

## SHIRE OF BRUCE ROCK

### AUDIT COMMITTEE AGENDA MEETING 15 JUNE 2023

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## SHIRE OF BRUCE ROCK

### AUDIT COMMITTEE AGENDA MEETING 15 JUNE 2023

*Disclaimer*

*The recommendations in the Agenda are subject to confirmation by Council. The Shire of Bruce Rock warns that anyone who has any application lodged with Council must obtain and should only rely on written confirmation of the outcomes of the application following the Council Committee meeting, and any conditions attaching to the decision made by the Council in respect of the application. No responsibility whatsoever is implied or accepted by the Shire of Bruce Rock for any act, omission or statement or intimation occurring during a Council Committee meeting.*

- 1. Declaration of Opening**
- 2. Record of Attendance / Apologies / Leave of Absence (Previously Approved)**
- 3. Response to Previous Public Questions Taken on Notice**
- 4. Public Question Time**
- 5. Petitions / Deputations / Presentations / Submissions**
- 6. Confirmation of Minutes**

Audit Committee Meeting held the 18<sup>th</sup> May 2023

**7. Reports of Officers**

<b>Agenda Reference and Subject:</b>	<b>7.1.1</b> Regulation 17 Review Update
<b>Reporting Officer:</b>	Nerea Ugarte, Manager of Governance and Community Services
<b>Author:</b>	Nerea Ugarte, Manager of Governance and Community Services
<b>Disclosure of Interest:</b>	
<b>Attachments:</b>	<i>Nil</i>

**Summary**

Council will be provided with a report on the progress made in implementing the recommendations of the latest Regulation 17 review.

**Background**

The latest Regulation 17 review, which was completed in May 2023, made several recommendations to the Shire of Bruce Rock (Shire) to improve its risk management, internal control and legislative compliance processes.

At its ordinary meeting of May 2023, Council approved the proposed actions to be taken by the Shire in response to the review recommendations.

**Comment**

The following table provides an update on the actions taken to date to address the Regulation 17 review recommendations.

Recommendation		Shire’s Response	Status Update
1.	The Risk Management Framework and the Risk Management and Governance policy/guideline should be updated as soon as possible in line with the new standard ISO 31000:2018 and should clearly outline the process for the development, management and reporting of the operational risk register and the strategic risk register. Both policies should then be endorsed by the Audit Committee.	The Shire will update its Risk Management Governance Framework (including its risk management policy and procedures) in line with the new standard ISO 31000:2018. The Shire will ensure that the Framework clearly outlines the process for the development, management and reporting of the strategic and operational risk registers. The Shire intends to engage the Local Government Insurance Services (LGIS) to undertake this work.  <b>Due date: September 2023</b>	The Shire has revised its Risk Management Policy and Risk Management Framework (which includes procedures) in line with the new standard ISO 31000:2018. Both documents are scheduled to be considered by Council at its ordinary meeting of June 2023.  The Framework outlines that strategic risks are to be managed at the Council level, and captured within the Shire’s Strategic Plan.  The Framework also outlines how operational

Recommendation		Shire's Response	Status Update
			risks are to be captured, managed and reported through the Shire's Risk Profile.
		The Shire will seek endorsement of the Risk Management Governance Framework by the Audit Committee. <b>Due date: October 2023</b>	The Audit Committee is scheduled to consider the revised Risk Management Framework in June 2023.
2.	Develop an operational risk register and a strategic risk register as a matter of priority. A copy of the risk registers with evidence of ongoing management action should be tabled at each Audit Committee meeting.	The Shire will develop strategic and operational risk registers. <b>Due date: September 2023</b>	A senior managers' workshop has been scheduled for 29 June 2023 to develop the Shire's Risk Profile (operational risk register).
		A copy of the risk registers, with evidence of ongoing management action, will be tabled at each Audit Committee meeting. <b>Due date: Ongoing, starting in September 2023</b>	Not started.
3.	Implementation of a Risk Identification and Prevention policy governing how both operational and strategic risks are to be continually identified, categorised as high, medium, or low risk (based on the Shire's Risk Matrix Model) reviewed, monitored and recorded in the risk registers. This risk identification and prevention policy should also be endorsed by the Audit Committee.	The Shire will develop and implement a Risk Identification and Prevention Policy as part of the development of its Risk Management Governance Framework. <b>Due date: September 2023</b>	The revised Risk Management Framework outlines the process to be followed to identify, categorise, review and record strategic and operational risks. As such, it is considered that the development of a separate Risk Identification and Prevention Policy is not warranted. <b><i>It is therefore recommended that Council agrees to close this action.</i></b>
		The Risk Identification and Prevention Policy will be presented to the Audit Committee for endorsement. <b>Due date: September 2023</b>	It is considered that the development of a separate Risk Identification and Prevention Policy is not warranted. <b><i>It is therefore recommended that Council agrees to close this action.</i></b>

Recommendation		Shire’s Response	Status Update
4.	Consideration for the establishment of a Whistle Blower policy. This should be formulated and then endorsed by the Audit Committee should the Shire consider is worthwhile.	With the engagement of a new Manager of Governance and Community Services, the Shire is about to commence a comprehensive review of its governance policies. The Shire will take a risk-based approach on the timing for the review or development of each policy. The establishment of a Whistle Blower policy will be considered as part of this process.	The establishment of a Whistle Blower policy has not been considered yet.
5.	The Shire’s Audit Committee should be called the Audit and Risk Committee and its current Terms of Reference amended accordingly to include risk as a strong focus. Further that risk management should be included as a regular agenda item for each Committee meeting. We also propose that the Audit and Risk Committee consider including an external member as part of the Committee who is independent of the Shire operations and not a Councillor, to assist the Committee in finance and risk management related matters. The use of an independent external member is in line with “Audit Committee Good Practice” guidelines. The Committee’s Terms of Reference should be amended as such.	The Audit Committee will be renamed Audit and Risk Committee. <b>Due date: June 2023</b>	Council will consider the renaming of the Audit Committee at its ordinary meeting of June 2023.
		The terms of reference of the Audit Committee will be amended to reflect the Committee’s responsibilities in relation to risk management. <b>Due date: June 2023</b>	Council will consider the revised terms of reference of the Audit Committee at its ordinary meeting of June 2023.
		Risk management will be included as a regular agenda item for the Committee’s meetings. <b>Due date: Ongoing, starting June 2023</b>	Not started.
		The composition of the Audit Committee will be reviewed, with the objective of reducing the number of Councillors on the Committee and incorporating an independent, external member. This review will be undertaken following the October 2023 Local Government elections, which will result in the Shire of Bruce Rock’s Council being reduced from nine to seven members. <b>Due date: November 2023</b>	Not started.
6.	The Shire should include as part of its existing procurement policy, the contract management policy/process and the evaluation panel process, including the obtaining of	The Council will review its Procurement Policy and incorporate the recommended processes and requirements. <b>Due date: November 2023</b>	Not started.

Recommendation	Shire’s Response	Status Update
<p>conflict of interest declarations, as soon as possible which should also include all tender compliance requirements relating to Part 4 of the Local Government (Functions and General) Regulations 1996 sections 11A to 24AJ.</p>		
<p>7. The Shire together with their outsourced IT provider develop a Disaster Recovery IT plan, a data back up and retrieval policy, amending the computer lock out time from 60 minutes to no more than 15 minutes and develop written procedures and policy relating to the authorisation process to be followed over staff password resets.</p>	<p>The Shire will develop an IT Disaster Recovery Plan and a data back up and retrieval policy. <b>Due date: August 2023</b></p>	<p>Wallis Computer Solutions (Wallis), the Shire’s IT services provider, has provided a quote for the development of an IT Disaster Recovery Plan. The total cost quoted is \$5,095. This amount is over the \$5,000 threshold in the Shire’s Purchasing Policy, which requires that at least three quotes be sourced. However, Wallis is considered to be a sole supplier in this particular case, as the recovery plan will be linked to, and be dependent on, our current IT service arrangements with Wallis. As required by the Purchasing Policy, the decision to engage Wallis without seeking further quotes will be recorded on the Record of Written Quotations.</p>
	<p>The Shire will change the computer lock out time from 60 minutes to 15 minutes. <b>Due date: June 2023</b></p>	<p>Completed.</p>
	<p>The Shire will develop written procedures and policy relating to the authorisation process to be followed for staff password resets. <b>Due date: July 2023</b></p>	<p>Not started.</p>
<p>8. Give consideration to developing an Internal Controls policy which outlines</p>	<p>The Shire will develop an Internal Controls Policy, outlining staff responsibilities over internal</p>	<p>Not started.</p>

Recommendation		Shire’s Response	Status Update
	staff responsibilities over internal control compliance and incorporating the responsibilities within staff job descriptions and also staff induction programs. This should highlight the importance of proper segregation of duties, system access controls and the approval processes.	control compliance. The Shire has already started a monthly staff development session to address internal risk, training, and development. <b>Due date: August 2023</b>	
		Internal control responsibilities will be incorporated in staff job descriptions and induction programs. <b>Due date: September 2023</b>	Not started.
9.	A more effective compliance calendar should be designed to track all activities and actions required to ensure compliance with all legislative requirements associated with the Local Government Act 1995, the Local Government (Functions & General) Regulations 1996 and the Local Government (Audit) Regulations 1996. The compliance calendar should include information relating to compliance being achieved.	The Shire will develop a more effective compliance calendar, including information regarding the process to achieve compliance. The Shire is currently exploring the use of the Smartsheet platform or the Attain compliance software to develop its new compliance calendar. <b>Due date: September 2023</b>	Not started.
10.	Consideration should also be given to include within each updated policies and procedures reference to the applicable legislative requirement. This then provides information to staff that by following the policy or procedure legislative compliance is being achieved.	The Shire will include reference to applicable legislative requirements in its updated policies and procedures. This will be done as part of its review of its suite of governance policies.	Ongoing, as part of the review of the Policy Manual.
11.	Consideration should be given to the implementation of a Legislative Compliance policy which outlines the responsibility for compliance with legislative requirements and how such compliance is to be met. Consideration should be given for the Shire to develop various legislative compliance checklists to enable various areas within	The Shire will implement a Legislative Compliance Policy, outlining the responsibility for compliance with legislative requirements and how such compliance is to be met. <b>Due date: November 2023</b>	Not started.
		The Manager of Governance and Community Services will develop and manage legislative compliance checklists.	Not started.

Recommendation	Shire’s Response	Status Update
<p>the Shire (or by the Manager of Governance &amp; Community Services position) to undertake self-assessment checks. We would suggest that these be undertaken regularly throughout the calendar year and be signed off attesting to compliance. These can be undertaken in conjunction with the annual Compliance Audit Return (CAR) and would complement the (CAR) process.</p>	<p><b>Due date: Ongoing, starting in September 2023</b></p>	

**Consultation**

Chief Executive Officer  
 Manager of Finance

**Statutory Implications**

Regulation 17, Local Government (Audit) Regulations 1996

*“The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to –*  
*(a) risk management; and*  
*(b) internal control; and*  
*(c) legislative compliance.”*

**Policy Implications**

Policies related to risk management, internal control and legislative compliance processes are being reviewed and improved in implementing actions in response to the latest Regulation 17 review recommendations.

**Risk Implications**

<p><b>Risk:</b> That policies and processes related to risk management, internal control and legislative compliance do not reflect current best practice.</p>		
Likelihood	Consequence	Rating
Unlikely	Moderate	Moderate
Action / Strategy		
<ul style="list-style-type: none"> <li>• Council approves the new Risk Management Policy and Framework, and the revised terms of reference for the Audit Committee.</li> <li>• Council continues to monitor the implementation of actions in response to the Regulation 17 review recommendations.</li> </ul>		

**Financial Implications**

\$5,095 to date.



**Strategic Implications**

*Shire of Bruce Rock – Strategic Community Plan 2017-2027*

**Governance**

Goal 12 Council leads the organisation in a strategic and flexible manner

**Voting Requirements**

Absolute Majority

**Officer Recommendation**

**That Council:**

- 1. Note the status update on the implementation of actions in response to the Regulation 17 review recommendations; and**
- 2. Agree to close actions related to the recommendation to develop a Risk Identification and Prevention Policy, as the matters to be covered by the proposed Policy are captured in the revised Risk Management Framework.**

<b>Agenda Reference and Subject:</b>	<b>7.1.2</b> Risk Management Policy
<b>Reporting Officer:</b>	Nerea Ugarte, Manager of Governance and Community Services
<b>Author:</b>	Nerea Ugarte, Manager of Governance and Community Services
<b>Disclosure of Interest:</b>	
<b>Attachments:</b>	<i>Item 7.1.2 Attachment A - Amended Risk Management Policy</i>

### Summary

The Risk Management Policy has been reviewed and amended in response to a recommendation from the latest Regulation 17 review. Council is asked to approve the amended policy.

### Background

Regulation 17 of the Local Government (Audit) Regulations 1996 requires the Chief Executive Officer to undertake a review of the appropriateness and effectiveness of the Shire of Bruce Rock's (Shire) systems and procedures in relation to risk management, internal control and legislative compliance.

The latest review, which was undertaken by consultants Australian Audit, was completed in May 2023.

At its Ordinary Meeting of the 18<sup>th</sup> May 2023, Council endorsed the actions to be taken by the Shire in response to the recommendations of the review. This included the recommendation to amend the Risk Management Policy in line with the latest, relevant Australian standard (ISO 31000:2018).

### Comment

While the current policy states it is aligned with ISO 31000:2018, the Manager of Governance and Community Services contacted the Local Government Insurance Services (LGIS) to seek its guidance on the latest requirements with regard to risk management policies. In response, LGIS provided a copy of its latest model Risk Management Policy for use by Local Governments, which complies with the latest applicable standard.

A comparison of the Shire's current policy and the model policy provided by LGIS has resulted in the following recommended amendments to the Shire's policy:

- **Objective**

The objective in the amended policy places an emphasis on the early identification of potential risks, so that opportunities can be realised and impacts minimised.

The contribution of risk management to the Shire's achievement of its objectives "efficiently, effectively and within good corporate governance principles" has also been recognised in the policy objective.

The existing policy lists the policy's overarching and more specific objectives in separate sections. The revised policy has brought these together under the "Objectives" heading.

- **Policy**

The current policy states that it is the Shire’s policy to achieve best practice. This has been toned down to state that the Shire strives to achieve best practice. This is in recognition of the Shire’s size and limited resources. This concept is further reinforced by indicating that “risk management functions will be resourced to match the size and scale of the Shire’s operations”.

A paragraph has been added to indicate that the policy applies to Council, the Shire’s management team and all employees and contractors involved in Shire operations.

- **Definitions**

The reference to AS/NZS 31000:2009 has been removed, as Australian Audit has advised this standard has been superseded. However, no changes have been made to the definitions contained in the policy, as these are still accurate.

- **Roles, responsibilities and accountabilities**

The references to the CEO being responsible for the allocation of roles, responsibilities and accountabilities, and to these being recorded in the Risk Management Procedures have been removed. Instead, roles, responsibilities and accountabilities will be outlined in detail in the Shire’s Risk Management Framework.

The revised policy provides the following responsibilities to the CEO:

- Implementation of the Risk Management Policy.
- Measurement and reporting on the performance of risk management.
- Review and improvement of the policy and the Risk Management Framework at least biennially, or in response to a material event or change in circumstances.

- **Associated documents**

A section has been added to identify other Shire documents associated with the Risk Management Policy. These include the Risk Management Framework and the Risk Profile.

### **Consultation**

Chief Executive Officer  
Manager of Finance  
Manager of Works and Services  
LGIS

### **Statutory Implications**

Regulation 17, Local Government (Audit) Regulations 1996

*“The CEO is to review the appropriateness and effectiveness of a local government’s systems and procedures in relation to —*

- (a) risk management; and*
- (b) internal control; and*
- (c) legislative compliance.”*

### **Policy Implications**

The Risk Management Policy has been reviewed to reflect contemporary, best practice.

**Risk Implications**

<b>Risk:</b> That the Risk Management Policy does not reflect current best practice in risk management.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Unlikely	Moderate	Moderate
<b>Action / Strategy</b>		
<ul style="list-style-type: none"> <li>• Council approves recommended changes to the Risk Management Policy.</li> <li>• The Risk Management Policy is reviewed annually, or in response to a material event or change in circumstances.</li> </ul>		

**Financial Implications**

Nil

**Strategic Implications**

*Shire of Bruce Rock – Strategic Community Plan 2017-2027*

**Governance**

Goal 12 Council leads the organisation in a strategic and flexible manner

**Voting Requirements**

Absolute Majority

**Officer Recommendation**

**That Council review and endorse the modifications to the Risk Management Policy, as attached.**

<b>Agenda Reference and Subject:</b>	<b>7.1.3</b> Risk Management Framework
<b>Reporting Officer:</b>	Nerea Ugarte, Manager of Governance and Community Services
<b>Author:</b>	Nerea Ugarte, Manager of Governance and Community Services
<b>Disclosure of Interest:</b>	
<b>Attachments:</b>	<i>Item 7.1.3 Attachment A - Risk Management Framework</i>

### Summary

Council is asked to approve a new Risk Management Framework.

### Background

The Shire of Bruce Rock's (Shire) existing Risk Management Framework dates back to July 2014. This document was developed by the Local Government Risk Insurance Services (LGIS) in accordance with the standard applicable at the time (AS/NZS ISO 31000:2009 – Risk Management).

The latest Regulation 17 review identified that the Shire's Risk Management Framework should be updated as soon as possible in line with the new standard (AS/ANZ ISO 31000:2018 – Risk Management), and should clearly outline the process for the development, management and reporting of the Shire's strategic and operational risk registers.

LGIS was approached to seek its assistance in reviewing the Shire's Risk Management Framework. In response, LGIS provided the Shire with a copy of a model Risk Management Framework for Local Governments, which is compliant with AS/ANZ ISO 31000:2018 – Risk Management.

### Comment

The model Risk Management Framework provided by LGIS has been reviewed and slightly modified to reflect the Shire's organisational structure.

The proposed new framework (attached):

- states that strategic risks should be recorded and managed as part of the Shire's strategic planning process and the CEO's Annual Risk Summary Report; and
- outlines the process to develop, manage and report on the Shire's Risk Profile, which constitutes its operational risk register.

### Consultation

Chief Executive Officer  
Manager of Finance  
Manager of Works and Services  
LGIS

### Statutory Implications

Regulation 17, Local Government (Audit) Regulations 1996

*"The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to –  
(a) risk management; and*

*(b) internal control; and  
(c) legislative compliance.”*

**Policy Implications**

The Risk Management Framework has been reviewed to reflect contemporary, best practice.

**Risk Implications**

<b>Risk:</b> That the Risk Management Framework does not reflect current best practice in risk management.		
<b>Likelihood</b>	<b>Consequence</b>	<b>Rating</b>
Unlikely	Moderate	Moderate
<b>Action / Strategy</b>		
<ul style="list-style-type: none"> <li>• Council approves the new Risk Management Framework.</li> <li>• The Risk Management Framework is reviewed every three years, or in response to a material event or change in circumstances.</li> </ul>		

**Financial Implications**

Nil.

**Strategic Implications**

*Shire of Bruce Rock – Strategic Community Plan 2017-2027*

**Governance**

Goal 12 Council leads the organisation in a strategic and flexible manner

**Voting Requirements**

Absolute Majority

**Officer Recommendation**

**That Council review and endorse the new Risk Management Framework, as attached.**

**8. Confidential Items**

**9. New Business of an urgent nature introduced by discussion of the meeting.**

**10. Closure of Meeting.**