



# Audit & Risk Committee Meeting

6 March 2024

Commencing at 10:00 AM

## AGENDA

The next Audit & Risk Committee Meeting will be held at the Shire of Toodyay Council Chambers, 15 Fiennes Street, Toodyay WA 6566 on the abovementioned date and time.

Members are requested to familiarise themselves with the Agenda and prepare notes to help address key issues for the debate during the Meeting.

Members are requested to email questions via email at [ceo@toodyay.wa.gov.au](mailto:ceo@toodyay.wa.gov.au) at the earliest opportunity so that Officers can respond to those questions prior to the Meeting.

Tabitha Bateman

**ACTING CHIEF EXECUTIVE OFFICER**



# CONTENTS

1	DECLARATION OF OPENING.....	1
1.1	ANNOUNCEMENT OF VISITORS .....	1
1.2	RECORD OF ATTENDANCE AND APOLOGIES.....	1
1.3	DISCLOSURE OF INTEREST.....	1
2	MINUTES AND ADDITIONAL INFORMATION .....	1
2.1	CONFIRMATION OF MINUTES.....	1
	Minutes of Meeting held on 14 February 2024 .....	1
2.2	REVIEW OF STATUS REPORT .....	1
2.2.1	Status Report and Minutes of previous meeting .....	1
2.3	INWARD/OUTWARD CORRESPONDENCE.....	2
3	BUSINESS LEFT OVER FROM PREVIOUS MEETING (IF ADJOURNED).....	2
4	OFFICER REPORTS .....	3
4.1	Records Management Project 2023/2024 .....	3
4.2	Local Government Payments and Gifts to Members.....	6
4.3	Update on the Datascape Migration project.....	9
4.4	Compliance Audit Return 2023.....	12
4.5	Risk Management Updates .....	15
4.6	Risk Assessment and Improvement Plan.....	19
5	OTHER BUSINESS / NEW BUSINESS OF AN URGENT NATURE.....	24
6	CONFIRMATION OF NEXT MEETING.....	24
7	CLOSURE OF MEETING.....	24

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**ATTACHMENTS** can be found in the Attachments Paper on the Council website alongside this agenda.

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**1 DECLARATION OF OPENING**

**1.1 ANNOUNCEMENT OF VISITORS**

**1.2 RECORD OF ATTENDANCE AND APOLOGIES**

**1.3 DISCLOSURE OF INTEREST**

**2 MINUTES AND ADDITIONAL INFORMATION**

**2.1 CONFIRMATION OF MINUTES**

**Minutes of Meeting held on 14 February 2024**

**OFFICER'S RECOMMENDATION**

That the Unconfirmed Minutes of the Audit & Risk Committee Meeting held on 14 February 2024 be confirmed.

**2.2 REVIEW OF STATUS REPORT**

**2.2.1 Status Report and Minutes of previous meeting**

<b>Attachments:</b>	<ol style="list-style-type: none"> <li>1. ARC Meeting Minutes from 14 Feb 2024;</li> <li>2. ARC Status Report; and</li> <li>3. Committee Member Reporting Form.</li> </ol>
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The ARC Minutes from 14 February 2024 is provided for confirmation purposes.

The ARC Status report is provided for review.

The Committee Member Reporting Form is provided with this agenda, and separately via email for members to complete upon receipt of the Agenda for the committee meeting, and email completed forms to [execsec@toodyay.wa.gov.au](mailto:execsec@toodyay.wa.gov.au)

*Please note that once the meeting is held, the title of this report will change to say update of the Status Report, in the minutes of the meeting.*

**2.3 INWARD/OUTWARD CORRESPONDENCE**

Nil.

**3 BUSINESS LEFT OVER FROM PREVIOUS MEETING (IF ADJOURNED)**

Nil.

4 OFFICER REPORTS

4.1 Records Management Project 2023/2024

Date of Report:	11 January 2024
Applicant or Proponent:	Shire of Toodyay
File Reference:	RCM1
Author:	J Lucas – Records Officer T Bateman – Executive Manager Corporate and Community Services
Responsible Officer:	T Bateman – Executive Manager Corporate and Community Services
Previously Before Council:	No
Author’s Disclosure of Interest:	Nil
Council’s Role in the matter:	Executive
Attachments:	1. Implementation Quote (confidential) <i>Section 5.23(2)</i> <i>(e)(iii)a matter that if disclosed, would reveal information about the business, professional, commercial or financial affairs of a person where the trade secret or information is held by, or is about, a person other than the local government</i>

**PURPOSE OF THE REPORT**

To update the Audit and Risk Committee on the progress of the Records Management Project and make a recommendation to Council, supporting approval for the allocation of additional funds for the implementation of a new records management system.

**BACKGROUND**

In 2018, an assessment was made of the Shire’s existing ICT infrastructure, prompting the decision to move to a cloud-based Enterprise Software solution. The transition to Datascape commenced in 2019 with the goal of decommissioning SynergySoft as it was coming to end-of-life, and transferring records management to SharePoint. Currently, the Shire’s corporate records continue to be managed in Synergy Soft.

As part of a 5-year Record Keeping Systems Review, the Shire is required to undertake a review of the efficiency and effectiveness of the organisations record keeping systems ensuring that records and documents are properly kept. The evaluation raised concerns regarding compliance with the State Records Act and, after seeking advice from external consultants, SharePoint is not seen as a sustainable choice as previously thought.

Additionally, Local Governments are required to apply the new General Retention and Disposal Authority rules into their records management solutions which came into effect on

17 January 2024. The Shire's Record Keeping Plan is due for review by December 2024 – prior to finalisation of the review, it is recommended that SynergySoft is retired and the new Plan is prepared based on the new records management processes.

## COMMENTS AND DETAILS

The plan to migrate all records to a cloud-based solution formed part of the larger Datascape project. In the early stages of the transition, it was envisaged that corporate records would be managed within SharePoint. SharePoint, while versatile and widely used for document management and collaboration, can present challenges in records management due to several reasons:

- Complexity - SharePoint's extensive features and settings can be complex to navigate and configure correctly, requiring specialised knowledge. While SharePoint allows for customisation, these can be limited or require significant effort and expertise to implement effectively for specific records management needs. Consideration must also be given to the everchanging Microsoft environment.
- Compliance and Retention: Ensuring compliance with the *State Records Act 2000* for record retention and disposal can be difficult. SharePoint offers retention policies, but setting these up and managing them across different types of content and locations can be challenging.
- User Discipline: Effective records management in SharePoint depends heavily on user compliance with procedures. Without proper training and enforcement, Officers may not follow the necessary protocols for managing records, leading to disorganisation and potential compliance issues.
- Search and Retrieval: While SharePoint has powerful search capabilities, poorly managed metadata and large volumes of content can make it difficult to find and retrieve records efficiently.

Officers have reviewed alternative, fit-for-purpose records management systems and are proposing to implement OpenText Content Manager (CM). Other options considered include Altus Records and TechOne, in addition to the existing SynergySoft and SharePoint options. CM is specifically designed for records management and manages the lifecycle of records from creation to disposal. Additionally, CM is built to comply with legislation and manage security and access levels appropriately.

The project scope includes implementation of the software including system configuration, training of staff in the configuration and use of the Content Manager software and ongoing software support and integration with Datascape.

Significant work has commenced in reference to the management of data, security, access to records and policies for retention and disposal. Preliminary training has been provided to staff in relation to the transition and moving forward, records training will form part of the organisation's annual training schedule.

### **Consultative:**

Other Local Governments  
Information Proficiency  
XL2  
Datacom

### **Strategic:**

**Plan for the Future: Shire of Toodyay Council Plan 2023-2033**

Outcome 10. Happy community members who feel heard, valued and respected.

O10.2. Deliver excellent customer service.

O10.2.1. Implement and promote a new customer relationship management module on the Shire's website to deliver a broader range of online services, such as completing and submitting application forms, submitting planning, and building approvals, and accessing a supplier portal.

**Policy related:**

Record Keeping

**Financial:**

There will be a one-off implementation cost for Content Manager of \$90,182 plus ongoing annual software maintenance fees of \$5,976 for 50 licences. Currently, the Shire pays approximately \$40,000 annually for 10 SynergySoft software licences and \$2,725 for an annual AvePoint licence. Whilst there is a significant implementation cost to consider, ongoing costs for records management will reduce from approximately \$43,000 to \$6,000. Officers are proposing to include these costs for consideration during the mid-year budget review.

**Legal and Statutory:**

*State Records Act 2000*

State Records Principles and Standards 2002 - Principle 6

Record Management Plan

Local Government Act 1995 - s.5.41(h)

**Risk related:**

There is a significant compliance risk of not meeting the record keeping requirements as stipulated in the *State Records Act 2000*. Reputational and financial risks also exist in the event the Shire is forced into migrating to a new system prematurely without allocating resources to the project, therefore leading to reputational risk in the event records are not managed appropriately. This report mitigates these risks.

**Workforce related:**

Information Proficiency will provide qualified technical consultants for this project to cover training of staff in the configuration and use of the Content Manager software.

Significant Officers time will be required for the implementation testing and training of the new system.

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER'S RECOMMENDATION 1**

That the Audit & Risk Committee recommends to Council the following:

That Council supports the implementation of a new, fit-for-purpose records management system, and the allocation of additional funds as part of the mid-year budget review of \$96,158.

**4.2 Local Government Payments and Gifts to Members**

Date of Report:	18 January 2024
Applicant or Proponent:	Shire of Toodyay
File Reference:	PCY2
Author:	M Rebane – Executive Assistant
Responsible Officer:	T Bateman – Executive Manager Corporate and Community Services
Previously Before Council:	N/A
Author’s Disclosure of Interest:	Nil
Council’s Role in the matter:	Executive
Attachments:	<ol style="list-style-type: none"> <li>CURRENT Local Government Payments and Gifts to Members Policy; and</li> <li>REVISED Local Government Payments and Gifts to Members Policy.</li> </ol>

**PURPOSE OF THE REPORT**

To review the REVISED Local Government Payments and Gifts to Members policy and make recommendation to Council for adoption.

**BACKGROUND**

The current policy was reviewed and adopted by Council in May 2022 (refer to **Attachment 1**) as part of Council’s implementation of a review of all Shire policies at an Ordinary Council Meeting held in February 2022.

Recommendations from the recent FMR Review proposed the following improvements be made to the policy:

Item	Improvements identified
6.2.4	Review and update the policy to include reference to the Salaries and Allowances Tribunal, Local Government CEO's and Elected Members determination
6.2.4	Review and amend the policy to correctly and clearly reflect allowances and reimbursements for elected members permitted under the current SAT determination.

Subsequent to the FMR Review, amendments were made to the *Local Government Act 1995* (the Act) which provided for payments to be made to committee members in



accordance with the Salaries and Allowances Tribunal Determination made on an annual basis.

### **COMMENTS AND DETAILS**

Officers have reviewed the current policy giving consideration to the FMR recommendations and recent changes to the Act and regulations.

The current policy was revised to provide clarity in reference to the annual determination made by the Salaries and Allowances Tribunal as recommended in the FMR Review, and incorporates recent changes to the Act such as payments made to Committee Members of the following Committees:

- Audit and Risk Committee;
- Environment Advisory Committee; and
- Heritage Advisory Committee

The REVISED policy is provided at **Attachment 2** and is recommended for adoption.

### **IMPLICATIONS TO CONSIDER**

#### **Consultative:**

The policy was provided to Councillors and the Audit and Risk Committee through Microsoft Teams on Thursday 29 Feb 2024 and will be presented to ARC for recommendation to Council in March 2024.

#### **Strategic:**

***Plan for the Future: Shire of Toodyay Council Plan 2023-2033***

***Outcome 9 Responsible and effective leadership and governance.***

***09.1 Provide strong, clear and accountable leadership***

#### **Policy related:**

Disposal of Property Policy (FIN12);

Attendance at Events Policy (GOV14);

Continuing Professional Development Policy (GOV9);

Council Delegates Roles and Responsibilities Policy (GOV12); and

Risk Management (ADM18) – containing the Risk Matrix tables.

#### **Financial:**

The current determination stipulates the minimum and maximum allowance to be paid to committee members. The range for the Shire of Toodyay as a Band 3 Local Government is set at \$0 to \$215 per meeting. Officers are proposing that the fee payable is set at 85% of the maximum, consistent with the allowances paid to Elected Members. Should Council adopt the fee as recommended, the financial impact on the annual budget would equate to approximately \$5,000 based on quarterly meetings.

#### **Legal and Statutory:**

Salaries and Allowances Tribunal Determination

Division 8 Local Government payment and gifts to members

*Local Government (Administration) Regulations 1996 (Part 8 local government payments and gifts to members)*

**Risk related:**

The review of this policy is the role of Council and is essential to good governance as it demonstrates the Shire's ability to adapt to changing circumstances to ensure that its policies remain contemporary, compliant with existing legislation, and relevant.

If the Shire chooses to delay the review of this policy, it is considered a medium risk. This report mitigates the risk.

**Workforce related:**

The policy has been reviewed in-house within existing resources.

**VOTING REQUIREMENTS**

Absolute Majority

**OFFICERS RECOMMENDATION 1**

That the Audit & Risk Committee recommends to Council the following:

That Council:

1. Adopts the REVISED Local Government Payments and Gifts to Members policy as attached to this report (**Attachment 2**); and
2. Authorises the Chief Executive Officer to make any necessary minor typographical changes to policy, prior to publication.

**4.3 Update on the Datascape Migration project**

Date of Report:	18 January 2024
Applicant or Proponent:	Audit and Risk Committee
File Reference:	LEG269
Author:	T Bateman – Executive Manager Corporate and Community Services
Responsible Officer:	T Bateman – Executive Manager Corporate and Community Services
Previously Before Council:	No
Author’s Disclosure of Interest:	Nil
Council’s Role in the matter:	Review
Attachments:	1. Datascape Migration Action Plan as at 29 February 2024

**PURPOSE OF THE REPORT**

To update the Audit and Risk Committee on progress made to date on the Datascape migration project.

**BACKGROUND**

The Shire resolved to transition to new software in 2018 and following a tender process, commenced the implementation of a Datascape in 2019.

For various reasons including significant staff changeover, reduced capacity and resources, and COVID-19, the transition was especially difficult. Officers report to the Audit and Risk Committee and Councillors regularly to provide an update on the ongoing challenges and the remaining aspects requiring attention.

At the Audit and Risk Committee Meeting held on 6 December 2023 the Committee made a recommendation requests the CEO to provide a progress update to the Audit and Risk Committee in March 2024.

**COMMENTS AND DETAILS**

The Datascape Migration Action Plan was provided to the ARC in December 2023 which included a comprehensive list to address outstanding tasks developed in consultation with the Shire and Datacom. The tasks were prioritised based on risk and an action plan to address the items is being worked through by both parties.

Due to the varying factors such as the holiday period, staff turnover, training, audits etc. limited focus has been given to the plan, however the asset registers are now up to date and work continues on the CRM implementation.

The Shire and Datacom have dedicated significant resources to work through the actions identified in the plan (**Attachment 1**) which highlights the desired outcomes and steps required moving forward.

As a result, the Shire was able to submit balanced financials to the auditor by the agreed date and the field work for the audit was completed 1 March 2024.

### **Outstanding tasks**

#### **Assets**

Datacom has made substantial inroads into the asset migration process, however, the reporting aspect requires further development.

#### **CRM and Records Management**

Officers continue to work with Datacom on the implementation of the Customer Relationship Manager module. This project will streamline how the community interacts with the Shire through service requests and other correspondence. Due to limited staffing capacity, this project is expected to be finalised in the first half of 2024. Once implemented, intensive training will be required for all users.

#### **GIS Integration**

Further progress is required in the area of GIS and mapping capabilities which continues to be a focus for Datacom developers.

#### **Training and Manuals**

A key area of focus for Datacom will be the provision of accurate and comprehensive training manuals to support users. Currently, as Datascape continues to evolve and develop, the manuals quickly become outdated. As progress is made, significant changes are expected to slow at which time manuals will be updated.

The progress made thus far is a testament to the recent collaborative efforts and dedication of both the Shire and Datacom teams. Officers will continue to work closely with Datacom to ensure the completion of the remaining tasks to improve financial management practices.

### **IMPLICATIONS TO CONSIDER**

#### **Consultative:**

Datacom

#### **Strategic:**

*Shire of Toodyay Plan for the Future: Council Plan 2023-2033*

**Outcome 9. Responsible and effective leadership and governance**

*9.2. Govern Shire finances, assets, and operations responsibly.*

#### **Policy related:**

Nil.

#### **Financial:**

Expenditure above existing budget allocations will be managed at the mid-year budget review. Datacom has provided significant resources and continue to work with the Shire to address these outstanding actions.

**Legal and Statutory:**

*Local Government Act 1995*

**Risk related:**

Section 7.1A of the Act requires that all local governments establish an audit committee. The audit committee plays a key role in assisting a local government to fulfil its governance and oversight responsibilities in relation to financial reporting, risk management systems, legislative compliance and the external audit functions. Failure to have an audit committee in place exposes Shire officers and Councillors to significant risk. This report assists in mitigating these risks.

**Workforce related:**

The transition to Datascape and associated challenges have had a significant impact on the Shire staff.

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER'S RECOMMENDATION 1**

That the Audit & Risk Committee recommends to Council the following:

That Council:

1. Notes the progress made to date on the Datascape transition.
2. Requests the CEO to provide quarterly updates until the tasks identified on the Datascape Migration Action Plan have been finalised.

**4.4 Compliance Audit Return 2023**

Date of Report:	6 February 2024
Applicant or Proponent:	N/A
File Reference:	Nil
Author:	M Rebane – Executive Assistant
Responsible Officer:	T Bateman – Executive Manager Corporate and Community Services
Previously Before Council:	No
Author's Disclosure of Interest:	Nil
Council's Role in the matter:	Review
Attachments:	1. Compliance Audit Return 2023; and 2. Compliance Calendar 2023.

**PURPOSE OF THE REPORT**

1. To consider the attached annual Compliance Audit Return for 2023.
2. To receive the Compliance Calendar for 2023 and note the risks identified for follow up in the 2024 Calendar year.

**BACKGROUND**

Local governments are required by legislation to complete an annual Compliance Audit Return by 31 March each year. The Western Australian Local Government Association (WALGA) has prepared a Compliance Calendar template for use by local governments to assist with annual compliance requirements in accordance with legislation.

The Compliance Audit Return is a checklist of the Shire of Toodyay's (the Shire) statutory compliance with the *Local Government Act 1995* and its Regulations, which focuses on high-risk areas of statutory reporting as prescribed in Regulation 14 of the *Local Government (Audit) Regulations 1996*.

Once completed, the Compliance Audit Return is required to be:

- a) presented at a meeting of the Audit Committee;
- b) presented for consideration and adoption by Council; and
- c) returned to the Department of Local Government, Sport, and Cultural Industries (DLGSC) with a copy of the relevant Council minutes by 31 March each year.

**COMMENTS AND DETAILS**

The Compliance Audit Return 2023 has been completed and is attached for the Audit and Risk Committee (the Committee) to receive and review.

Once the Committee refers the Compliance Audit Return 2023 to Council for adoption, it will be recorded in the minutes and a copy will be submitted to the DLGSC via their online portal by 31 March 2024.

The Compliance Calendar is attached (**Attachment 2**) for the Committee's information and is a useful tool to assist in the management of compliance requirements. It is noted that the FMR review and Audit Reg 17 review reported several risk areas in relation to compliance that have been prioritised for action and are included in the compliance calendar.

## **IMPLICATIONS TO CONSIDER**

### **Consultative:**

DLGSC

WALGA

### **Strategic:**

*Governance: The way the Shire Leads and Operates*

03: Ensure rigorous organisational systems.

### **Policy related:**

Legislative Compliance Policy

### **Financial:**

There are no financial implications as a result of this report.

### **Legal and Statutory:**

Regulation 14 of the *Local Government (Audit) Regulations 1996*

s.14 Compliance audits by local government

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form provided by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under sub regulation (3A), the compliance audit return is to be –
  - (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

### **Risk related:**

The requirement to lodge an adopted Compliance Audit Return with the DLGSC is a legislative obligation. Failure to do so exposes the Shire to significant risk. This report and its appendices mitigate this risk.

**Workforce related:**

The Compliance Audit Return has been completed in-house with existing resources.

**VOTING REQUIREMENTS**

Absolute Majority

**OFFICER'S RECOMMENDATION 1**

That the Audit and Risk Committee recommends to Council the following:

That Council adopts the attached Compliance Audit Return for the period 1 January 2023 to 31 December 2023, pursuant to Regulation 14(3) of the *Local Government (Audit) Regulations 1996*.

**OFFICER'S RECOMMENDATION 2**

That the Audit & Risk Committee receives the 2023 Compliance Calendar for information and future reference.



**4.5 Risk Management Updates**

Date of Report:	2 March 2024
Applicant or Proponent:	Shire of Toodyay
File Reference:	RCM1
Author:	M Rebane – Executive Assistant T Bateman – Executive Manager Corporate and Community Services
Responsible Officer:	T Bateman – Executive Manager Corporate and Community Services
Previously Before Council:	No
Author's Disclosure of Interest:	Nil
Council's Role in the matter:	Executive
Attachments:	<ol style="list-style-type: none"> <li>1. Risk Assessment (Audit Regulation 17) Report (confidential) <i>Section 5.23(2)</i> <i>(f)(i) a matter that if disclosed, could be reasonably expected to impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law.</i> <i>(f)(ii) a matter that if disclosed, could be reasonably expected to endanger the security of the local government's property</i></li> <li>2. CURRENT Risk Management Framework 2017</li> <li>3. PROPOSED Risk Management Framework 2024</li> <li>4. CURRENT Risk Management Policy</li> <li>5. PROPOSED Risk Management Policy</li> </ol>

**PURPOSE OF THE REPORT**

To review and consider making a recommendation to Council in regard to the:

1. Risk Assessment (Audit Regulation 17) Report from Moore containing Actions;
2. REVISED Risk Management Framework; and the
3. REVISED Risk Management Policy.

**BACKGROUND**

The Shire engaged Moore Australia to assist the CEO to undertake reviews on the appropriateness and effectiveness of the Shire's risk management, internal controls and legislative compliance systems and procedures as required by the *Local Government (Audit)*

*Regulations 1996* (Regulation 17). At the same time, an examination of the Shire's financial management systems and processes was carried out as required by *Local Government (Financial Management) Regulation 5(2)(c)*.

At the 14 February 2024 ARC Meeting, the ARC made a recommendation to Council for them to request the CEO to develop and provide an action plan to respond to the actions contained within the Final Report from Moore for consideration and review by the ARC at their March 2024 meeting.

Local governments are required to formalise their risk management processes, including the identification and treatment of risks through a Risk Register. A Risk Tolerance Table reflects the Shire's tolerance for various risks. The Shire's Risk Management Policy, containing tolerance tables was last adopted by Council in December 2022. The Shire's Risk Management Framework was last adopted by Council in February 2017.

## COMMENTS AND DETAILS

### **Moore Report (Audit Reg 17 review)**

One of the functions of the Audit and Risk Committee is to review the results of the Financial Management Review (FMR) and the Audit Regulation 17 Review (AR17), in addition to monitoring and assessing risk and improvements.

The Risk Assessment Report (**Attachment 1**) was developed by Moore Australia incorporating the results of the AR17 Review and provides the committee with a list of upcoming priorities for improvement. This report will be used as a basis for updating the Audit and Risk Committee on the status of projects moving forward.

One of the actions identified during the AR17 Review was the need to update the Risk Management Framework (RMF) and Risk Management Policy. It is recommended that the Audit and Risk Committee review these documents as attached and make a recommendation to Council.

### **Risk Management Framework and Policy**

The CURRENT Risk Management Framework 2017 is provided (**Attachment 2**).

The REVISED Risk Management Framework 2024 (RMF) is provided (**Attachment 3**).

The CURRENT Risk Management Policy is provided (**Attachment 4**).

The REVISED Risk Management Policy is provided (**Attachment 5**).

The revised RMF was reviewed by Shire Officers and is presented for consideration. Specifically, the amended Risk Management Framework has been updated to reflect the most recent Australian Standard for Risk Management, ISO 31000:2018. .

In terms of the Risk Management Policy, the risk matrix within this policy was developed and endorsed by Council on 24 Aug 2021 (CRN: 175/08/21). The levels of risk are deemed appropriate for use by the Shire.

It is recommended that the REVISED Risk Management Framework and policy be recommended for adoption by Council.

### **Consultative:**

Moore Australia

LGIS

**Strategic:****Plan for the Future: Shire of Toodyay Council Plan 2023-2033****Outcome 9. Responsible and effective leadership and governance**

9.1.4. Undertake regular reviews of organisation and Council culture and implement initiatives to improve.

9.1.5. Establish a Risk Working Group.

9.2. Govern Shire finances, assets, and operations responsibly.

**Policy related:**

Risk Management Policy (ADM18)

Internal Control Policy (ADM19).

Legislative Compliance Policy (ADM20)

**Financial:**

Nil

**Legal and Statutory:**

*Local Government Act 1995*

**Risk related:**

Elevating risk management, internal controls, financial management, and legislative compliance practices is imperative to uphold the Shire's commitment to continuous improvement. By prioritising these areas and implementing requisite actions, the governance framework will be fortified, and risks will be mitigated while fostering sustainable growth and development for our community.

The Moore Australia reports clearly identified the need for improvement to the Shire's risk management processes and recommended they be reviewed and updated. There is a moderate (3) risk presently, however inaction may mean that the risk is increased to Major (4).

This report seeks to mitigate the above risks.

**Workforce related:**

Collaboration across the organisation is required to focus on the actions contained in the Audit Reg 17 report as well as developing the Shire's risk register, in line with the principles and procedures contained in the RMF. Additional Officer time will be required in order that risks are clearly communicated and managed throughout the organisation.

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER'S RECOMMENDATION 1**

That the Audit & Risk Committee recommends to Council the following:

That Council:

1. Receives the Risk Assessment (Audit Regulation 17) Report from Moore (**Attachment 1**);
2. Notes the actions contained in the report;
3. Requests the CEO report regularly to the Audit and Risk Committee on the actions undertaken toward the completion of the risks identified in the Report.

**OFFICER'S RECOMMENDATION 2**

That the Audit & Risk Committee recommends to Council the following:

That Council:

1. Adopts, by absolute majority, the REVISED Risk Management Framework (**Attachment 3**); and
2. Requests the CEO make any typographical amendments to the risk management framework as required.

**OFFICER'S RECOMMENDATION 3**

That the Audit & Risk Committee recommends to Council the following:

That Council:

1. Adopts, by absolute majority, the REVISED Risk Management Policy (**Attachment 5**);
2. Requests the CEO make any typographical amendments to the risk management policy prior to publication, as required.

**4.6 Risk Assessment and Improvement Plan**

Date of Report:	2 March 2024
Applicant or Proponent:	Shire of Toodyay
File Reference:	LEG269
Author:	S Haslehurst – Chief Executive Officer T Bateman – Executive Manager Corporate and Community Services
Responsible Officer:	T Bateman – Executive Manager Corporate and Community Services
Previously Before Council:	No
Author's Disclosure of Interest:	Nil
Council's Role in the matter:	Review
Attachments:	1. Risk Assessment and Improvement Plan (confidential) <i>Section 5.23(2)</i> <i>(f)(i) a matter that if disclosed, could be reasonably expected to impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law.</i> <i>(f)(ii) a matter that if disclosed, could be reasonably expected to endanger the security of the local government's property</i>

**PURPOSE OF THE REPORT**

To present for the Audit and Risk Committee's (ARC) endorsement and recommendation to Council, a draft Improvement Plan developed following finalisation of the report on the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls, prior to submission to the Department of Local Government, Sport and Cultural Industries.

**BACKGROUND**

In August 2023, the Shire President and Chief Executive Officer (CEO), met with representatives of the Department of Local Government, Sport and Cultural Industries (DLGSC) to discuss the outcomes of the 2021 audit and issues raised by the Auditor. The following was agreed at the meeting:

- *A draft action plan to be developed and forwarded to DLGSC by 18 August 2023.*
  - *Draft action plan to include timeframes for each milestone.*
- *The Shire to raise with the Office of the Auditor General, at the Exit Meeting dated 2 August 2023 the agreed approach with DLGSC.*

- *The DLGSC to provide feedback a week from the date the draft action plan was received.*
- *After the Shire receives feedback from DLGSC, the Shire is to finalise the action plan and have the action plan tabled before Council for approval.*
- *Once the action plan has been approved, the Shire to draft a response back to the DLGSC and attach the final approved version of the action plan.*
- *The DLGSC received consent from the Shire to forward an approved copy of the action plan to OAG for their consideration.*
- *The DLGSC will monitor the action plan and offer support upon request and where appropriate.*
- *The Shire to undertake a Regulation 5 and Regulation 17 review and consider self-nominating for a FBPR with DLGSC post these reviews.*
- *The Shire to consider the appointment of an independent chair to the Audit Risk Committee.*

A draft Action Plan was submitted to the DLGSC on 18 August 2023. Feedback was provided on 14 September 2023. Officers have met with DLGSC representatives monthly to provide an update on the progress of the Plan which has been delayed due to several factors.

Officers acknowledge the time that has elapsed since the request for an improvement plan was agreed to in August 2023. However, it should be noted that several significant matters have affected the Shire's ability to produce a plan that is a useful and meaningful tool for the improvements required. These are outlined as follows.

#### 2022-2023 Audit

- Asset revaluations were undertaken with final values received in September. Officers then worked with Datacom to ensure the accuracy of the upload of assets into Datascape.
- Due to on-going issues relating to assets, bank, creditors and debtors reconciliations in Datascape, the Shire was unable to present balanced accounts to the auditor by the extended deadline of 31 October 2023. The accounts presented were rejected by the auditor.
- Officers worked with the Auditor, Datacom and an external consultant to devise a plan to ensure the provision of balanced accounts ready for audit. This involved several Datacom personnel attending on-site in November and December to work with officers to:
  - a) Finalise the outstanding bank reconciliations – reconciled back to June 2020
  - b) Reconcile assets, debtors, and creditors ledgers
  - c) Create a reporting structure for bonds, deposits, and reserves.
- Officers then worked with Darren Long Consultants to prepare the balanced 2022/23 accounts ready for audit. These were submitted on 12 February 2024 in accordance with the timeframe agreed with the auditor and the Office of the Auditor General (OAG).

### Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls

- The Shire engaged Moore Australia (Moore) to undertake the reviews required by Regulations 5 of the *Local Government (Financial Management) Regulations 1996* (FMR) and Regulation 17 of the *Local Government (Audit) Regulations 1996* (AR).
- Moore attended the Shire in late September to undertake the field work. A draft report was provided to officers in late November 2023, with officers providing management feedback in January 2024.
- The final report (Report) was provided in early February 2024 and reviewed by the Audit and Risk Committee on 14 February 2024. The Committee recommended that Council receives the Report.
- Moore also provided a detailed Risk Assessment document, incorporating all the findings contained in the Report and recommended mitigation actions. This has now formed the basis of the Draft Risk Assessment and Improvement Plan (Plan) presented for Council's consideration.

### Staffing

- The Shire continues to face challenges in attracting and retaining staff. Of particular note is the role of Governance Coordinator which has been vacant for 50% of the past two years and is currently vacant again.
- The majority of the finance staff have been with the Shire less than six months and are still learning systems and procedures and require additional support to manage regular financial processes.
- Anecdotal information provided to the CEO from colleagues indicates that a majority of local governments are reporting between 10% and 30% vacancy rates at present. The Shire currently has a 20% vacancy rate, and the competitive market is making it difficult to attract and retain people with the right mix of skills and experience to fulfil specialist roles. All departments across the Shire are experiencing increased stress and workloads due to at least one, and usually more than one vacancy.
- The CEO role will be filled by an external temporary CEO until the formal recruitment process is finalised.

### Elections

- In the absence of a Governance Officer, the October 2023 local government elections were managed by a casual staff member who liaised with the WA Electoral Commission.
- The elections have also impacted officer time as the transition to new leadership progresses. This has included historical information being sought by new members, inductions, training, and stewardship of committees with more community representatives with limited experience in local government.

### Obsolescence

- The draft improvement plan presented to the DLGSC in August 2023 contained several actions which are now obsolete as they have been actioned or completed. These include:
  - Bank reconciliations
  - Assets and Depreciation
  - Payroll process improvements

- Policy reviews
- Working with Datacom to improve financial reporting configurations
- End of Financial Year processes for 2021/22
- 2022/23 Financial Statements
- Rates for 2023/24
- Adoption of the 2023/24 Budget

## COMMENTS AND DETAILS

A great deal has been achieved in a relatively short period of time which is a testament to the efforts of all staff involved in challenging circumstances. The following items remained outstanding from the actions agreed with the DLGSC in August 2023.

1. Consider the appointment of an independent Chairperson to the Audit and Risk Committee (ARC) – this was actioned by the ARC on 7 February 2024 with community representative Ms Natalie Mills appointed as Chairperson.
2. Consider nominating for a Financial Best Practice Review to be conducted by the DLGSC – Officers have included this in the draft Risk Assessment and Improvement Plan.
3. Submit the Risk Assessment and Improvement Plan to the DLGSC and OAG – to be done once endorsed by Council.

Officers have used the Risk Assessment Report provided by Moore as the basis for the draft Risk Assessment and Improvement Plan (the Plan) with columns added to capture comments and progress, articulation of the specific officer responsible for each action, and a timeframe for completion.

In addition, following feedback from the DLGSC and the ARC, several 'additional' actions have been added to the Plan which was placed on Teams for Councillors and ARC members to provide comment on before the OCM.

Officers are proposing that the Plan is reviewed by the ARC quarterly and recommended to Council before updates are provided to the DLGSC.

## IMPLICATIONS TO CONSIDER

### **Consultative:**

Department of Local Government, Sport & Cultural Industries

Dry Kirkness

Darren Long Consulting

Office of the Auditor-General

### **Strategic:**

***Shire of Toodyay Plan for the Future: Council Plan 2023-2033***

**Outcome 9. Responsible and effective leadership and governance**

***9.1.4. Undertake regular reviews of organisation and Council culture and implement initiatives to improve.***



*9.2. Govern Shire finances, assets, and operations responsibly***Policy related:**

Risk Management Policy

Internal Control Policy

Legislative Compliance Policy

**Financial:**

The Plan has been developed on the assumption that actions are completed in-house within the current organisational structure and budgeted resources. In the event of ongoing staff vacancies, there may be a requirement to engage contractors to meet timeframes detailed in the Plan. Additional funding requests, if required, will be presented to Council for consideration and approval.

**Legal and Statutory:**

*Local Government Act 1995*

**Risk related:**

There are extreme financial, compliance and reputational risks associated with the outcomes of this report. As a result, the actions have been carefully prioritised based on risk and organisational capacity to deliver. The Plan should be reviewed regularly for progress with clear strategies in place to address dependencies and inter-dependencies for each action.

**Workforce related:**

There is significant officer time required to deliver the actions identified in the Plan. Currently, the Shire is experiencing extreme challenges in attracting and retaining staff which must be taken into account during regular reviews.

**VOTING REQUIREMENTS**

Simple Majority

**OFFICER'S RECOMMENDATION 1**

That the Audit & Risk Committee recommends to Council the following:

That Council;

1. Endorses the draft Improvement Plan developed following finalisation of the report on the Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls.
2. Requests the CEO to forward a copy of the Improvement Plan to the Department of Local Government, Sport and Cultural Industries; and
3. Requests the CEO to provide quarterly updates to the Audit and Risk Committee on the actions taken.

**5 OTHER BUSINESS / NEW BUSINESS OF AN URGENT NATURE**

**6 CONFIRMATION OF NEXT MEETING**

The next meeting of the Audit & Risk Committee is scheduled to be held on 5 June 2024 commencing at 10:00 AM.

**7 CLOSURE OF MEETING**

The Chairperson will close the meeting.