



## AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

### AGENDA

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To be held on

**Wednesday 8 March 2023**

Commencing at 10.00am

Shire of Donnybrook Balingup Council Chamber, Donnybrook

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A handwritten signature in black ink, appearing to read 'BGR', with a long horizontal flourish extending to the right.

**Ben Rose**  
Chief Executive Officer

**3 March 2023**

**Disclaimer**

***Please note the items and recommendations in this document are not final and are subject to change or withdrawal.***

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**SHIRE OF DONNYBROOK BALINGUP**  
**AUDIT AND RISK MANAGEMENT COMMITTEE AGENDA**

To be held at the Council Chamber  
8 March 2023 at 10.00am

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**1 DECLARATION OF OPENING**

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**Chairperson – Acknowledgment of Country**

The Chairperson to acknowledge the traditional custodians of the land, the Wardandi People of the Noongar Nation, paying respects to Elders, past and present and emerging.

The Chairperson to declare the meeting open and welcome the members of the Committee.

**2 ATTENDANCE**

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**MEMBERS PRESENT**

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<b>COMMISSIONER</b>	<b>STAFF</b>
Gail McGowan	Ben Rose – Chief Executive Officer Kim Dolzadelli – Director Corporate and Community Belinda Richards – Manager Finance and Corporate Loren Clifford – Acting Manager Executive Services Archana Arun – Admin. Officer Executive Services
<b>EXTERNAL MEMBERS</b>	<b>GUESTS</b>
Ian Telfer – Chairperson Vivienne MacCarthy	

**2.1 APOLOGIES**

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**2.2 APPROVED LEAVE OF ABSENCE**

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**3 ANNOUNCEMENTS FROM CHAIRPERSON**

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#### 4 DECLARATION OF INTEREST

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Division 6: Sub-Division 1 of the *Local Government Act 1995*. Care should be taken by all Committee Members to ensure that a financial/impartiality interest is declared and that they refrain from voting on any matter, which is considered to come within the ambit of the *Act*.

#### 5 CONFIRMATION OF MINUTES

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Minutes of the Audit and Risk Management Committee meeting held 18 January 2023 are attached (Attachment 5(1)).

#### EXECUTIVE RECOMMENDATION

**That the Minutes of the Audit and Risk Management Committee Meeting held 18 January 2023 be confirmed as a true and correct record.**

#### 6 REPORTS OF OFFICERS

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##### 6.1 COMPLIANCE AUDIT RETURN 2022

<b>Location</b>	Shire of Donnybrook Balingup
<b>Applicant</b>	Shire of Donnybrook Balingup
<b>File Reference</b>	FNC 02A
<b>Author</b>	Loren Clifford – Acting Manager Executive Services
<b>Responsible Manager</b>	Kim Dolzadelli - Director Corporate and Community
<b>Attachments</b>	6.1(1) Compliance Audit Return 2022
<b>Voting Requirements</b>	Simple Majority

##### Executive Recommendation 1

**That the Audit and Risk Management Committee review the Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2022 to 31 December 2022.**

##### Executive Recommendation 2

**That the Audit and Risk Management Committee recommends to Council (the Commissioner) that:**

- 1. The 2022 Compliance Audit Return for the Shire of Donnybrook Balingup for the period 1 January 2022 to 31 December 2022 be adopted.**
- 2. Makes any recommendations to Council (the Commissioner) regarding the review as it considers appropriate.**

## STRATEGIC ALIGNMENT

The following outcomes from the Council Plan relate to this proposal:

Outcome	12	A well respected, professionally run organisation.
Objective	12.1	Deliver effective and efficient operations and service provision.

## EXECUTIVE SUMMARY

A Local Government Compliance Audit Return (CAR) is required to be undertaken in accordance with the *Local Government (Audit) Regulations 1996, Reg. 14(1)*.

The Audit was conducted by staff for the period 1 January to 31 December 2022, within the scope and in the format required by the Department of Local Government, Sport and Cultural Industries (DLGSCI).

After reviewing the audit findings, the 2022 CAR contains a positive compliance response of 93 out of the 94 compliance items (98.9%) with a non-compliance response for one item set out below.

Topic	Item Number	Matter
Disclosure of Interest	5	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2022?
<b>Officer Comment:</b>		
The following 'relevant persons' failed to return their Annual Return by 31 August 2022. These returns have now been received and acknowledged by the Chief Executive Officer.		
	<b>Relevant Person</b>	<b>Return Received</b>
	Cr Atherton	15 September 2022
	Cr Glover	24 September 2022
	Cr Gubler	19 September 2022
	Cr Massey	15 September 2022
	Cr Newman	15 September 2022
	Cr Smith	8 September 2022

## **BACKGROUND**

The Department of Local Government, Sport and Cultural Industries (DLGSCI) requires local governments to conduct an annual assessment of their compliance with key components of the *Local Government Act 1995* (the Act) and associated Regulations. The 2022 CAR is to be submitted to DLGSCI by 31 March 2023.

## **FINANCIAL IMPLICATIONS**

Nil.

## **POLICY COMPLIANCE**

Nil.

## **STATUTORY COMPLIANCE**

Under *Regulation 14 of the Local Government (Audit) Regulations 1996*, the 2022 CAR is to be reviewed by Council's Audit and Risk Management Committee and then report the findings to Council (the Commissioner) for adoption.

A printed copy of the CAR and a copy of minutes of the Audit and Risk Management Committee is to be presented to the Council (the Commissioner) at the next Ordinary Council Meeting for consideration.

The minutes and recommendation from the Audit and Risk Management Committee to the Council (the Commissioner) is considered to constitute the report referred to in the legislation.

Following presentation to Council (the Commissioner), a certified copy of the 2022 CAR, along with an extract of the minutes of the meeting at which the CAR was adopted by Council, and any additional information, is to be submitted to the DLGSCI by 31 March 2023.

## **CONSULTATION**

An internal review of the 94 compliance requirements were reviewed by seven key responsible officers.

## **OFFICER COMMENT/CONCLUSION**

The 2022 CAR contains 94 questions grouped in relation to various compliance areas.

The result of the 2022 CAR was a positive compliance response or not applicable response to 93 of those requirements and one negative response as set out below:

- **Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2022?** No, the following ‘relevant persons’ failed to return their Annual Return by 31 August 2022. These returns have now been received and acknowledged by the Chief Executive Officer.

<b>Relevant Person</b>	<b>Return Received</b>
Cr Atherton	15 September 2022
Cr Glover	24 September 2022
Cr Gubler	19 September 2022
Cr Massey	15 September 2022
Cr Newman	15 September 2022
Cr Smith	8 September 2022

*Local Government Regulations Amendment Regulations (No. 2) 2020* introduced changes to the *Local Government (Administration) Regulations 1996* to provide greater transparency and accountability by requiring local governments to publish on their websites, a register of Primary and Annual Returns lodged by each Council Member, and the position of each employee pursuant to Regulation 29C(2)(d) & (e).

The Shire of Donnybrook Balingup has a register of Primary and Annual Returns published on its website and provides mandatory training to Council Members. The training provides an overview of the statutory environment relating to declarations of interest and clarifies, and the personal responsibilities of Council Members to comply with their obligations.

## 6.2 CONTRACT MANAGEMENT FRAMEWORK REVIEW

<b>Location</b>	Shire of Donnybrook Balingup
<b>Applicant</b>	Shire of Donnybrook Balingup
<b>File Reference</b>	FNC 02A
<b>Author</b>	Kim Dolzadelli - Director Corporate and Community
<b>Responsible Manager</b>	Ben Rose – Chief Executive Officer
<b>Attachments</b>	6.2(1) Quote Procurement Plus - Contract Management Framework 6.2(2) Quote AOT Consulting Proposal - Contract Management Framework
<b>Voting Requirements</b>	Simple Majority

Executive Recommendation
<p><b>That the Audit and Risk Management Committee recommend to Council the inclusion of \$30,000 (ex GST) within its statutory Budget Review (2022-2023) to allow for a review of the Shires’ Contract Management Framework.</b></p>

### STRATEGIC ALIGNMENT

The following outcomes from the Council Plan relate to this proposal:

- |           |      |   |
|-----------|------|---|
| Outcome   | 12   | A well respected, professionally run organisation.                |
| Objective | 12.1 | Deliver effective and efficient operations and service provision. |

### EXECUTIVE SUMMARY

The Audit and Risk Management is requested to recommend to Council the inclusion of \$30,000 (ex GST) within its statutory Budget Review (2022-2023) to allow for a review of the Shires’ Contract Management Framework.

### BACKGROUND

One of the findings in the last Audit Regulation 17 review identified with a ‘Significant’ risk rating was as follows:

*“Currently no formal contract management framework in place resulting in an inconsistent approach implemented by those responsible for contract management.”*



Officers have sought preliminary quotations from appropriately qualified consultants to gauge the likely cost of a review.

## **FINANCIAL IMPLICATIONS**

The request is for \$30,000 (ex GST) to engage a consultant to undertake the review.

## **POLICY COMPLIANCE**

Council Policy FIN/CP-4 (Purchasing Policy).

## **STATUTORY COMPLIANCE**

Local Government (Audit) Regulations 1996, Regulation 17:

### **17. CEO to review certain systems and procedures**

*(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*

*(a) risk management; and*

*(b) internal control; and*

*(c) legislative compliance.*

*(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.*

*(3) The CEO is to report to the audit committee the results of that review.*

## **CONSULTATION**

This matter has been the subject of past Audit and Risk Management Committee meetings and the subject of public question time at several Ordinary Council Meetings.

## **OFFICER COMMENT/CONCLUSION**

Officers believe it to be pertinent for the review of the Shires' Contract Management Framework to be undertaken by an external consultant, with the engagement to deliver:

- a 'roadmap' outlining priorities for change between current state and requirements under a proposed Contract Management Framework, and the Shire's suite of relevant policies and procedures;
- a report that incorporates the 'roadmap' and recommended procurement governance model, highlighting process improvements, and identifying changes required in adopting new policies, procedures, tools, templates and resources;

- a Contract Management Framework document that outlines the integration with other enterprise frameworks; and
- a customised workshop for Shire staff to build further capability in contract management.

Two preliminary quotations (including a scope of works) have been received, one for \$26,400 the other for \$43,860. Officers are not requesting the Committee to award a contract, rather recommend to Council the inclusion of a provision of \$30,000 in the Budget Review (2022-2023) such that officers can make an engagement.

### 6.3 INTERNAL AUDIT UPDATE

<b>Location</b>	Shire of Donnybrook Balingup
<b>Applicant</b>	Shire of Donnybrook Balingup
<b>File Reference</b>	FNC 02A
<b>Author</b>	Kim Dolzadelli - Director Corporate and Community
<b>Responsible Manager</b>	Kim Dolzadelli - Director Corporate and Community
<b>Attachments</b>	Nil
<b>Voting Requirements</b>	Simple Majority

<b>Executive Recommendation</b>
<b>That the Audit and Risk Management Committee note the update provided within this report in relation to the Internal Audit status.</b>

### STRATEGIC ALIGNMENT

The following outcomes from the Council Plan relate to this proposal:

Outcome	12	A well respected, professionally run organisation.
Objective	12.1	Deliver effective and efficient operations and service provision.

### EXECUTIVE SUMMARY

The following is an update in relation to the status of the Internal Audit process being undertaken by AMD Chartered Accountants (AMD).

AMD have commenced the auditable areas of the Internal Audit scope set for the 2022/23 financial year, with current status shown below.

<b>Auditable Area</b>	<b>Status</b>
Prepare Strategic Internal Audit Plan	Complete
Review of Prior Year recommendations – External Audit	Complete
Planning	Complete
Security and Emergency procedures including accident/incident reporting	*
Lease management – (where Shire is Lessor)	*
Review and Reporting	May-23

Note: a four-day on-site visit is scheduled for the week commencing 17 April 2023.

## **BACKGROUND**

The Audit and Risk Management Committee considered Internal Audit proposals at its meeting held 3 March 2022 and made the following Resolution:

### **COMMITTEE RESOLUTION**

***Moved Cr Wringe                      Seconded Cr Smith***

***That the Audit and Risk Management Committee:***

- 1. Review the Internal Audit Proposal attached as a confidential document, and***
- 2. Recommends that Council accept the proposal for a 3 Year Internal Audit Function from AMD Chartered Accountants.***

***CARRIED 3/0***

The matter was considered by Council at its Ordinary Council meeting held 23 March 2022 and resolved as follows:

### **COUNCIL RESOLUTION 30/22**

**Moved: Cr Massey                      Seconded: Cr Atherton**

***That Council accept the proposal 3 Year Internal Audit Proposal from AMD Chartered Accountants.***

***CARRIED 9/0 by En bloc Resolution***

## **FINANCIAL IMPLICATIONS**

Nil – Provision already included in Budget.

## **POLICY COMPLIANCE**

Nil.

## **STATUTORY COMPLIANCE**

The Internal Audit process is not required by any legislation and goes beyond any statutory compliance requirements.

**CONSULTATION**

Not applicable.

**OFFICER COMMENT/CONCLUSION**

That the update be noted.

**7 CLOSURE**

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The Chairperson to declare the meeting closed at \_\_\_\_\_.