

Shire of Exmouth

# AUDIT COMMITTEE MEETING MINUTES



15 December 2022

## CONFIRMATION OF MINUTES

I hereby certify that the Minutes and Attachments of the Audit Committee Meeting held on the 15 December 2022 are a true and accurate record of the proceedings contained therein.

  
.....  
Presiding Officer

02/03/23  
.....  
Dated

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# MINUTES

Our Vision	To be a prosperous and sustainable community living in harmony with our natural environment.
Our Purpose	To responsibly provide governance for the whole community in the best interest of current and future generations.
Our Strategic Objectives	<ul style="list-style-type: none"> <li>• Diversify and grow our economy in a manner that provides year round employment opportunities</li> <li>• To protect and value our unique natural and built environment as we grow our economy.</li> <li>• To be a vibrant, passionate and safe community valuing our natural environment and unique heritage</li> <li>• To provide open transparent, accountable leadership working in collaboration with our community.</li> </ul>

**1. DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS**

The Presiding Member declared the meeting open at 2.46 pm.

The Presiding Member acknowledged the aboriginal people both past and present, as the traditional custodians of the land on which we meet.

**2. RECORD OF ATTENDANCE AND APOLOGIES**

Councillor M (Mark) Lucas	Chairperson
Councillor D (David) Gillespie	Deputy Chairperson
Councillor J (Jackie) Brooks	
Mr Ben Lewis	Chief Executive Officer
Mr G Coetzee	Executive Manager Corporate Services
Via Teams	Mikey Fiorucci Director, Financial Audit Office of the Auditor General for WA (OAG)

**OBSERVERS**

Councillor D (Darlene) Allston  
Councillor M (Matthew) Niikkula

**3. RESPONSE TO PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE**

N/A

**4. PUBLIC QUESTION TIME**

N/A

**5. DECLARATIONS OF INTEREST**

Nil

**6. APPLICATIONS FOR LEAVE OF ABSENCE**

N/A

**7. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

That the Minutes of the Audit Committee Meeting of the Shire of Exmouth held on 17 March 2022 be confirmed as a true and correct record of proceedings.

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**COUNCIL RESOLUTION**

**ITEM 7**

**Res No: 01-1222**

**MOVED: Cr Lucas**

**SECONDED: Cr Gillespie**

**That the Minutes of the Audit Committee Meeting of the Shire of Exmouth held on 17 March 2022 be confirmed as a true and correct record of proceedings.**

**CARRIED 3/0**

**8. ANNOUNCEMENTS/REPORTS OF ELECTED MEMBERS**

N/A

**9. ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION**

N/A

**10. PETITIONS/DEPUTATIONS/PRESENTATIONS/SUBMISSIONS**

N/A

**11. MATTERS ARISING FROM COMMITTEES OF COUNCIL**

Nil

## 12. REPORTS OF OFFICERS

### 12.1.1 AUDITED FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

File Reference:	FM.AD.2021.2022
Reporting Officer	Executive Manager Corporate Services
Responsible Officer:	As above
Date of Report:	30 November 2022
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	<ol style="list-style-type: none"> <li>1. Financial Report for the Year Ended 30 June 2022</li> <li>2. Audit Opinion for the Year Ended 30 June 2022</li> <li>3. OAG Exit Brief for the Year Ended 30 June 2022</li> <li>4. Transmittal Letter for the Year Ended 30 June 2022</li> <li>5. Management Letter for the Year Ended 30 June 2022</li> </ol>

#### PURPOSE

1. To receive the 2021/22 Audited Financial Report and Audit Opinion issued by Council's auditors, Office of the Auditor General for recommendation to the Council.

#### BACKGROUND

2. Following receipt of the audit report for the year ended 30 June 2022, the Audit Committee is required to consider any compliance issues raised in the Independent Audit Report and Management Report and recommend they be received by Council.
3. Office of Auditor General, Council Auditors have completed their audit for the financial year ending 30 June 2022 and the Independent Audit Opinion are attached.

#### COMMENT

4. The Auditor General has completed their audit of the Shire of Exmouth's Financial Report for the year ended 30 June 2022. They provided Council with an unqualified audit opinion.
5. The Independent Audit Report identified a financial ratio with an adverse trend which will continue to be monitored going forward.

#### CONSULTATION

6. Office of Auditor General

#### STATUTORY ENVIRONMENT

7. *Local Government Act 1995* S6.4(3) & 5.54(1)

#### POLICY IMPLICATIONS

8. Nil

## FINANCIAL IMPLICATIONS

9. Nil

## RISK MANAGEMENT

10. Identified risks implications

Risk	Likelihood	Consequence	Risk Analysis	Mitigation
Performance (operational) Management Audit Report not accepted by the Audit Committee	Unlikely	Minor	Low	Audit Committee and Officers work with the auditors to address areas of concern.
Financial/Compliance Council does not accept the Annual Financial Report	Unlikely	Minor	Low	Officers work with the auditors to ensure timeliness and accuracy to ensure compliance with the prescribed time period in accordance with the Act.

## ALTERNATE OPTIONS

11. Nil

## STRATEGIC ALIGNMENT

12. This item is relevant to the Councils approved Strategic Community Plan 2030 and Corporate Business Plan 2018-2022

Leadership: To provide open transparent, accountable leadership working in collaboration with our community.

4.1 To provide proactive, collaborative and transparent leadership

4.2 A local government that is respected and accountable.

4.3 To be a champion for our community

## VOTING REQUIREMENTS

13. Simple Majority

### OFFICER'S RECOMMENDATION

**ITEM 12.1.1**

That the Audit Committee recommends to Council that it:

1. Receives the 2021/22 Annual Financial Report; and
2. Receives the Audit Opinion for the Year Ended 30 June 2022.

### AUDIT COMMITTEE RESOLUTION

**ITEM 12.1.1**

**Res No: 02-1222**

**MOVED: Cr Lucas**

**SECONDED: Cr Brooks**

**That the Audit Committee recommends to Council that it:**

- 1. Receives the 2021/22 Annual Financial Report; and**
- 2. Receives the Audit Opinion for the Year Ended 30 June 2022.**

**CARRIED 3/0**

**12.1.2 RISK FRAMEWORK**

File Reference:	FM.AD.2021.2022
Reporting Officer:	Executive Manager Corporate Services
Responsible Officer:	As above
Date of Report:	30 November 2022
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	1. Risk Management Framework 2. CONFIDENTIAL - Strategic Risk Register

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**PURPOSE**

1. That the Audit Committee endorse the Risk Management Framework and receives the Strategic Risks Register.

**BACKGROUND**

2. The Shire has undertaken a review of its risk management framework to ensure it remains relevant and to improve Council's ability to manage risks and to document the level of acceptance for these risks. The framework provides clarity around managing risks and considers the impact and likelihood of Council's risks as well as the roles of staff and Council.
3. The current Risk Management Framework was endorsed by Council in December 2019.
4. It is also recommended that the Audit Committee review Council's strategic risks and ensure controls are in place to mitigate the risks where possible. This is intended to be a live document that is continuously updated as risks change and the environment the Shire operates in changes and new risks are identified.

**COMMENT**

5. The framework was developed to provide flexibility and enable Council to consider risks to allow beneficial outcomes. It considers the impact of risks in terms of financial, compliance, reputational, property, environmental and health. It sets out clear risk acceptance criteria and identifies who is responsible for managing the risk.
6. The Risk Management Framework was endorsed by Council in December 2019 and is now due for review. The framework is designed around the risk management standard (ISO 31000:2018). In conjunction with Council's risk management policy, it sets out Shire's approach to the identification, assessment, management, reporting and monitoring of risks.
7. The Risk Management Framework has been reviewed by Council's executive team to ensure compliance and that no legislative or regulatory changes have contributed to the validity of the framework.

8. Council needs to continuously make improvements in its approach to risk management. The executive team have reviewed and identified new strategic risks as per attachment 1. This register sets out what is currently deemed as Council’s strategic risks and includes controls that are in place to mitigate the risk. It also identifies any controls that need to be developed to reduce the risks if possible to acceptable levels.

**CONSULTATION**

9. Executive Management Team

**STATUTORY ENVIRONMENT**

10. Local Government Act 1995  
 11. Local Government (Audit) Regulations 1996

**POLICY IMPLICATIONS**

12. Risk Management Policy

**FINANCIAL IMPLICATIONS**

13. No direct financial implication

**RISK MANAGEMENT**

14. Identified risks implications

Risk	Likelihood	Consequence	Risk Analysis	Mitigation
Failure to appropriately manage Council’s risks	Possible	Catastrophic	High	Have a framework and policies in place and review risks regularly

**ALTERNATE OPTIONS**

15. Nil

**STRATEGIC ALIGNMENT**

16. This item is relevant to the Councils approved Strategic Community Plan 2030 and Corporate Business Plan 2018-2022

Leadership: To provide open transparent, accountable leadership working in collaboration with our community.

- 4.1 To provide proactive, collaborative and transparent leadership
- 4.2 A local government that is respected and accountable.
- 4.3 To be a champion for our community

**VOTING REQUIREMENTS**

17. Simple Majority

**OFFICER’S RECOMMENDATION**

**ITEM 12.1.2**

That the Audit Committee recommends to Council to endorse the Risk Management Framework and receive the Strategic Risk Register.

**AUDIT COMMITTEE RESOLUTION**

**ITEM 12.1.2**

**Res No: 03-1222**



**MOVED: Cr Lucas**  
**SECONDED: Cr Gillespie**

**That the Audit Committee recommends to Council to endorse the Risk Management Framework and receive the Strategic Risk Register.**

**CARRIED 3/0**

### 12.1.3 REVIEW OF FINANCIAL MANAGEMENT, RISK MANAGEMENT, LEGISLATIVE COMPLIANCE AND INTERNAL CONTROLS

File Reference:	FM.AD.2021.2022
Reporting Officer	Executive Manager Corporate Services
Responsible Officer:	As above
Date of Report:	30 November 2022
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	<ol style="list-style-type: none"> <li>1. CONFIDENTIAL - Review of Financial Management, Risk Management, Legislative Compliance and Internal Controls</li> <li>2. CONFIDENTIAL - Update FMR</li> </ol>

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#### PURPOSE

1. That the Audit Committee receives the update on the Review of Financial Management, Risk Management, Legislative Compliance and Internal Control.

#### BACKGROUND

2. In accordance with regulation 17 of the *Local Government (Audit) Regulation 1996* the CEO is to review the appropriateness and effectiveness of local governments systems in relation to risk management, internal control and legislative compliance not less than once every three years and report the results to the audit committee.
3. In accordance with regulation 5 of the *Local Government (Financial Management) Regulation 1996* the CEO is to undertake reviews of the appropriateness of the financial management systems and procedures not less than once every three years and report the results of the review.
4. The Shire of Exmouth engaged Moore Australia to provide the services in relation to the requirements of Regulation 17 of the *Local Government (Audit) Regulation 1996* and Regulation 5 of the *Local Government (Financial Management) Regulation 1996*.

#### COMMENT

5. Moore Australia completed their assessment and provided us with their findings in March 2022 as per attachment 1.
6. At the Audit Committee meeting held on 17 March 2022 it was requested that staff provide an update and recommendations on the findings. The updates and recommendations are contained in attachment 2.
7. A large portion of the findings have now been corrected or are in the process of being corrected and a number is to be corrected over the longer term and require time and funding to be developed.

**CONSULTATION**

- 8. Moore Australia
- 9. Shire Staff

**STATUTORY ENVIRONMENT**

- 10. Local Government (Audit) Regulation 1996, Regulation 17
- 11. Local Government (Financial Management) Regulation 5

**POLICY IMPLICATIONS**

- 12. Nil

**FINANCIAL IMPLICATIONS**

- 13. Nil

**RISK MANAGEMENT**

- 14. Identified risks implications

Risk	Likelihood	Consequence	Risk Analysis	Mitigation
Legislative compliance	Possible	Moderate	Medium	Perform a review of Council's financial management, risk management, legislative compliance and internal controls.

**ALTERNATE OPTIONS**

- 15. Nil

**STRATEGIC ALIGNMENT**

- 16. This item is relevant to the Councils approved Strategic Community Plan 2030 and Corporate Business Plan 2018-2022

Leadership: To provide open transparent, accountable leadership working in collaboration with our community.

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- 4.3 To be a champion for our community

**VOTING REQUIREMENTS**

- 17. Simple Majority

**OFFICER'S RECOMMENDATION**

**ITEM 12.1.3**

That the Audit Committee recommends to Council that it receives the update on the review of financial management, risk management, legislative compliance and internal controls.

**AUDIT COMMITTEE RESOLUTION**

**ITEM 12.1.3**

**Res No:** 04-1222

**MOVED:** Cr Lucas

**SECONDED:** Cr Brooks

**That the Audit Committee recommends to Council that it receives the update on the review of financial management, risk management, legislative compliance and internal controls.**

**CARRIED 3/0**

**12.1.4 BUSINESS CONTINUITY PLAN AND DISASTER RECOVERY PLAN**

File Reference:	FM.AD.2021.2022
Reporting Officer	Executive Manager Corporate Services
Responsible Officer:	As above
Date of Report:	30 November 2022
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	1. CONFIDENTIAL - Business Continuity Plan 2. CONFIDENTIAL Disaster Recovery Plan

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**PURPOSE**

1. That the Audit Committee receives the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP).

**BACKGROUND**

2. That the Audit Committee receives the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP).
3. The BCP adopts procedures to maintain Council's essential services through periods of disruption. The BCP has been developed to ensure a standardised, consistent approach to business continuity whilst providing a best practice methodology that fits within the Shire's overarching Risk Management Framework.
4. Council has made a number of improvements to the ICT environment and needs to keep up with changing technologies. It was determined that the DRP required a significant overhaul and Council engaged the services of Sapio to assist staff to implement an updated DRP. The plan provides an effective solution that can be used to enable us to securely access essential ICT systems and services to support emergency, recovery and essential services in a set timeframe.

**COMMENT**

5. The BCP and DRP provide a process that facilitates organised decision-making in the event of a major incident to:
  - Provide for the welfare of staff, visitors and contractors.
  - Provide a flexible response to a variety of emergencies.
  - Assist decision-making in an uncertain and stressful environment.
  - Manage and minimise consequences of incidents to the Shire operations.
6. The Shire defines a business continuity event as an incident that could result in:
  - The inability to use or access the Administration Building or Depot for more than 1 day.
  - The inability to access or use IT systems or applications for more than 1 day.
  - Not having enough staff to perform critical activities for more than 1 day.
  - A key supplier/contractor being unable to perform core services on behalf of the Shire for more than 1 day.

7. Events may result from single or multiple events; be accidental, intentional or an act of nature; occur suddenly or have an extended lead time. It should be noted that an incident may affect the community as well as Shire operations. In these cases, the Shire's Local Emergency Management Arrangements (LEMA) will work in conjunction with the Shire's BCP.
8. It is also important to note that management response is dictated by the impact the event has or may have on the Shire and not by the event itself. The Shire's BCP and DRP extend this principle to respond to the following impacts:
  - Loss of (or access to) buildings or infrastructure.
  - Loss of IT & communication systems, applications or networks (including data).
  - Loss of key staff.
  - Loss of key suppliers.
9. The main purpose of the BCP is to offer guidance in restoring the Shire to an acceptable level of operation by focusing on communications, time-critical business activities, staff welfare and who will need to be contacted due to the circumstances of the incident.
10. The DRP provides essential information that may be required during and after a disaster to ensure Council can effectively manage essential ICT systems and services to enable the Shire to return to reasonably normal ICT operations as soon as possible.

## **CONSULTATION**

11. Executive Management Team
12. Senior Information Communications & Technology Officer
13. Sapio

## **STATUTORY ENVIRONMENT**

14. S.17 Local Government (Audit) Regulations

## **POLICY IMPLICATIONS**

15. Nil

## **FINANCIAL IMPLICATIONS**

16. Nil

## **RISK MANAGEMENT**

17. Legislative compliance is required as per *Local Government (Audit) Regulation 1996*, Regulation 17 and is required to be addressed in a timely manner to mitigate risk associated with the findings.

## **18. STRATEGIC IMPLICATIONS**

19. This item is relevant to the Councils approved Strategic Community Plan 2030 and Corporate Business Plan 2018-2022

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**VOTING REQUIREMENTS**

20. Simple Majority

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**OFFICER'S RECOMMENDATION**

**ITEM 12.1.4**

That the Audit Committee recommends to Council that it receives the update on the Shire of Exmouth Business Continuity Plan and Disaster Recovery Plan.

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**AUDIT COMMITTEE RESOLUTION**

**ITEM 12.1.4**

**Res No: 05-1222**

**MOVED: Cr Lucas**

**SECONDED: Cr Gillespie**

**That the Audit Committee recommends to Council that it receives the update on the Shire of Exmouth Business Continuity Plan and Disaster Recovery Plan.**

**CARRIED 3/0**

- 13. ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**  
Nil
- 14. NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING**  
Nil
- 15. MATTERS TO BE CONSIDERED BEHIND CLOSED DOOR**  
Nil
- 16. CLOSURE OF MEETING**  
The Presiding Member closed the meeting at 3.40 pm.