives. These risks can be of an internal or external nature. They are usually owned and managed by Council and/or the Executive Team.</p> <p>In the context of Integrated Planning and Reporting, Strategic Level Risks may include: -</p> <ul style="list-style-type: none"> <li>• Risks associated with achieving the objectives of the Strategic Community Plan; and</li> <li>• Risk associated with delivering the Corporate Business Plan.</li> </ul>

LEVEL	DESCRIPTION
Operational Risks	<p>Operational Level Risks are associated with developing or delivering the operational plans, functions or activities of the local government. These risks have day to day impacts on the organisation. These risks are owned and managed by the person who has responsibility for the activity or function to the level of their delegated authority or capacity.</p> <p>In the context of Integrated Planning and Reporting, Operational Level Risks may include: -</p> <ul style="list-style-type: none"> <li>• Risks associated with the development or delivery of the Long Term Financial Plan</li> <li>• Risks associated with the development or delivery of the Asset Management Plan.</li> <li>• Risks associated with the development or delivery of the Workforce plan.</li> </ul>
Project Risks	Project Level Risks are associated with developing or delivering projects or discrete activities. Project risks should be managed at each stage of the project by the person who has responsibility for that project.

### Risk Appetite

The Shire quantified its Risk Appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. See the Risk Matrix Page 1 of the Risk Dashboard Report.

All organisational risks to be 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.

### STATUTORY ENVIRONMENT

*Local Government Act 1995* Section 2.7 – Role of Council

Implications of Section 3.18(3) *Local Government Act 1995*

*Local Government (Audit) Regulations 1996*, Regulation 17 – CEO to review certain systems and procedures, including risk management.

AS/NZS ISO 3100:2009 Risk Management – Principles and guidelines.

### POLICY IMPLICATIONS

ORG.3 Risk Management Policy – Reviewed and Confirmed in December 2020.

Shire of Quairading – Risk Management Governance Framework.

### FINANCIAL IMPLICATIONS

Nil.

### STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 - 2031

## 5. GOVERNANCE AND LEADERSHIP

5.1 Shire communication is consistent, engaging and responsive

5.2 Forward planning and implementation of plans to determine Strategic Plan and service levels

5.3 Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

## 5.4 Implement systems and processes that meet legislative and audit obligations

### **CONSULTATION**

No public consultation required or undertaken in the preparation of this Report

### **RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.**

Financial - Risk Matrix Rating is assessed as Low.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low.

Operation – Risk Matrix Rating is assessed as Low.

Natural Environment – Risk Matrix Rating is assessed as Low.

### **COMMENT**

Actions are continually being undertaken to mitigate levels of acceptable risk, whether through planning, allocation of resources, training or identifying risk.

## ITEM 11      STANDING ITEMS – OTHER

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*Audit & Risk Committee - Terms of Reference 9.1, 9.2 & 9.5*

*No Matters for Consideration*

## ITEM 12 COUNCILLORS' EMERGING ISSUES

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### **Cr Smith**

Cr Smith sought a timeframe for the Gravel Road Maintenance to be undertaken in the North Western part of the District and in particular on the Dulbelling North Road.

The EMWS advised that the Maintenance Grading was well underway and the Crew are scheduled to be in the North Western sector in the next two weeks and additional loads of gravel are planned for the identified section of road.

### **Cr Davies**

Cr Davies reported to the meeting on the arrangements to date for the CEO's Farewell Function on the 5<sup>th</sup> November 2021.

Cr Davies briefed Councillors on the Public Announcement of the Appointment of the new CEO which has now been authorised to be published and circulated to the Staff and the Community.

Cr Davies received Committee support to send Thankyou letters to Mrs Lyn Baker and to Consultant Emily Bulloch of BDT Recruitment for their role in the Recruitment and Selection of the new CEO.

### **Cr Jo Haythornthwaite**

Cr Jo Haythornthwaite commented that is the last Audit & Risk Committee Meeting before Council Election Day and thanked all Councillors for their active participation on this Committee and that it has been a privilege to Chair the Committee.

### **CEO Graeme Fardon**

The CEO informed the Meeting that he had received the Resignation of Executive Manager Works & Services, Mr Rourke who has provided 3 Months' Notice of his Resignation date, being 17<sup>th</sup> December 2021. Mr Rourke then addressed the Meeting.

The Shire President and the CEO both paid tribute to Mr Rourke on his significant Contribution to the Executive Management Team and to lead the Works / Parks & Gardens Team to achieve some many Projects over the past 4 years.

## ITEM 13 CONFIDENTIAL BUSINESS – AS PER LOCAL GOVERNMENT ACT S5.23 (2)

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*No matters for consideration.*

## ITEM 14 NEXT MEETING DATE

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The next Audit & Risk Committee Meeting is scheduled to take place on Tuesday 7<sup>th</sup> December 2021, commencing at 5.00 pm on at the Council Chambers, 10 Jennaberring Road, Quairading.



ITEM 15 CLOSURE

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There being no further business, the Chairman closed the Meeting at 6.10 pm.

I certify the Minutes of the Audit & Risk Committee Meeting held on 14<sup>th</sup> September 2021 were confirmed on 7<sup>th</sup> December 2021 as recorded on Resolution No. \_\_\_\_\_.

Confirmed..... 07/12/2021

## ITEM 6 STANDING ITEMS – EXTERNAL AUDIT

### Audit & Risk Committee - Terms of Reference 7.6

#### 6.1 Audit Register – Progress Report

<b>Meeting Date</b>	7 <sup>th</sup> December 2021
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	EMCS Leah Horton
<b>Attachments</b>	(i) Audit Register – Progress Report <b>Confidential</b>
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### OFFICER RECOMMENDATION

**MOVED** \_\_\_\_\_ **SECONDED** \_\_\_\_\_

That the Audit and Risk Committee recommends to Council that Council: -

- Notes the progress recorded against each item within the Audit Register in Confidential Attachment (i); and
- Approves the four (4) findings marked as Closed (100%) in the Audit Register, to be registered complete, removed from the register and no longer reported to the Committee.

\_\_\_/\_\_\_

**VOTING REQUIREMENTS** –Simple Majority

#### IN BRIEF

- This report provides an update on the progress of actions included in the Audit Register.
- The Audit Register includes all open audit findings that have previously been accepted by the Audit and Risk Committee.
- Reporting through the Audit Register commenced in November 2021 and includes items from the 2020/21 Interim Audit, and all subsequent Audits.

#### MATTER FOR CONSIDERATION

Receipt of the Audit Register Progress Report to December 2021.

#### BACKGROUND

The External Audit, also known as Financial Audits or Audit of the Annual Financial Statements, focuses on providing an objective and independent examination of the Financial Statements prepared by the Shire, increasing the value and user confidence in the Financial Statements.

The *Local Government Amendment (Auditing) Act 2017* made legislative changes to the *Local Government Act 1995* to provide for the auditing of local governments by the Auditor General. This Act allows the Auditor General to contract out some or all of the financial audits, but all audits will be the responsibility of the Auditor General.

The changes also allow for the Auditor General to undertake performance audits that focus on the economy, efficiency and effectiveness of any aspect of local government operations. These

performance audits are similar to that of an Internal Audit, therefore the Auditor General may undertake both External and Internal Audits.

The Audit Register lists findings from Audit Reports previously accepted by the Audit & Risk Committee. The Register describes the progress of implementing improvements and percentage completion. Progress on the actions are monitored by Management, this Committee and Council.

Reporting through the Audit Register commenced for the 7<sup>th</sup> December 2021 Audit and Risk Committee meeting, with the Register comprised of findings from the 2020/21 Interim Audit Report, as presented to the Audit & Risk Committee at the 14<sup>th</sup> September 2021 meeting.

## STATUTORY ENVIRONMENT

*Local Government Act 1995*

*Local Government (Audit) Regulations 1996; Regulation 7*

*Local Government (Financial Management) Regulations 1996; Regulation 5*

## POLICY IMPLICATIONS

N/A.

## FINANCIAL IMPLICATIONS

Council has a Budget Allocation of \$30,000 in the 2021/2022 Budget for the conduct of the External Audit function by the Office of the Auditor General, for the audit of the 2020/21 Annual Financial Statements. It is anticipated that a budget of a similar amount is to be adopted each year but will be the subject of an Annual Estimate of Audit Fees provided by the OAG. The cost of Officers' efforts to undertake the improvements and report on progress has not been estimated or reported.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 – 2031

### 5. GOVERNANCE AND LEADERSHIP

#### 5.4 Implement systems and processes that meet legislative and audit obligations

## COMMUNITY CONSULTATION

No Community consultation was required or undertaken in relation to this report.

## RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is considered Low. Cost of the Annual Audit is included in the Budget. By regularly reviewing progress against audit findings, the risks associated to misconduct and error are significantly reduced.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low. Compliant with legislative requirements. Failure to complete the Findings from Audit Reports would lead to increased Reputational Risk.

Operation – Risk Matrix Rating is assessed as Low. Operational impact is minimal in reporting progress on Audit Findings. Operational impact of not closing findings would escalate.

Natural Environment – Risk Matrix Rating is assessed as Low.

## COMMENT

The Audit Register **Confidential Attachment (i)** counts actions and totals by "Finding #". Each finding may have more than one "Recommendation" and associated "Agreed Management Action". Only when

all Recommendations and Agreed Management Actions within a Finding are deemed complete will the Finding as a whole be totalled at 100% complete and recommended to be Closed.

The process for adding and removing Findings to the Audit Register is as follows:

1. An External Audit is completed and an Audit Report is finalised.
2. The Audit Report is presented to the Audit and Risk Committee.
3. The Audit and Risk Committee recommends to Council that it notes and accepts the Audit Report.
4. All Findings from the Audit Report are **added** to the Audit Register.
5. Progress is reported by Management with updates recorded quarterly in "Officer Comment / Action Taken".
6. Any Findings deemed as complete by Management are marked as "100% Complete" with the status of "Closed".
7. The Audit Register – Progress Report is submitted by Management to the Audit and Risk Committee.
8. The Audit and Risk Committee reviews the Audit Register and confirms completion of any 100% and Closed Findings.
9. The Audit and Risk Committee recommends to Council that it notes progress and approves the findings marked as complete to be registered as closed.
10. Closed Findings are **removed** from the Audit Register.

A summary of the Audit Register, included below, will illustrate the trend of actions that have been added, progressed and completed.

The blue row represents actions added by the Committee. New Audit Findings presented to the current meeting are included at the subsequent meeting, following acceptance.

The green row represents actions closed by the Committee and will always total 0 for the current meeting date. The closed actions from the current meeting will then be shown in the "Closed by the Audit & Risk Committee" total in the subsequent meeting's table summary.

Status of Actions	ARC - Meeting Date				Total
	7/12/2021	15/03/2022	14/06/2022	13/09/2022	
<b>New actions added by A&amp;R</b>	7				7
<b>Not Commenced</b> ≤10%	1				
<b>Progressed</b> >11% to 99%	2				
<b>Completed</b> =100%	4				
<b>Total (0% to 100%)</b>	7	0	0	0	
<b>Closed by A&amp;R</b>					0
Total cumulative Closed by A&R	0	0	0	0	
<b>Open Actions</b>	3	0	0	0	

The Committee is requested to recommend to Council to note the progress and officer comments. In addition, it is recommended all four findings marked as Complete (100%) in the Audit Register be registered as closed. All closed items will not form part of the Audit Register report for future meetings. The closed items are available for the External Auditors and Committee/Council to review.

It is requested to note the Audit Register in **Confidential Attachment (i)**.

Further information will be provided by the CEO and EMCS to the Committee at the Meeting on the progress of the Final Audit and Sign Off of the Annual Financial Statements by the OAG.

Contract Auditors AMD have been onsite on the 23<sup>rd</sup> and 24<sup>th</sup> November 2021 and no issues were raised with Management at the Exit Meeting.

## ITEM 7      STANDING ITEMS – INTERNAL AUDIT

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*Audit & Risk Committee - Terms of Reference 7.5*

*No Matters for Consideration*

## ITEM 8 STANDING ITEMS – FINANCIAL REPORTING

### *Audit & Risk Committee - Terms of Reference 7.2*

#### 8.1 Grant Funding Status Report

<b>Meeting Date</b>	7 <sup>th</sup> December 2021
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	EMCPS Richard Bleakley
<b>Attachments</b>	(i) Grants Register Status Report 1 (ii) Grants Register Status Report 2 (Summary Report)
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### OFFICER RECOMMENDATION

**MOVED** \_\_\_\_\_ **SECONDED** \_\_\_\_\_

That the Audit and Risk Committee recommend to Council that: -  
Council notes the Grants Status Reports dated December 2021.

\_\_\_\_/\_\_\_\_

#### VOTING REQUIREMENTS – Simple Majority

#### IN BRIEF

- This Report provides an update on the status of grants submitted and new grant opportunities and is provided for information and discussion.
- This Report includes Grants that are continuing / carried over from the 2020/2021 and are being acquitted in the current Financial Year.
- The Shire has been allocated Federal Grant Funding under the three phases of Local Roads and Community Infrastructure Program (LRCIP)
  - Phase 1 - \$393,347;
  - Phase 2 - \$288,492; and
  - Phase 3 - \$786,694.
- This report includes Grant Funded Projects that will also be delivered in 2021/22 and 2022/23.
- Report details current successful Grants (Competitive and Non-Competitive).
- No Grant Applications have been declined in 2021/2022.
- The application for the Community Park (Kwirrading Koort) was re-submitted in September 2021 to LotteryWest. Outcome is anticipated in December 2021.
- Further Grant Funding avenues being explored by the Grants Team are detailed.

#### MATTER FOR CONSIDERATION

Noting the Grants Status Report.

## BACKGROUND

Council requires the Chief Executive Officer to report on the Eligible Grant Eligibility and Grant Activity during the 2021/2022 Year.

Report is to include Grant funding success rate i.e. number of applications, number achieved and value / timelines of received funding.

## STATUTORY ENVIRONMENT

Nil

## POLICY IMPLICATIONS

Nil

## FINANCIAL IMPLICATIONS

All Grants reported have been included in Council's Adopted Budget for the 2021/2022 Financial Year or will be included in Proposed Budget for the 2022/2023 Financial Year.

An application for the Community Park (Kwirrading Koort) has been re-submitted in September 2021 to LotteryWest after the application was withdrawn in 2020 due to LotteryWest redirecting its grant program to COVID related Projects for eighteen months. An outcome is expected before the end of December 2021.

Council has received advice that the Federal Government has approved the nomination of the Hall Carpark Project under the Local Roads and Community Infrastructure Program Extension (COVID 19) – Phase 2 allocation of \$288,492 with Shire's contribution being \$39,508. Council's Grants Team is soon to submit Projects for Phase 3 as the Guidelines have been released.

However, following the conclusion of the WALGA E-Quotation process the Hall Carpark Project Pricing has come in at significantly above the Consultant's Cost Estimates and only 1 one Company responded to the RfQ. Management will retest the Market in coming months to ascertain if more competitive Pricing can be achieved.

The Management Team has workshopped the current Funding situation, along with Council's budgeted projects for 2021/2022 and into the 2022/2023 Year. Management is currently negotiating with the Federal Government Department on a Variation to Phase 2 with a number of road projects being brought forward from Phase 3, and the Carpark being rescheduled to Phase 3 which will then mean a Project Completion before 30<sup>th</sup> June 2023.

### Original Program

#### LCRI Phase 2 (Current)

#	Project	Cost
1	Shire Hall / Admin / Works Depot Carpark	\$288,492
<b>Total</b>		<b>\$288,492</b>

#### LCRI Phase 3 (Proposed)

#	Project	Cost
1	McLennan Street – Footpath	\$111,718
2	McLennan Street – Footpath (Wood to Heal St)	\$73,920
3	Doodenanning Mawson Road	\$176,774
4	Mt Stirling Road – Gravel Resheeting	\$136,857
5	Community Park Nature Playground	\$287,425
<b>Total</b>		<b>\$786,694</b>



## Requested variations

### LCRI Phase 2 (Revised)

#	Project	Cost
1	McLennan Street – Footpath	\$111,718
2	Doodenanning Mawson Road	\$176,774
<b>Total</b>		<b>\$288,492</b>

### LCRI Phase 3 (Revised)

#	Project	Cost
1	McLennan Street – Footpath (Wood to Heal St)	\$73,920
2	Mt Sterling Road	\$136,857
3	Community Park Nature Playground	\$213,724
4	Shire Hall / Admin / Works Depot Carpark	\$362,193
<b>Total</b>		<b>\$786,694</b>

Clarification of the allocation of these funds to Projects will be the subject of a further Officer's Report to Council in the near future, following the Funding Bodies Approval of the proposed variation.

Details of Council's Cash and In-Kind Contributions are listed in the Grants Register Status Report (Attachment No. 1).

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 - 2031

### 5. GOVERNANCE AND LEADERSHIP

5.3 Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

5.4 Implement systems and processes that meet legislative and audit obligations

## COMMUNITY CONSULTATION

No Community consultation was required or undertaken in relation to this report.

## RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is assessed as Low. All Grants approved have been included in the 2021/2022 Adopted Budget. The additional Grant Funding offered under the Local Roads and Community Infrastructure Program Extension (COVID-19) and the relevant Projects will be included in the 2022/2023 Draft Budget.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low. The Report provides transparency on the treatment and use of the Government Grant Funding and provides Committee with information to assess how Management is administering the various Grants.

Operation – Risk Matrix Rating is assessed as Low. Preparation and maintenance of the Grants Register is undertaken within Council's existing Organisational Structure and resources.

Natural Environment – Risk Matrix Rating is assessed as Low.

Attachment 1 – Grants Register Report as at 29/11/2021 provides a summary of current project grant portfolio.

Attachment 2 – Grant Program Status Report details the Shire's grant inventory status – competitive and non-competitive.

**Grant Program Summary:**

Status	Number	Grant Funding
Acquittal Period	3	\$1,176,637
Active	9	\$4,159,329
Applications	1	\$478,109
New research	8	\$55,500
<b>Total</b>	<b>21</b>	<b>\$5,869,575</b>

# GRANTS REGISTER REPORT DECEMBER 2021

Year (Multiple Items)

Project Name	Grant Value	Sum of Shire (Cash)	Sum of Shire (InKind)	Other Contribution (Kind)	Total Project Cost
<b>Acquittal Period</b>					
<b>Emergency Services Levy</b>					
(blank)	\$74,790	\$0	\$0	\$0	\$74,790
<b>Drought Community Program</b>					
Project implementation completed. 70% received. Final report submitted. Balance of \$300K on acceptance of Acquittal Report.	\$1,000,000	\$190,000	\$0	\$0	\$1,190,000
<b>Local Roads &amp; Community Infrastructure Program Phase 1</b>					
Livingstone Rd complete.	\$101,847	\$0	\$0	\$0	\$101,847
<b>Acquittal Period Total</b>	<b>\$1,176,637</b>	<b>\$190,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,366,637</b>
<b>Active</b>					
<b>Financial Assistance Grant</b>					
Second 1/4 received	\$1,892,016	\$0	\$0	\$0	\$1,892,016
<b>Roads to Recovery Funding</b>					
Includes carryover of \$70,257. Total Projects over two years \$571,319. Doodenanning – Mawson Rd \$357,950 (Grant \$292,355, Council \$65,595) Carter – Doodenanning Rd Project Total \$78,662 (Grant \$64,175 Council \$14,487), Winmar Rd Project Total \$64,450 (Grant \$64,450 Council \$0) Old Beverley East Rd Project Total \$70,257 (Grant Total \$70,257 Council \$0)	\$491,237	\$80,082			\$571,319
<b>Wheatbelt Secondary Freight Network</b>					
Includes Design. (approved)	\$281,020	\$20,166	\$0	\$0	\$301,186
<b>Emergency Services Levy</b>					
Annual allocation	\$42,870				\$42,870

Project Name	Grant Value	Sum of Shire (Cash)	Sum of Shire (InKind)	Other Contribution (Kind)	Total Project Cost
<b>Swimming Lessons</b>					
2021-22 Swim Season. RLSWA Funding secured.	\$2,000	\$1,300	\$0	\$0	\$3,300
<b>Regional Road Group Funding</b>					
Claimed 40%	\$375,000	\$231,079			\$606,079
<b>Local roads &amp; Community Infrastructure Program Phase 2</b>					
Pending Variation: McLennan St Footpath (\$105,498) Doodeanning Mawson Rd (\$176,774) McLennan St Footpath additional (\$6220)	\$288,492	\$39,508			\$328,000
<b>Local roads &amp; Community Infrastructure Program Phase 3 (1)</b>					
Pending Variation: \$786,694 over 21/22 and 22/23. Mt Stirling Rd (\$136,857) McLennan St Footpath Wood to Heal (\$73,920) Community Park (\$213,724) Town Hall carpark (\$362,193) Continued to Phase 3 (2) 22/23	\$493,049				\$493,049
<b>Local roads &amp; Community Infrastructure Program Phase 3 (2)</b>					
Continuation from 21/22	\$293,645				\$293,645
<b>Active Total</b>	<b>\$4,159,329</b>	<b>\$372,135</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,531,464</b>
<b>Application Period</b>					
<b>Community Park &amp; Nature Playground</b>					
Application to Lotterywest re-submitted on 25th August 2021 Other contributions include \$213,724 from LRCI Phase 3 plus \$73K from Rural Youth	\$478,109	\$75,000	\$0	\$286,951	\$840,060
<b>Application Period Total</b>	<b>\$478,109</b>	<b>\$75,000</b>	<b>\$0</b>	<b>\$286,951</b>	<b>\$840,060</b>

Project Name	Grant Value	Sum of Shire (Cash)	Sum of Shire (InKind)	Other Contribution (Kind)	Total Project Cost
<b>New / Researching</b>					
<b>Better Choices</b>					
Preparation of grant application - Third iteration	\$8,000	\$0	\$5,000	\$0	\$13,000
<b>Independent Living Units</b>					
Focus Group has reconvened with the recruitment of Slavin Architect consultancy.	\$0	\$10,000	\$0	\$0	\$10,000
<b>Old School Site</b>					
Working Group meeting held 28th January. Referred back to architect for refinement	\$0	\$4,500	\$0	\$0	\$4,500
<b>Salmon Gums Woodland</b>					
Ongoing consultation with Mick Grage on design and project development	\$17,500	\$0	\$0	\$0	\$17,500
<b>Bike Track/skate park</b>					
Targetting teenage demographic	\$0	\$0	\$0	\$0	\$0
<b>Trainee</b>					
Researching funding options	\$30,000				\$30,000
<b>Electric Car Point</b>					
Researching funding options	\$0	\$10,000			\$10,000
<b>Public Art Murals</b>					
Researching funding	\$0	\$0	\$0	\$0	\$0
<b>New / Researching Total</b>	<b>\$55,500</b>	<b>\$24,500</b>	<b>\$5,000</b>	<b>\$0</b>	<b>\$85,000</b>
<b>Grand Total</b>	<b>\$5,869,575</b>	<b>\$661,635</b>	<b>\$5,000</b>	<b>\$286,951</b>	<b>\$6,823,161</b>

# Grant Program Status

2020/21 and 2021/22

(4th Quarter 2021)

Status: **Approved Programs**  
Year (Multiple Items)

Status	No. Grants	Grant Value (\$)
<b>Competitive</b>		
Active	1	\$2,000
Application Period	1	\$478,109
New / Researching	8	\$55,500
<b>Competitive Total</b>	<b>10</b>	<b>\$535,609</b>
<b>Non-competitive</b>		
Acquittal Period	3	\$1,176,637
Active	8	\$4,157,329
<b>Non-competitive Total</b>	<b>11</b>	<b>\$5,333,966</b>
<b>Grand Total</b>	<b>21</b>	<b>\$5,869,575</b>

Year (Multiple Items)  
Status **Declined**

Grant	Grant Value	Shire Contribution
<b>Grand Total</b>		

Comment:  
No grant applications rejected in the current Financial Year.  
Focus has been on non-competitive grant windows and criteria to ensure compliance of proposed projects.

# Grant Program Status

2020/21 and 2021/22

(4th Quarter 2021)

Status: ***New / Researching***

Programme Name	Status/Comments	Responsible Officer
Better Choices	Preparation of grant application - Third iteration	Cynthia Yarran
Independent Living Units	Focus Group has reconvened with the recruitment of Slavin Architect consultancy.	Richard Bleakley
Old School Site	Working Group meeting held 28th January. Referred back to architect for refinement	Sarah Caporn
Salmon Gums Woodland	Ongoing consultation with Mick Grage on design and project development	Sarah Caporn
Bike Track/skate park	Targetting teenage demographic	Sarah Caporn
Trainee	Researching funding options	Richard Bleakley
Electric Car Point	Researching funding options	Jen Green
Public Art Murals	Researching funding	Richard Bleakley

**Comment:**

Multiple project concepts are in the pipeline. Preliminary research being conducted in preparation for funding opportunities in the future.

*Audit & Risk Committee - Terms of Reference 7.1, 7.3***8.2 Write off Outstanding Sundry Debtors**

**Meeting Date** 7<sup>th</sup> December 2021

**Responsible Officer** EMCS Leah Horton

**Reporting Officer** SFO Jodie Yardley

**Attachments** (i) Outstanding Sundry Debtors Report **Confidential**

**Owner/Applicant** Shire of Quairading

**Disclosure of Interest** Nil

**OFFICER RECOMMENDATION**

**MOVED** \_\_\_\_\_ **SECONDED** \_\_\_\_\_

That the Audit & Risk Committee Recommend to Council that: -

Council writes off the amounts owing for Sundry Debtors 91065, 92482 and 94228, totalling \$465.87.

\_\_\_\_/\_\_\_\_

**VOTING REQUIREMENTS** –Simple Majority**IN BRIEF**

- Sundry Debtors with balances exceeding 90 days that have had multiple attempts for recovery are now deemed bad-debts.
- The amounts owing are too small to warrant collection and the cost of collection is likely to be disproportionate to the amount which is owed.
- The amounts have not been previously identified and provided for in the Provision for Doubtful Debts.
- The amounts are found to be uncollectable and are recommended for write-off, as per **Confidential Attachment (i)**.

**MATTER FOR CONSIDERATION**

Writing off the Sundry Debtor balances that have been outstanding for a number of years that are now considered unrecoverable.

**BACKGROUND**

Council currently has a number of Sundry Debtors with outstanding balances.

Sundry Debts are any amounts due to the Shire for an account other than Council Rates and Service Charges. Despite invoices being raised and sent to Debtors, sometimes balances remain outstanding after the due date for payment.

When the Shire has exhausted reasonable attempts at recovery commensurate with the size of the debt, a report is prepared for Council with recommendations to Council to write off debts owed to the Shire.

The attached Outstanding Sundry Debtors Report details balances of Sundry Debtors that exceed 90 days of ageing and have been outstanding for a number of years with no chance of recovery. Various Council staff have made concerted efforts over many years to recover the debts with no funds being recovered.



## STATUTORY ENVIRONMENT

### *Local Government Act 1995*

#### **6.12. Power to defer, grant discounts, waive or write off debts**

- (1) Subject to subsection (2) and any other written law, a local government may:-
- (a) when adopting the annual budget, grant\* a discount or other incentive for the early payment of any amount of money; or
  - (b) waive or grant concessions in relation to any amount of money; or
  - (c) write off any amount of money, which is owed to the local government.

\* Absolute majority required.

- (2) Subsection (1)(a) and (b) do not apply to an amount of money owing in respect of rates and service charges.
- (3) The grant of a concession under subsection (1)(b) may be subject to any conditions determined by the local government.
- (4) Regulations may prescribe circumstances in which a local government is not to exercise a power under subsection (1) or regulate the exercise of that power.

### *Local Government (Financial Management) Regulations 1996, Part 4*

#### **42. Discounts for early payment etc., information about in annual financial report**

- (1) The annual financial report is to include for each discount or other incentive granted for early payment of any money and in respect of each waiver or concession in relation to any money –
- (a) in respect of a discount –
    - (i) the amount of the discount, or the percentage discount, allowed; and
    - (ii) the circumstances in which the discount was granted; and
  - (b) in respect of an incentive other than a discount –
    - (i) a brief description of the incentive scheme; and
    - (ii) a statement of how that incentive was claimed; and
  - (c) in relation to a waiver or concession –
    - (i) a brief description of the waiver or concession; and
    - (ii) a statement of the circumstances in which it was granted; and
    - (iii) details of the persons or class of persons to whom it was available; and
    - (iv) the objects of, and reasons for, the waiver or concession.
- (2) The annual financial report is to include, separately in relation to all general rates, each specified area rate, each service charge and all fees and charges imposed under the Act or any other written law details of –
- (a) the total amount of the discounts granted; and
  - (b) the total cost to the local government of each incentive scheme; and
  - (c) the total cost, or reduction of revenue, to the local government of the waiver or grant of a concession; and
  - (d) the total amount of money written off.

Aged debts will be reviewed regularly and accounted for in accordance with the relevant *Australian Accounting Standard, AASB 9 Financial Instruments* that deals with provisions for doubtful debts.

## POLICY IMPLICATIONS

N/A.

## FINANCIAL IMPLICATIONS

Council Sundry Debtors balance will be reduced by \$465.87, which will reduce Council's current predicted surplus for the 2021/22 Financial Year by the same amount. Officers' attempts to recover the debts has not been estimated on a cost-basis.

If Debt Recovery services were utilised or Legal Action was taken there would be further charges incurred without the guarantee of recovery of the initial debt. The cost of Legal Action to recover the debts would likely far exceed the amounts owing.

Council will not be expending funds and staff time on any further cost recovery efforts.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 – 2031

### 5. GOVERNANCE AND LEADERSHIP

5.3 Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

5.4 Implement systems and processes that meet legislative and audit obligations

## COMMUNITY CONSULTATION

No Community consultation was required or undertaken in relation to this report.

## RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is considered Low. Council revenue will be reduced and the loss is not recoverable, however the amount of \$465.87 is considered immaterial.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low. Consideration of writing off debts should not be taken lightly and is only recommended when all other avenues for collection have been exhausted to ensure that there is no damage to the Shire's reputation.

Operation – Risk Matrix Rating is assessed as Low. Operational impact is increased should the write-off not occur and further work required for recovery efforts.

Natural Environment – Risk Matrix Rating is assessed as Low.

## COMMENT

The Shire aims to ensure that all payments are received by the due date for payment and, through close monitoring of aged accounts, the likelihood of sundry debts becoming unrecoverable is reduced. However sometimes sundry debts to the Shire remain outstanding after the due date for payment.

In attempts to obtain payment, the debtor will be contacted by all and any means necessary. Following the initial invoice, reminder notices will be sent and then overdue notices. Subsequent phone calls, emails and letters will also ensue, often with multiple attempts. The Shire may engage a debt collection agency and/or legal representative to act on its behalf in taking debt recovery action, however the cost of this often exceeds the initial debt owed.

The attached details the Debtor, the Invoice details and the attempts made for recovery. In each circumstance the amounts owing are too small to warrant collection and the cost of collection is likely to be disproportionate to the amount which is owed. The amounts have not been previously identified and provided for in the Provision for Doubtful Debts and are ultimately found to be uncollectable.

The Committee is requested to recommend to Council to write-off the Sundry Debtor balances as per the **Confidential Attachment (i)**.

## ITEM 9      STANDING ITEMS – CONTROLS, SYSTEMS AND PROCEDURES

---

### *Audit & Risk Committee - Terms of Reference 7.3*

#### **9.1      Office of the Auditor General – Cyber Security in Local Government**

Report 9: 2021 – 22 24<sup>th</sup> November 2021 (Attached)

The Auditor General has recently had her Report on Cyber Security in Local Government tabled in State Parliament.

15 local governments were audited for their procedures and performance in protecting against Cyber Threats.

The Auditor General has found significant weaknesses in Policy & Procedures across all the entities tested.

OAG Report including Findings and Recommendations to Local Governments is submitted to the Committee for Noting and Discussion.

# Western Australian Auditor General's Report



## Cyber Security in Local Government



## Office of the Auditor General Western Australia

### **Audit team:**

Aloha Morrissey  
Kamran Aslam  
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National Relay Service TTY: 133 677  
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with visual impairment.

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ISSN: 2200-1921 (online)

***The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.***

## WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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# **Cyber Security in Local Government**

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**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

### **CYBER SECURITY IN LOCAL GOVERNMENT**

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

This audit assessed if a sample of 15 local government entities manage cyber security risks and respond to cyber threats effectively.

I wish to acknowledge the entities' staff, my Information Systems Audit team, and the staff and students at Edith Cowan University's Security Research Institute for their cooperation and expertise with this audit.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER  
AUDITOR GENERAL  
24 November 2021

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## Auditor General's overview

Western Australian local government (LG) entities are increasingly using online services to connect with their communities and conduct government business. Alongside the many benefits that arise from this digital connectivity are just as many, if not more, risks. None more challenging than the attempts of cybercriminals to gain unlawful access to government systems and information, disrupting supply chains and services. The number of cyber-attacks across government rose sharply during the COVID-19 pandemic and will continue to present challenges for governments who are entrusted with citizen information and ongoing delivery of essential services.



LG entities use key systems to deliver services to their communities and in doing so collect and store vast amounts of information about their residents and operations. This information is attractive to cybercriminals. LG entities need to understand and mitigate their cyber security risks. In doing so, entity capability and public confidence in digital initiatives and government processes will be strengthened.

This report summarises important findings and recommendations from our cyber security audit at 15 LG entities. Through our examination of control frameworks and ethical simulated cyber-attacks (ethical hacking), we found that LG entities had not managed their cyber security risks well. Out-of-date software accounted for a large number of cyber security vulnerabilities and despite staff awareness training, over half of the audited LG entities did not have controls to prevent their staff falling victim to social engineering attacks (for example phishing emails). Most of the LG entities we audited also lacked appropriate incident response and recovery plans to respond to cyber security incidents and recover key systems. LG entities must fix these weaknesses and improve their cyber security maturity.

LG entities should give regard to good practice principles in the Australian Government Information Security Manual and the Essential Eight controls to protect systems and information. While remediations will require an investment of time and money, support from senior management is equally important to uplift cyber security maturity. We have included recommendations and better practice guidance at Appendix 1 to help entities manage and address their cyber risks.

It was encouraging to see that most of the audited LG entities addressed some of our findings during the audit. All State and LG entities should take note of the findings and recommendations in this report.

## Introduction

In this audit we assessed if a sample of 15 Western Australian LG entities manage cyber security risks and respond to cyber threats effectively. Appropriate management and response make it harder for cybercriminals to infiltrate LG entity networks to disrupt and compromise the confidentiality, integrity and availability of their systems and information.

LG entities manage vast amounts of operational information as well as personal information about their staff and communities. It is important that key systems and information are protected from internal and external malicious attacks. Cyber security is an essential part of that protection.

We have anonymised weaknesses and graphics throughout this report so as not to compromise the security of systems and information at the LG entities we audited.

## Background

Australian government entities and organisations are constantly targeted in cyber-attacks aimed to unlawfully obtain information and disrupt essential services. The Australian Cyber Security Centre received over 67,500 reports of cyber security incidents in 2020-21, an increase of nearly 13% from the previous year. Government entities accounted for 35% of these incidents. Self-reported losses from cybercrime totalled more than \$33 billion.<sup>1</sup> Earlier in 2021 cyber security incidents disrupted the Western Australian Parliament's emails<sup>2</sup> and Queensland's essential healthcare services.<sup>3</sup> Cyber security is one of the most significant issues facing organisations worldwide.

To manage their cyber security risks, we expected LG entities to have:

1. a cyber security policy and framework
2. a cyber security incident response plan
3. processes to manage cyber risks
4. cyber security awareness training for employees
5. intrusion detection and prevention systems
6. processes to manage technical vulnerabilities
7. a disaster recovery plan
8. a business continuity plan.

During the audit, we examined policies and procedures and carried out black box<sup>4</sup> simulated cyber-attacks and sent test phishing emails to assess LG entities' cyber security controls and defences. These approaches simulated real outside-in scenarios and without inside knowledge of the LG entities. The phishing emails contained non-malicious links designed to collect basic information, if opened, such as the network, user and operating system details. LG staff were then redirected to a website that asked for their username and password. We tested if entity controls could prevent phishing emails and whether appropriate security

<sup>1</sup> <https://www.cyber.gov.au/acsc/view-all-content/reports-and-statistics/acsc-annual-cyber-threat-report-2020-21> (current as at 22/11/2021)

<sup>2</sup> <https://www.abc.net.au/news/2021-03-17/wa-parliament-targeted-cyber-attack/13253926> (current as at 22/11/2021)

<sup>3</sup> <https://ia.acs.org.au/article/2021/australian-hospitals-hit-by-cyber-attack.html> (current as at 22/11/2021)

<sup>4</sup> The black box approach is used to simulate a real world scenario where tests are undertaken without any inside knowledge of the organisation's IT environment or systems.

awareness programs were in place. We destroyed all usernames and passwords collected during the testing.

We engaged the Security Research Institute at Edith Cowan University to assist us with the audit and acknowledge our long-standing relationship with them. Publicly available tools and resources (such as LG entity websites, professional networking sites and news articles) were used to map the LG entities' cyber footprints and to identify staff email addresses and potential weaknesses in the LG entities' systems and networks.

## Conclusion

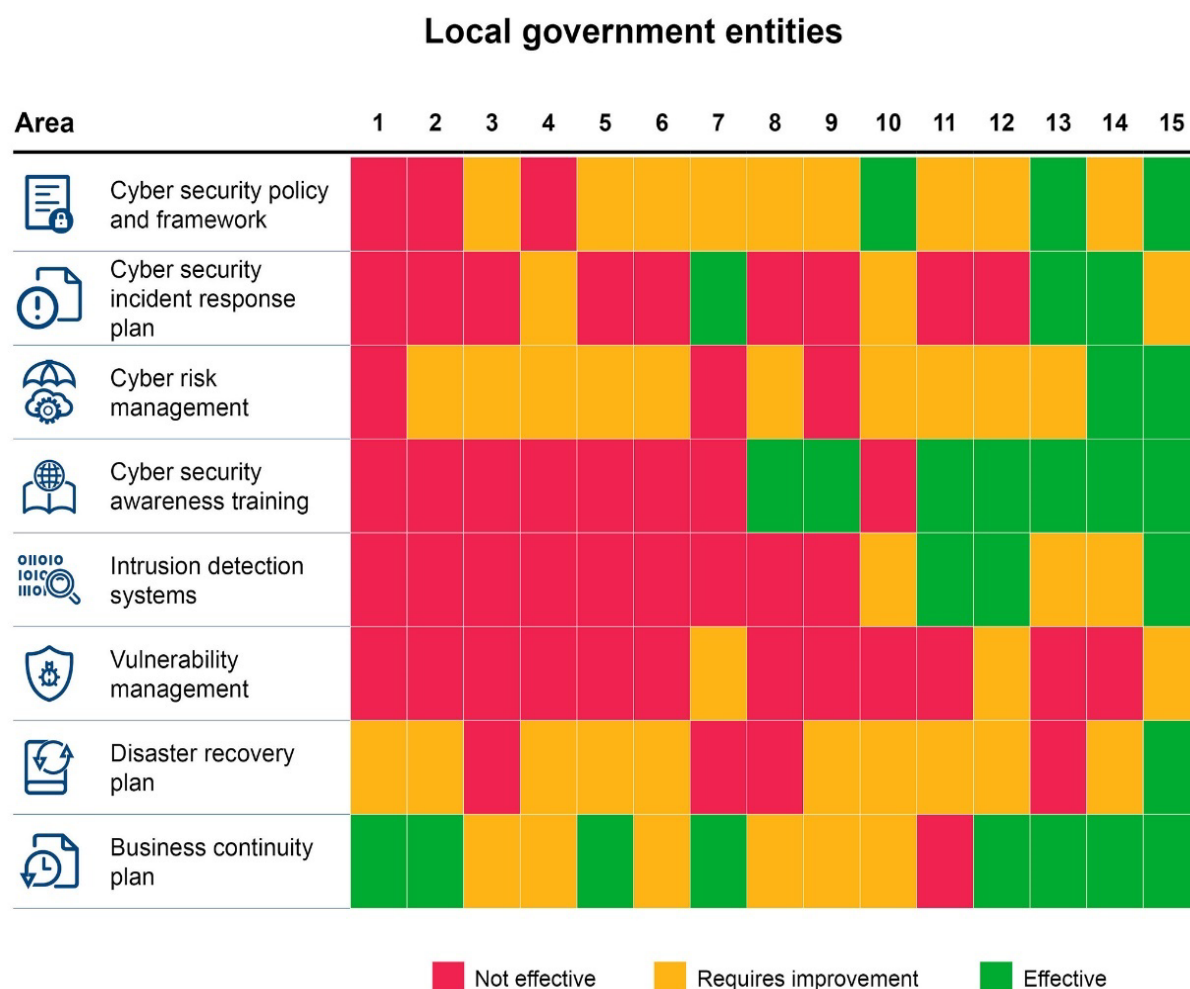
LG entities need to improve their management of cyber risks and response to cyber threats. Most did not have current and complete cyber security policies and processes to help them manage the risks and effectively respond.

Despite LG entities providing cyber security awareness training for employees, staff at 8 of the 15 audited LG entities accessed links and, in some cases, provided their credentials (username and password) in response to our test phishing emails. Technical controls to prevent phishing emails, coupled with focussed training to remind staff of their obligations and cyber security risks, would help LG entities manage these risks.

LG entities did not have appropriate mechanisms to detect and respond to cyber security incidents and their systems and networks were vulnerable because of out-of-date software. Nine of the 15 audited LG entities did not detect or respond to our simulated cyber-attacks, and those that did still needed to improve their processes.

## What we found

Figure 1 summaries our findings for the 15 audited LG entities. We have anonymised the findings so as not to expose those LG entities with weaknesses to cyber-criminals.



Source: OAG

**Figure 1: LG entity findings for key audit areas**

### Most LG entities did not have effective cyber security policies and procedures

Only 3 LG entities had adequate cyber security policies to govern and manage cyber security. Nine LG entities had policies that were out of date or did not cover important areas. The remaining 3 LG entities did not have a policy or framework. Without policies that clearly outline the principles and expectations of systems and employees, entities are at higher risk of compromise by cyber threats. This may result in financial loss, reputational damage or disruption to the delivery of important services to their communities.

LG entities need to support their cyber security policies with good practice procedures and controls. Good practice principles, such as the *Australian Government Information Security Manual*<sup>5</sup> and the Australian Cyber Security Centre's Essential Eight<sup>6</sup> mitigation strategies, provide useful guidance on how to protect systems and information from cyber threats. LG

<sup>5</sup> <https://www.cyber.gov.au/acsc/view-all-content/ism> (current as at 22/11/2021)

<sup>6</sup> <https://www.cyber.gov.au/acsc/view-all-content/essential-eight> (current as at 22/11/2021)

entities should give regard to these principles when implementing their cyber security policies.

We identified important areas that were not defined in most of the audited LG entities' policies or procedures. These included:

- **cyber security responsibilities** to manage cyber security risks had not been clearly assigned
- **end-point security** requirements to secure devices were not established (for example anti-malware controls, hardening, and encryption)
- **access management** requirements and responsibilities to request, grant, review, and revoke access to key systems had not been defined
- **authentication requirements** to access systems had not been established or minimum requirements had not been enforced (for example password composition and multifactor authentication)
- **application controls** to ensure that only allowed applications can run on devices had not been established
- **information and system backups** to regularly backup systems and information had not been defined
- **system monitoring** to detect and respond to malicious behaviour and system events had not been established.

## Most LG entities did not manage all their cyber risks

Only 2 LG entities had identified all their cyber risks, and 3 had not identified any. Ten LG entities had considered some, but not all, of their cyber risks. If LG entities are not aware of their cyber risks, they cannot mitigate them. This exposes them to higher risk of compromise which may adversely impact their business plans and objectives.

Risks that LG entities did not consider include:

- malware and ransomware
- data breaches
- unauthorised access to systems or networks (external hack)
- theft of IT devices
- third-party supply chain / cloud risks.

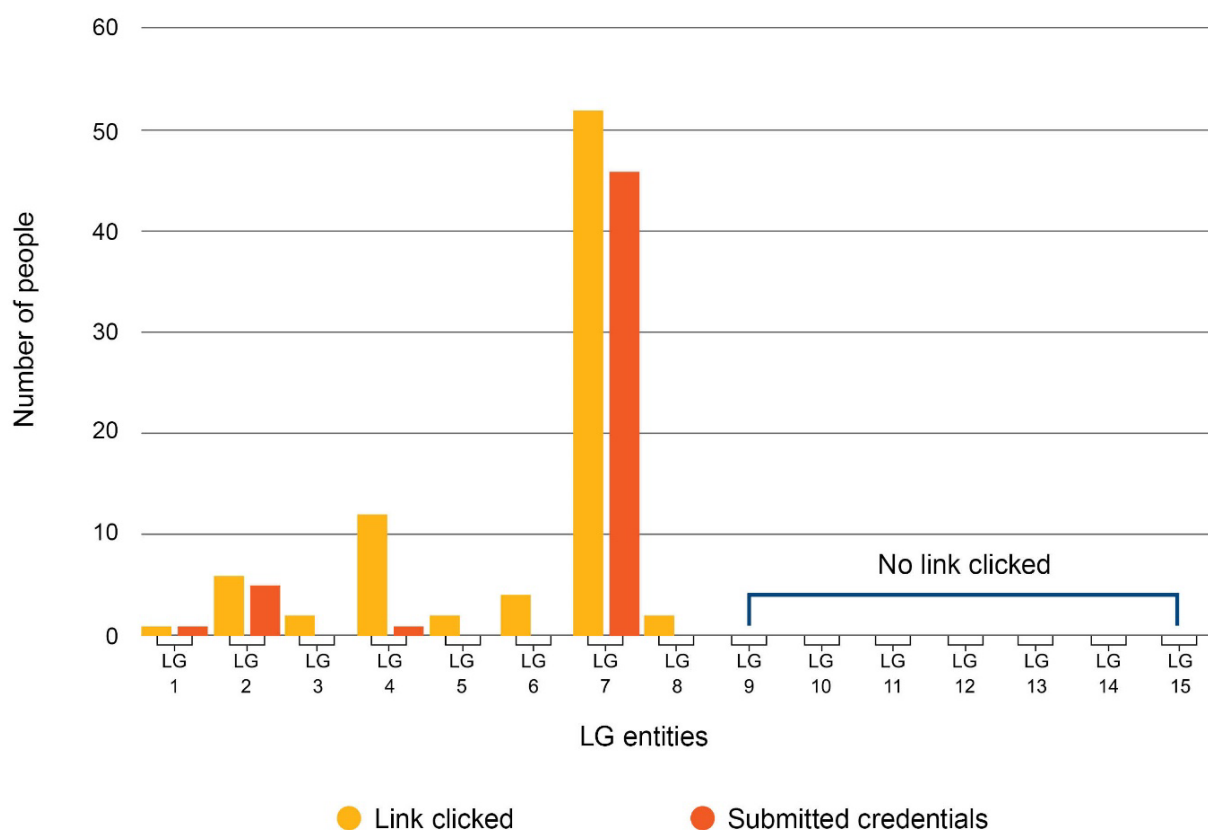
### Case study 1: LG entities had not identified the risks of email compromise from external breaches

Staff might use their work email address and the same or a similar password to sign up for personal or work-related third-party services (such as Dropbox and LinkedIn). We found that all of the audited LG entities had one or more of their emails listed in historic external breaches. Ten LG entities did not have a process in place to know if their email addresses or domain appeared in external breaches and the risks this posed to them. Cybercriminals could use information from these beaches to gain unauthorised access to LG email accounts to commit fraud. Without clearly defined expectations of staff and processes to know if such incidents occur, LG entities are at higher risk of cyber security breaches.

In one publicly reported private sector example, an Australian organisation suffered reputational and financial damage after cybercriminals gained unauthorised access to the organisation's email account and used the access to send false invoices. While most of the \$8.7 million paid by the organisation to the cybercriminals was recovered, the organisation declared bankruptcy after it could not sustain operations due to the reputational damage from this cyber breach.<sup>7</sup>

## Most LG entities conducted cyber security awareness training, but remain at significant risk

Awareness programs alone will not protect LG entities from cyber-attacks. We found staff from 8 LG entities (7 with training in place, 1 without) clicked on the links in our test phishing emails and, in some cases, submitted their credentials (username and password) (Figure 2). This type of information can be used to compromise key systems or deliver malware to maintain long-term access into entity networks.



Source: OAG

**Figure 2: Number of people who responded to test phishing emails at each LG entity**

Cyber security awareness programs should be ongoing and focus on current trends (for example soft skills to counter cyber-attacks that exploit human behaviour). Further, if awareness programs are overly technical, individuals will not understand the cyber risks posed to their entity and their personal responsibilities. Entity systems and information can be compromised by one individual clicking on one malicious link.

<sup>7</sup> <https://www.cyber.gov.au/acsc/view-all-content/reports-and-statistics/acsc-annual-cyber-threat-report-2020-21> (current as at 22/11/2021)



In 2020-21, phishing attacks was 1 of the highest categories for cyber incidents.<sup>8</sup> Our black box test exercise found LG entities were at significant risk from these attacks.

### **Case study 2: Forwarded email increased the number of people who accessed the link and gave their credentials**

At 1 audited entity, 4 staff clicked on the link in our test phishing email and 2 submitted their credentials. One of the 4 staff forwarded our test email to other staff and external contacts who were not part of our initial target list. This resulted in an additional:

- 29 staff clicking the link and providing their credentials
- 15 external contacts clicking the link and providing their credentials
- 4 who clicked the link but did not provide any credentials.

This case study shows that people generally trust and are more likely to respond to emails from known contacts. Regular and up-to-date cyber security awareness training and controls to detect and prevent phishing emails are important to combat such attacks.

## **LG entities did not address vulnerabilities in a timely manner**

We found that only 3 audited LG entities had a process to manage vulnerabilities<sup>9</sup> and none of these were fully effective. We expected LG entities to have timely processes to address vulnerabilities.

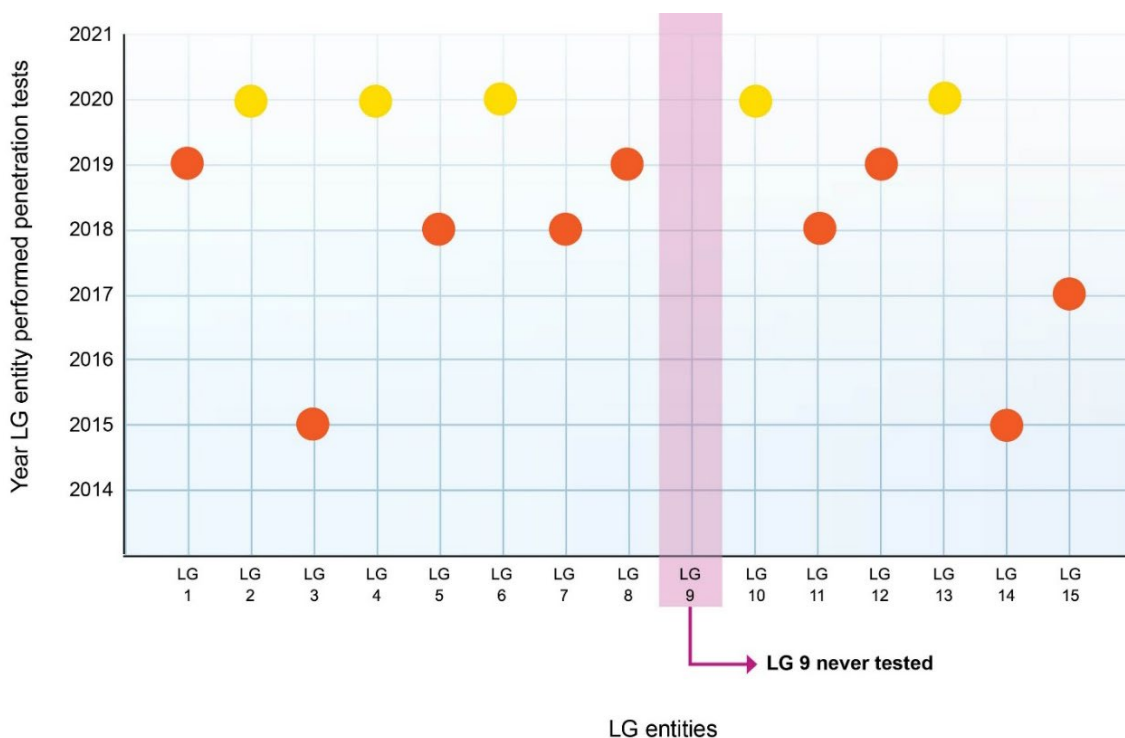
State sponsored actors and cybercriminals exploit vulnerabilities to disrupt and compromise systems. For example, using specially crafted malware that bypasses basic security controls. The Australian Cyber Security Centre observed that in some cases, known vulnerabilities were exploited within hours after they are made public.<sup>10</sup> Vulnerabilities can be due to things such as flawed, misconfigured and unpatched software, misconfigured devices, and poor security controls.

Only 5 audited LG entities had recently tested (penetration tests) the effectiveness of their security controls which protect them from cyber-attacks. Two LG entities had not conducted tests since 2015 (Figure 3) and 1 had never tested. LG entities are at higher risk of compromise if they do not identify and address weaknesses.

<sup>8</sup> <https://www.cyber.gov.au/acsc/view-all-content/reports-and-statistics/acsc-annual-cyber-threat-report-2020-21> (current as at 22/11/2021)

<sup>9</sup> Vulnerabilities are weaknesses that can be exploited by cybercriminals to compromise systems and information.

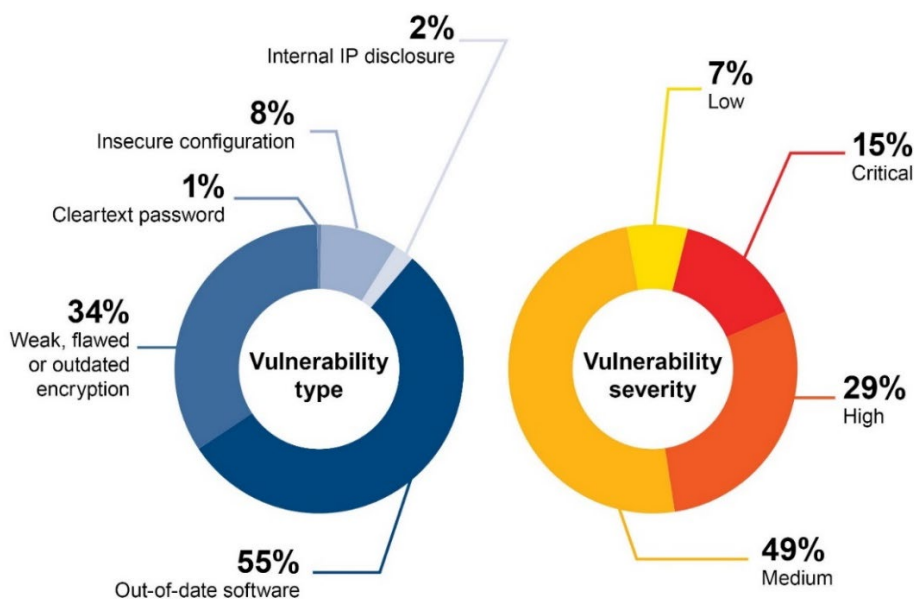
<sup>10</sup> <https://www.cyber.gov.au/acsc/view-all-content/reports-and-statistics/acsc-annual-cyber-threat-report-2020-21> (current as at 22/11/2021)



Source: OAG

**Figure 3: Entities’ most recent network penetration tests**

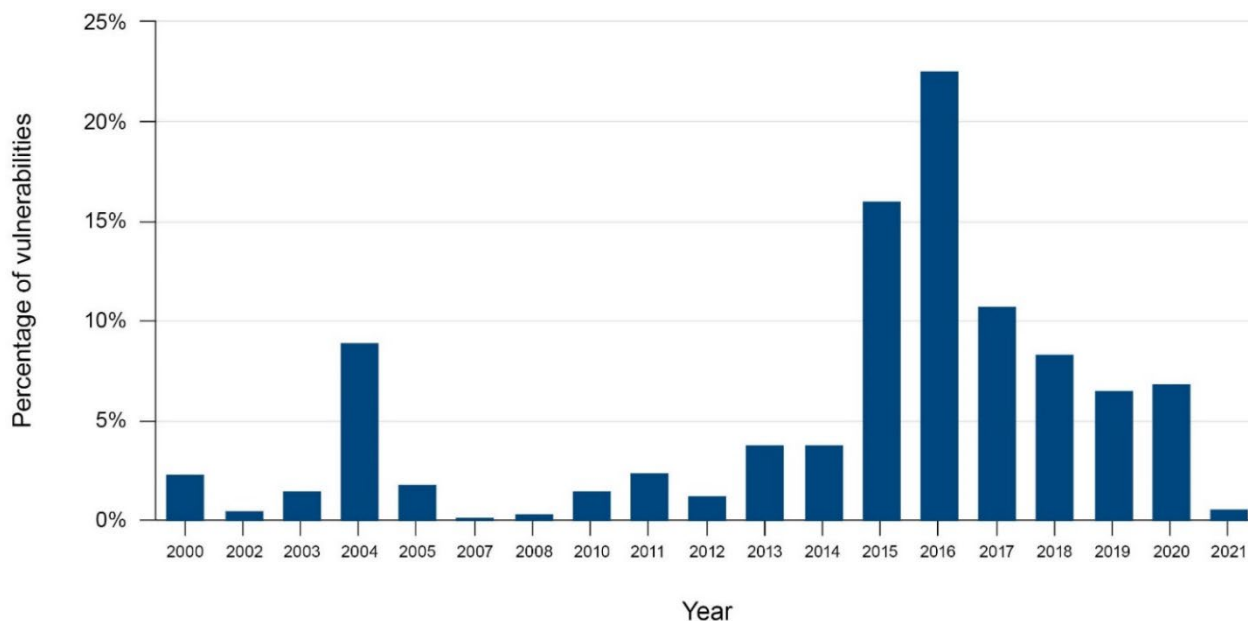
We tested the audited LG entities’ publicly accessible IT infrastructure and found vulnerabilities of varying types, severity and age. The vulnerabilities included disclosure of technical information, out-of-date software, flawed or weak encryption, insecure software configuration and passwords sent in cleartext over the internet. Out-of-date software accounted for most of the vulnerabilities identified (Figure 4). Forty four percent of vulnerabilities were of critical and high severity, with a further 49% of medium severity. Known critical and high severity vulnerabilities are generally easy to exploit and expose LG entities to increased risk of compromise.



Source: OAG

**Figure 4: Type and severity of vulnerabilities**

Most vulnerabilities were older than 12 months, with some dating back over 15 years (Figure 6). LG entities need a process to address vulnerabilities in a timely manner if they are to reduce the risk of disruption to services and systems from cyber-attacks.



Source: OAG

**Figure 6: Age of vulnerabilities**

The following case study shows why it is important for LG entities to identify and fix vulnerabilities in a timely manner.

### Case study 3: Out-of-date software and a weak password leaves LG entity websites vulnerable

We found an audited metropolitan LG entity with an active legacy website that it did not know still existed. We identified several vulnerabilities affecting the website including:

- out-of-date software components
- disclosure of server configuration details.

Using the above vulnerabilities, we bypassed authentication to access this legacy site. The site contained historic information on application approvals (such as business names, liquor licence application data, business permit application data, and resident names) and server logs which disclosed further technical information.

This entity also had an old library website which was vulnerable due to a very weak password. We guessed the password and accessed protected parts of the old library website. This access could be used to change the website.

A cybercriminal could post offensive materials on these websites to cause reputational damage to the entity or access sensitive information for inappropriate use.

The LG entity informed us of its intent to decommission the legacy sites.

## LG entities need to improve their response and recovery strategies

To effectively respond to cyber-attacks, we expected LG entities to have:

- **cyber security incident response plan** – to assess and respond to cyber security related incidents
- **disaster recovery plan** – to recover key systems from any disaster situation
- **business continuity plan** – to continue the delivery of key services in a disaster scenario and resume normal operations
- **intrusion detection systems** – to detect, alert and prevent cyber intrusions.

Twelve LG entities did not have an effective incident response plan to adequately respond, report and escalate cyber security incidents in a timely manner. This could impact LG entities' key IT systems and services and affect business operations. Most LG entities had a business continuity plan and disaster recovery plan, although some needed to be updated and improved. Testing these plans is also vital to familiarise staff with them and implement improvements as required.

We used basic open-source tools to simulate cyber-attacks on the 15 audited LG entities to test their response strategies. Only 3 LG entities had their systems configured to detect and block our simulated attacks in a timely manner. These LG entities demonstrated an effective response to cyber intrusions to protect their systems and information.

It was concerning that 9 LG entities did not detect nor respond to our simulations, and 3 LG entities took up to 14 days to detect the simulations, and only did so after the simulation intensity increased significantly. These 12 LG entities had intrusion detection systems, but processes were not in place to analyse information generated by the systems in a timely manner. Without these processes, LG entities may not effectively respond to cyber intrusions in time to protect their systems and information.

---

## Recommendations

All LG entities should adopt:

1. cyber security policies aligned to relevant cyber security frameworks and standards, such as the *Australian Government Information Security Manual*
2. processes to identify, understand, and address relevant cyber security risks
3. relevant controls from the Australian Cyber Security Centre's Essential Eight mitigation strategies
4. ongoing awareness raising programs to education staff on cyber security risks
5. technical controls to detect and prevent phishing emails
6. processes to identify and address vulnerabilities affecting their internal and external IT infrastructure
7. appropriate cyber security incident response strategies covering:
  - a. cyber security incident response plan
  - b. business continuity plan
  - c. disaster recovery plan
  - d. technical controls to detect, alert and prevent cyber intrusions.

### Response from LG entities

All 15 LG entities reviewed during the audit generally accepted the recommendations.

## Appendix 1 – Better practice principles to manage cyber security risks

The following table outlines guiding principles for entities to consider when managing their cyber security risks. This is not intended to be an exhaustive list. Further guidance can be obtained from the Australian Cyber Security Centre (ACSC).<sup>11</sup>

Guiding principles	
<b>Understand cyber security risks</b>	Identify and assess cyber risks to systems and information and implement appropriate plans to address them.
<b>Develop a cyber security policy</b>	Develop and implement a cyber security policy that aligns with better practice frameworks such as the Australian Information Security Manual.
<b>Regularly test control effectiveness</b>	Regularly test the effectiveness of security controls which protect against cyber-attacks and address vulnerabilities in a timely manner.
<b>Develop response plans</b>	Develop incident response, business continuity and disaster recovery plans to manage and recover from cyber security incidents. Test these plans regularly.
<b>Secure emails</b>	Secure emails with controls such as sender policy framework and domain-based message authentication. Implement controls to detect suspicious emails and attachments (e.g. phishing).
<b>Educate staff</b>	Develop awareness programs that are not overly technical to educate staff on cyber and information security risks.
<b>Intrusion detection</b>	Implement controls to identify and block malicious intrusions.
<b>Protect endpoints</b>	Use application control and modern anti-malware software to protect endpoints from threats, including mobile devices.
<b>Use encryption</b>	Use encryption to protect data from theft. This should apply to data at rest and in movement and include mobile devices.
<b>Limit administrative privileges</b>	Administrators should have separate accounts to perform privileged tasks. These should be regularly reviewed to ensure only appropriate staff have these privileges and that they still require it.
<b>Apply software updates</b>	Implement processes to receive alerts when patches are released by vendors and apply them to applications and operating system software in a timely manner.
<b>Use passphrases</b>	Develop and implement passphrase policies to manage authentication on supported systems.
<b>Multi-factor authentication</b>	Implement multi-factor authentication to protect systems from unauthorised access.
<b>Backup systems and information</b>	Regularly backup and test restoration of systems and information. Protect the integrity of backups in case the primary dataset is compromised or infected with malware.
<b>Harden user applications</b>	Disable or remove unwanted applications and features such as unnecessary browser plugins and software frameworks.
<b>Cyber security monitoring/ situational awareness</b>	Use event data to know what is occurring on your network. Develop processes to receive alerts if accounts, passwords or vulnerabilities related to your entity are disclosed through breaches.
<b>Collaborate</b>	Liaise with key cyber security entities such as the ACSC and their Joint Cyber Security Centre.

Source: OAG

<sup>11</sup> <https://www.cyber.gov.au/acsc/view-all-content/publications/strategies-mitigate-cyber-security-incidents> (current as at 22/11/2021)

## Auditor General's 2021-22 reports

Number	Title	Date tabled
8	WA's COVID-19 Vaccine Roll-out	18 November 2021
7	Water Corporation: Management of Water Pipes – Follow-Up	17 November 2021
6	Roll-out of State COVID-19 Stimulus Initiatives: July 2020 – March 2021	20 October 2021
5	Local Government COVID-19 Financial Hardship Support	15 October 2021
4	Public Building Maintenance	24 August 2021
3	Staff Exit Controls	5 August 2021
2	SafeWA – Application Audit	2 August 2021
1	Opinion on Ministerial Notification – FPC Arbitration Outcome	29 July 2021

## Office of the Auditor General Western Australia

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 Office of the Auditor General for  
Western Australia



## ITEM 10 STANDING ITEMS – RISK MANAGEMENT REPORTS AND ISSUES

*Audit & Risk Committee - Terms of Reference 7.1, 7.3*

### 10.1 Report on Excess Annual Leave and Long Service Leave

<b>Meeting Date</b>	7 <sup>th</sup> December 2021
<b>Responsible Officer</b>	EMCS Leah Horton
<b>Reporting Officer</b>	SFO Jodie Yardley
<b>Attachments</b>	Nil
<b>Owner/Applicant</b>	Shire of Quairading
<b>Disclosure of Interest</b>	Nil

#### OFFICER RECOMMENDATION

**MOVED** \_\_\_\_\_ **SECONDED** \_\_\_\_\_

That the Audit and Risk Committee Recommend to Council that: -

Council receive the report on the Shire's Leave Liabilities.

\_\_\_\_/\_\_\_\_

**VOTING REQUIREMENTS** -Simple Majority

#### IN BRIEF

- Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee.
- Not taking a reasonable amount of annual leave or long service leave may pose a threat to the health and safety of employees and represent a significant financial liability for the Shire, therefore there are steps in place to ensure that leave balances are monitored and are at appropriate levels.
- Employee entitlement movements during the year are due to many reasons, such as, leave taken during the period, increased accrued leave balances, increases in remuneration rates and changes in the underlying staff with leave balances transferred to and from the Shire.

#### MATTER FOR CONSIDERATION

Report on Excess Annual Leave and Long Service Leave Entitlements and Leave Liabilities.

#### BACKGROUND

Since 2017, Council has requested that excess Annual Leave and Long Service Leave be reported to the Audit and Risk Committee.

The current Leave Management Policy defines "excess leave" as when the Employee has accrued more than eight weeks paid annual leave and provides Management with direction to effectively management the annual and long service leave entitlements of employees.

The Shire encourages employees to take leave by reinforcing the positive benefits of taking leave when it becomes due. Sometimes there are circumstances that prevent leave being able to be taken, such as; staff shortages, outside influences (COVID-19 travel restrictions), and work demands.

There will be movements in employee entitlements throughout the year. Balances will increase naturally as employees accrue leave entitlements and when leave balances are transferred from other Shires. Balances will decrease when employees take leave accrued and when leave balances are transferred to other Shires. This natural fluctuation is monitored by Management and through this report to ensure any excess is managed appropriately.

## STATUTORY ENVIRONMENT

Local Government Industry Award 2020

### 23.6 Excessive leave accruals: general provision

(a) An employee has an **excessive leave accrual** if the employee has accrued more than 8 weeks' paid annual leave (or 10 weeks' paid annual leave for a shift worker, as defined by clause [23.2](#)).

(b) If an employee has an excessive leave accrual, the employer or the employee may seek to confer with the other and genuinely try to reach agreement on how to reduce or eliminate the excessive leave accrual.

*Local Government Act 1995*

Local Government (Long Service Leave Regulations)

Local Government (Financial Management) Regulations 1996

National Employment Standards

*Fair Work Act 2009.*

## POLICY IMPLICATIONS

Current Policy: Leave Management Policy (ORG.2)

## FINANCIAL IMPLICATIONS

Annual and Long Service Leave Reserve Fund Cash Balance as at 30<sup>th</sup> November 2021 is \$166,410.

The Annual Budget treats Current Leave as Accruals.

The Annual and Long Service Leave Reserve funds any prior year Leave entitlements taken by Staff or paid out.

The current Liability for both types of Leave (if all Claimed on 30<sup>th</sup> November 2021) is calculated at \$228,723.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 – 2031

### 5. GOVERNANCE AND LEADERSHIP

5.3 Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community

5.4 Implement systems and processes that meet legislative and audit obligations

## COMMUNITY CONSULTATION

No Community consultation was required or undertaken in relation to this report.

## **RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.**

Financial - Risk Matrix Rating is considered Low. Financial exposure and therefore Risk escalation occurs if Leave accruals are not monitored and managed. Adequate Reserve balances reduce the risk of financial exposure.

Health – Risk Matrix Rating is assessed as Low.

Reputation – Risk Matrix Rating is assessed as Low.

Operation – Risk Matrix Rating is assessed as Low.

Natural Environment – Risk Matrix Rating is assessed as Low.

### **COMMENT**

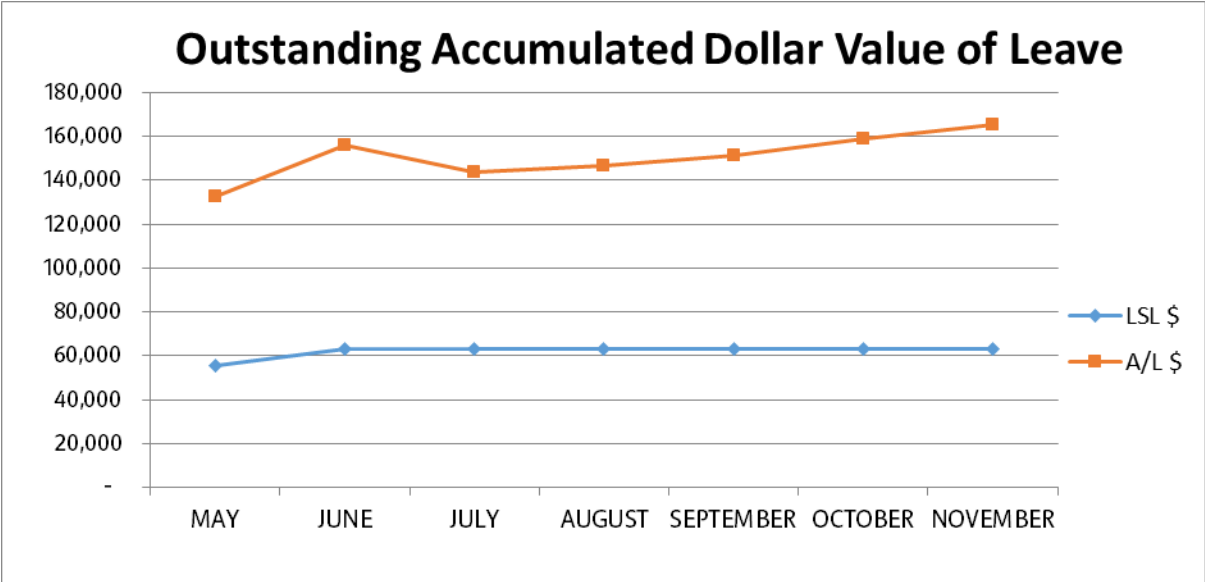
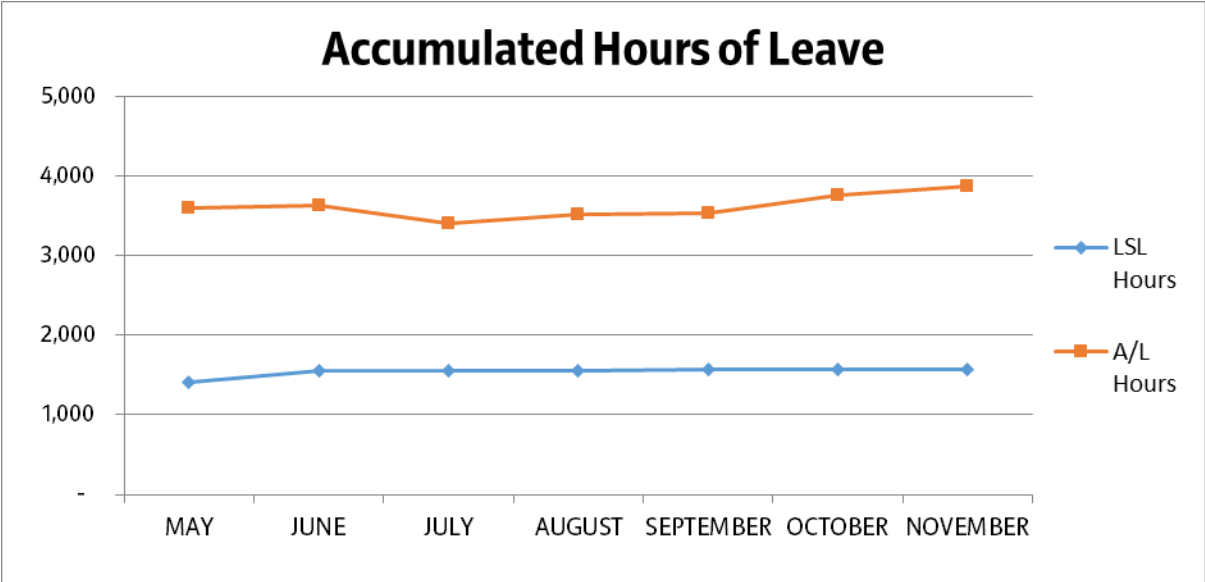
This report has been prepared to inform the Audit and Risk Committee of the current leave liabilities and of any employees who have excess leave and the steps taken to reduce these liabilities.

As at the 30<sup>th</sup> November 2021, two employees have separated, removing their annual leave entitlement upon pay-out, with another two currently not accruing leave as they are absent from work. Currently, there are four employees with excess annual leave, which will reduce during the coming Holiday Period.

Since June 2021, there has been an increase of 6% (in Dollar Value) in the Annual Leave Liability. Six employees have accrued leave balances, we have recruited 4 new employees and two employees have separated, the result exhibits a natural increase during this period where employees have generally taken less Leave to save for the Christmas Holiday Period.

The Long Service Leave Liability has not increased since June 2021. During this period, no employee accrued long service leave.

	<i>LSL Hours*</i>	<i>LSL \$*</i>	<i>AL Hours</i>	<i>AL \$</i>
<b>JUNE</b>	1,555	63,101	3,625	156,032
<b>JULY</b>	1,555	63,101	3,409	144,028
<b>AUGUST</b>	1,555	63,101	3,517	146,512
<b>SEPTEMBER</b>	1,563	63,373	3,536	151,124
<b>OCTOBER</b>	1,563	63,373	3,751	158,754
<b>NOVEMBER</b>	1,563	63,373	3,869	165,350



## ITEM 11 STANDING ITEMS – OTHER

### *Audit & Risk Committee - Terms of Reference 9.1, 9.2 & 9.5*

#### 11.1 Review of Committee Terms of Reference and Performance

<b>Meeting Date</b>	7 <sup>th</sup> December 2021
<b>Responsible Officer</b>	CEO Graeme Fardon
<b>Reporting Officer</b>	CEO Graeme Fardon
<b>Attachments</b>	(i) GOV.5 Audit & Risk Committee – Revised Terms of Reference
<b>Owner/Applicant</b>	Audit & Risk Committee
<b>Disclosure of Interest</b>	Nil

#### OFFICER RECOMMENDATION

**MOVED** \_\_\_\_\_ **SECONDED** \_\_\_\_\_

That the Risk and Audit Committee Recommend to Council that: -

1. Council adopt the revised Audit and Risk Committee Terms of Reference.
2. Committee to assess its performance in 2021 – For discussion.

\_\_\_\_/\_\_\_\_

**VOTING REQUIREMENTS** – Simple Majority

#### IN BRIEF

- This Report recommends that the Committee's Terms of Reference be reviewed to reflect the changing legislative requirements of the Audit and Risk Committee.
- Committee was established by Council in October 2017 for a 2-year term coinciding with the Election Cycle.
- Council has re-established the Committee on the 28<sup>th</sup> October 2021 with all Councillors being Members of the Committee.
- The Committee Presiding Member has been determined by an Election conducted by the Committee at its Special Meeting on the 25<sup>th</sup> November 2021.
- The CEO and the EO have reviewed the Terms of Reference and made suggested minor changes (Highlighted in Yellow) to the current Terms of Reference to be considered by Committee before Recommendation to Council.

#### MATTER FOR CONSIDERATION

The Review of the Audit & Risk Committee Terms of Reference.

#### BACKGROUND

The primary purpose of an Audit & Risk Committee is to provide oversight of the financial reporting processes, the audit process, the Shire's system of internal controls and compliance with legislation and regulations.

In 2017, amendments to the Local Government Act 1995 were passed by State Parliament enabling the Auditor General to audit local government finances and performance. This Amendment also provided more detail on the role and responsibilities of the Audit Committee.

The amendments to the Act have been supported by changes to the *Local Government (Financial Management) Regulations 1996* and the *Local Government (Audit) Regulations 1996* which were gazetted on the 26<sup>th</sup> June 2018.

The State Government have not passed Legislation in regard to requiring an Independent Qualified person to also sit on the Audit Committee. However, this has been strongly put forward for discussion by the new Minister for Local Government in the Proposed Reforms of the Local Government Act.

## STATUTORY ENVIRONMENT

*Local Government Act 1995*

### Local Government (Audit) Regulations 1996

Reg16. Functions of audit committee

An audit committee has the following functions –

- (a) to guide and assist the local government in carrying out –
  - (i) its functions under Part 6 of the Act; and
  - (ii) its functions relating to other audits and other matters related to financial management;
- (b) to guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 of the Act;
- (c) 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;
- (d) to monitor and advise the CEO when the CEO is carrying out functions in relation to a review under –
  - (i) regulation 17(1); and
  - (ii) the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (e) to support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- (f) to oversee the implementation of any action that the local government –
  - (i) is required to take by section 7.12A(3); and
  - (ii) has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a); and
  - (iii) has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
  - (iv) has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- (g) to perform any other function conferred on the audit committee by these regulations or another written law.

[Regulation 16 inserted: Gazette 26 Jun 2018 p. 2386-7.]

## POLICY IMPLICATIONS

In accordance with clause 9.5 of the Audit & Risk Committee Terms of Reference, the committee is required to, at least once a year, to review its own Performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

## FINANCIAL IMPLICATIONS

Nil.

## STRATEGIC IMPLICATIONS – Strategic Community Plan 2021 - 2031

5. GOVERNANCE AND LEADERSHIP	
5.3	Provide informed and transparent decision making that, meets our legal obligations, and the needs of our diverse community
5.4	Implement systems and processes that meet legislative and audit obligations

## COMMUNITY CONSULTATION

Public consultation was not relevant to the development of this report.

### RISK ASSESSMENT – Risk Management Policy and Risk Management Governance Framework Applicable.

Financial - Risk Matrix Rating is assessed as Low. Councillors Meeting Fees are provided for in Council's Budget. Auditor Fees are provided for in Council's Budget.

Health – Risk Matrix Rating is assessed as Low

Reputation – Risk Matrix Rating is assessed as Low. Reputational Risk is mitigated with the effective operation of Council's Audit & Risk Committee and also sound Governance and Financial management in place.

Operation – Risk Matrix Rating is assessed as Low. The annual review process provides a mechanism to ensure good governance of Council's Audit & Risk Committee. The Review process and Committee Structure is part of Council's normal operations.

Natural Environment – Risk Matrix Rating is assessed as Low.

# GOVERNANCE

## GOV.5 AUDIT & RISK COMMITTEE - TERMS OF REFERENCE

<b>Document Status</b>	Reviewed
<b>Statutory Environment</b>	Local Government Act 1995, Local Government (Audit) Regulations 1996, Local Government (Financial Management) Regulations 1996

<b>Record of ToR Review</b>					
<i>Version</i>	<i>Author</i>	<i>Council Adoption</i>	<i>Resolution</i>	<i>Reason for Review</i>	<i>Review Date</i>
01	Graeme Fardon	26 October 2017	72-17/18	New Policy	
02	Graeme Fardon	30 November 2017	98-17/18	Revised	
03	Graeme Fardon			Annual Review	4/12/2018
04	A&R Committee	20 December 2018	117-18/19	Revised 12/12/2018	
05	A&R Committee	19 December 2019	96-19/20	Annual Review	10/12/2019
06	A&R Committee	17 December 2020	99-20/21	Minor amendments	December 2020
07	Graeme Fardon	7 December 2021		Annual Review	



## PURPOSE

To ensure that the audit of Council's financial and statutory functions have been undertaken in accordance with the provisions of the Local Government Act 1995 and associated Regulations.

The Committee will also undertake a Risk Management function to ensure adequate statutory compliance and best practice mitigation is occurring.

## OBJECTIVE

The objective of the Committee is to assist Council in providing a transparent and independent process in its audit, risk and governance management to ensure accountability to the community in the governance and compliance framework and its financial and risk management responsibilities.

## POLICY

The Audit & Risk Committee (the "Committee") is a formally appointed Committee of the Shire of Quairading, pursuant to a number of specific pieces of legislation. These include: -

*The Local Government Act 1995, The Local Government (Audit) Regulations 1996, the Local Government (Financial Management) Regulations 1996. The Local Government Act 1995, Section 7* deals specifically with the audit and process.

The Committee does not have executive powers or authority to implement actions in areas where Management has the responsibility and does not have any delegated financial responsibility. The Committee does not have any management functions and is therefore independent from Management.

The Committee's role is to report to Council and provide appropriate advice and recommendations on matters relevant to its Terms of Reference in order to facilitate decision making by the Committee and Council in relation to the discharge of its responsibilities.

### 1. MEMBERSHIP

- 1.1 Members of the Committee are appointed by Council. The Committee is to consist of all Elected Members. The Elected Members are to vote and elect the Chairperson.
- 1.2 Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member has to vote on every matter that is before the Committee for decision.
- 1.3 The Chief Executive Officer, Senior Management and other Administration Staff may attend any meeting as observers or be responsible for preparing papers for the Committee.
- 1.4 The Council's External auditors may be invited to attend meetings of the Committee.
- 1.5 Appointment of all members of the Committee will be for a term of two (2) years at the commencement of each Council term after a Council Election.
- 1.6 Committee members are paid meeting attendance fees in accordance with the requirements of the Local Government Act.

## **2. SECRETARIAL/ADMINISTRATIVE RESOURCES**

2.1 The Chief Executive Officer is required to provide sufficient administrative resources to the Audit and Risk Committee to enable it to adequately carry out its functions.

## **3. QUORUM**

3.1 The quorum necessary for the transaction of business shall be five (5) members of the Audit and Risk Committee.

## **4. FREQUENCY OF MEETINGS**

4.1 The Committee may meet at least quarterly at a minimum or as determined by the Committee.

4.2 A schedule of ordinary meetings is determined by Council for the Year.

4.3 The Chief Executive Officer is delegated the authority to vary the meeting schedule after liaison with the Committee Chairperson.

4.4 The Chief Executive Officer is delegated not to call an ordinary meeting of the Committee should the Committee have no Matters for Consideration. Such Delegation to only be exercised after liaison with the Committee Chairperson.

## **5. NOTICE OF MEETINGS**

5.1 Ordinary meetings of the Committee are to be held at dates/times determined by Council.

5.2 A Special Meeting of the Committee may be called with the approval of all the Committee members.

5.3 The Agenda of the Committee meetings, subject to any items that are discussed in confidence under Sections 5.22 and 5.23 of the Act and subsequently retained as confidential under Section 5.23 of the Act, are also required to be made available to the public.

5.4 The Notice of Meeting and Supporting Papers is to be lodged in the Document Centre on the Quairading Website no later than three (3) clear days prior to the date of the Meeting.

## **6. MINUTES OF MEETINGS**

6.1 The Minutes of the Committee Meetings are to be in accordance with the provisions of the LG Act, LG Regulations and Departmental Guidelines.

6.2 Minutes of the Committee are to be lodged in the Document Centre on the Quairading Website within five (5) working days after a meeting.

## **7. ROLES OF THE AUDIT COMMITTEE**

### **7.1 Support Function**

The Committee will also support the Auditor as required and have functions to oversee: -

- the implementation of audit recommendations made by the Auditor, which have been accepted by Council; and
- accepted recommendations arising from reviews of local government systems and procedures ("Performance Audits").

### **7.2 Financial Reporting**

The Committee is required to monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgments which they contain.

The Committee is required to review and challenge where necessary: -

- The consistency of, and any changes to, accounting policies both on a year on year basis;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditors;
- The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- All material information presented with the financial statement such as the operating and financial review and any corporate governance statement (in so far as it relates to audit and risk management).

### **7.3 Internal Control & Risk Management Systems**

The Committee is required to: -

- Keep under review the effectiveness of the Council's internal controls and risk management systems;
- Monitor and advise the CEO in the reviews of certain systems as prescribed from time to time by the Audit and Financial Management Regulations.
- Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management;
- Receive and review reports from the Chief Executive Officer on the activities of the Strategic Risk Management Plan and the Operational Risk Management Plan ("Risk Management Dashboard").

### **7.4 Other Investigations**

The Committee, when necessary, propose and review the exercise of Council's powers under the Act, in relation to the conduct of audits that would not otherwise be addressed or included as part of an annual external audit.

### **7.5 Internal Audit**

- (a) The Committee is required to monitor and review the effectiveness of Council's internal audit function in the context of the Council's overall risk management system. The Audit and Risk Committee can consider and make recommendations on the program and the adequacy of resources accordance with the relevant professional and legislative requirements and standards.
- (b) The Committee may receive executive summary reports on all internal audits and review and monitor Management's responsiveness to the findings and recommendations of any such internal audit.
- (c) The Committee may meet with Management and any internal auditors at least twice per year to discuss any issue arising from any internal audits carried out.
- (d) The Committee is required to monitor and review the selection process for the External Auditor and any internal auditor (if appointed). Appointment of any internal auditor is the responsibility of Management.

### **7.6 External Audit**

- (a) The Committee is required to oversee the relationship with the Office of the Auditor General, including, but not limited to: -
  - Consult with the External Auditor on any matters that the Committee seek to raise as an Audit focus.

- Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Councils relationship with the auditor
  - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business);
  - Monitoring the external auditor's compliance with legislative review.
  - Oversee the transition of the Audit Function to the Office of the Auditor General.
- (b) The Committee may review and make recommendation to the Annual Audit Plan and ensure that it is consistent with the scope of the engagement and relevant legislation and standards.
- (c) The Committee is to review the findings of the External Audit. This may include, but not be limited to, the following: -
- Discussion of any major issues which arose during the audit;
  - Any accounting and audit judgments; and
  - Levels of errors identified during the audit.
- (d) The Committee is to review any representation letter(s) requested by the Office of the Auditor General before they are signed by Management.
- (e) The Committee is to review the report to the Chief Executive Officer and Management's response to the Office of the Auditor General's findings and recommendations.

## 7.7 CEO Performance Appraisal

The Committee is also responsible for facilitating / arranging Chief Executive Officer's Performance Review Process, which is to undertaken in accordance with Council's adopted "CEO Standard for Recruitment, Performance and Termination." (Ref STD1):

## 8. REPORTING RESPONSIBILITIES

- 8.1 The minutes of the Committee are to be presented to the Council after every meeting to identify and present advice and Committee Recommendations.

## 9. OTHER MATTERS

The Committee is to: -

- 9.1 Be provided with appropriate and timely training, both in the form of an induction program for new members and on an on-going basis for all members.
- 9.2 Give due consideration to laws and regulations of the *Local Government Act 1995*.
- 9.3 Oversee any investigation of activities which are within its Terms of Reference.
- 9.4 At least once per year, review its own performance, membership and Terms of Reference to ensure it is operating at a maximum effectiveness and recommend changes it considers necessary to the Council for approval.

## GUIDELINES

Local Government Act 1995;

Local Government (Audit) Regulations 1996;

Local Government (Financial Management) Regulations 1996.

ITEM 12 COUNCILLORS' EMERGING ISSUES

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ITEM 13 CONFIDENTIAL BUSINESS – AS PER LOCAL GOVERNMENT ACT S5.23 (2)

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*No Matters for Consideration*

ITEM 14      NEXT MEETING DATE

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The next Audit & Risk Committee Meeting is scheduled to take place on 15<sup>th</sup> March 2022, commencing at 5.00 pm on at the Council Chambers, 10 Jennaberring Road, Quairading.

ITEM 15 CLOSURE

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There being no further business, the Chairman closed the Meeting at \_\_\_\_\_ pm.