



## **AUDIT AND ORGANISATIONAL RISK COMMITTEE**

# **MINUTES**

**NOTICE IS HEREBY GIVEN that an  
Audit and Organisational Risk Committee Meeting  
was held in Meeting Room 4,  
Welcome Road, Karratha  
on Friday 1 November 2013**

A handwritten signature in black ink, appearing to read 'Chris Adams'.

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**CHRIS ADAMS  
CHIEF EXECUTIVE OFFICER**



No responsibility whatsoever is implied or accepted by the Shire of Roebourne for any act, omission or statement or intimation occurring during Council or Committee Meetings. The Shire of Roebourne disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council or Committee Meeting does so at that persons or legal entity's own risk.

In particular and without derogating in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a license, any statement or intimation of approval made by any member or Officer of the Shire of Roebourne during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Roebourne.

The Shire of Roebourne warns that anyone who has any application lodged with the Shire of Roebourne must obtain and should only rely on

**WRITTEN CONFIRMATION**

of the outcome of the application, and any conditions attaching to the decision made by the Shire of Roebourne in respect of the application.

Signed:   
**Chris Adams - Chief Executive Officer**

**DECLARATION OF INTERESTS (NOTES FOR YOUR GUIDANCE) (updated 13 March 2000)**

A member who has a **Financial Interest** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest:

- (a) In a written notice given to the Chief Executive Officer before the Meeting or;
- (b) At the Meeting, immediately before the matter is discussed.

A member, who makes a disclosure in respect to an interest, must not:

- (c) Preside at the part of the Meeting, relating to the matter or;
- (d) Participate in, or be present during any discussion or decision-making procedure relative to the matter, unless to the extent that the disclosing member is allowed to do so under Section 5.68 or Section 5.69 of the Local Government Act 1995.

**NOTES ON FINANCIAL INTEREST (FOR YOUR GUIDANCE)**

The following notes are a basic guide for Councillors when they are considering whether they have a **Financial Interest** in a matter. I intend to include these notes in each agenda for the time being so that Councillors may refresh their memory.

1. A Financial Interest requiring disclosure occurs when a Council decision might advantageously or detrimentally affect the Councillor or a person closely associated with the Councillor and is capable of being measure in money terms. There are exceptions in the Local Government Act 1995 but they should not be relied on without advice, unless the situation is very clear.
2. If a Councillor is a member of an Association (which is a Body Corporate) with not less than 10 members i.e. sporting, social, religious etc), and the Councillor is not a holder of office of profit or a guarantor, and has not leased land to or from the club, i.e., if the Councillor is an ordinary member of the Association, the Councillor has a common and not a financial interest in any matter to that Association.
3. If an interest is shared in common with a significant number of electors or ratepayers, then the obligation to disclose that interest does not arise. Each case needs to be considered.
4. If in doubt declare.
5. As stated in (b) above, if written notice disclosing the interest has not been given to the Chief Executive Officer before the meeting, then it **MUST** be given when the matter arises in the Agenda, and immediately before the matter is discussed.
6. Ordinarily the disclosing Councillor must leave the meeting room before discussion commences. The **only** exceptions are:
  - 6.1 Where the Councillor discloses the **extent** of the interest, and Council carries a motion under s.5.68(1)(b)(ii) or the Local Government Act; or
  - 6.2 Where the Minister allows the Councillor to participate under s.5.69(3) of the Local Government Act, with or without conditions.

**INTERESTS AFFECTING IMPARTIALITY**

**DEFINITION:** *An interest that would give rise to a reasonable belief that the impartiality of the person having the interest would be adversely affected, but does not include an interest as referred to in Section 5.60 of the 'Act'.*

A member who has an **Interest Affecting Impartiality** in any matter to be discussed at a Council or Committee Meeting, which will be attended by the member, must disclose the nature of the interest;

- (a) in a written notice given to the Chief Executive Officer before the Meeting; or
- (b) at the Meeting, immediately before the matter is discussed.

**IMPACT OF AN IMPARTIALITY CLOSURE**

There are very different outcomes resulting from disclosing an interest affecting impartiality compared to that of a financial interest. With the declaration of a financial interest, an elected member leaves the room and does not vote.

With the declaration of this new type of interest, the elected member stays in the room, participates in the debate and votes. In effect then, following disclosure of an interest affecting impartiality, the member's involvement in the Meeting continues as if no interest existed.



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# AGENDA

## 1 OFFICIAL OPENING

The Meeting was officially opened at 12.03 pm.

## 2 NOMINATIONS FOR THE CHAIRPERSON

The Chief Executive Officer called for nominations for the position of Chairperson.

There being one nomination for Cr Evette Smeathers and no further nominations received, Cr Smeathers was declared the Chairperson of the Audit and Organisational Risk Committee (AROC).

Cr Smeathers assumed the position of Chairperson for the remainder of the AROC Meeting.

## 3 RECORD OF ATTENDANCES AND APOLOGIES

|                    |                       |   |
|--------------------|-----------------------|---|
| Committee Members: | Cr Evette Smeathers   | [Committee Chairperson]   |
|                    | Cr Peter Long         | [Shire President]   |
|                    | Cr John Lally         | [Deputy President]  |
|                    | Cr Harry Hipworth     |   |
| Staff:             | Chris Adams           | Chief Executive Officer   |
|                    | Phillip Trestrail     | Director Corporate Services   |
|                    | Henry Eaton           | Manager Governance & Organisational Strategy  |
|                    | Ray McDermott         | Manager Financial Services/CFO<br>(Items 1 – 5.1)                                     |
|                    | Linda Franssen        | Minute Secretary  |
| External:          | Patrick Warr          | Partner – Audit & Assurance,<br>Grant Thornton Audit<br>(Item 5.1 via Teleconference) |
| Apologies:         | Cr Fiona White-Hartig |   |

#### **4 CONFIRMATION OF MINUTES AND BUSINESS ARISING FROM MINUTES OF PREVIOUS MEETINGS**

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**RECOMMENDATION / COMMITTEE RESOLUTION**

Res No : AOR7/13

MOVED : Cr Long

SECONDED : Cr Lally

**RECOMMENDATION**

That the Minutes of the Audit and Organisational Risk Committee Meeting held on Tuesday 20 August 2013 be confirmed as a true and correct record of proceedings.

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**CARRIED**

FOR : Cr Smeathers, Cr Long, Cr Lally  
AGAINST : Nil



At 12.11 pm Cr Hipworth entered the room and Patrick Warr, Grant Thornton Audit Pty Ltd joined the meeting via teleconference.

## **5 ITEMS FOR DISCUSSION**

### **5.1 RECEIVE AUDIT OPINION**

|                                       |   |
|---------------------------------------|---|
| <b>File No:</b>                       | <b>FM.1</b>   |
| <b>Responsible Executive Officer:</b> | <b>Director Corporate Services</b>  |
| <b>Reporting Author:</b>              | <b>Manager Governance and Organisational Strategy</b>                           |
| <b>Date of Report:</b>                | <b>25 October 2013</b>  |
| <b>Applicant/Proponent:</b>           | <b>Patrick Warr, Grant Thornton Audit Pty Ltd</b>                               |
| <b>Disclosure of Interest:</b>        | <b>Nil</b>  |
| <b>Attachment(s)</b>                  | <b>1. Audit Opinion<br/>2. Annual Financial Report<br/>3. Management Report</b> |

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### **PURPOSE**

For the Audit and Organisational Risk Committee to receive the Audit Opinion provided by Shire auditors, Grant Thornton Audit Pty Ltd, and to receive the Annual Financial Report of the Shire's affairs for the 2012/13 period.

### **BACKGROUND**

Council is legislatively obliged to have its financial affairs verified to ensure accuracy and appropriateness and to also ensure that the reporting is compliant with the accounting standards established in Australia.

Grant Thornton has been appointed by Council as external auditors to examine the Shire's financial affairs for three years (2012/13 – 2014/15). Audit preparation commenced in September and an Audit Opinion and the Shire's Annual Financial Report is attached for Council consideration.

Grant Thornton has provided an unqualified opinion indicating no non-compliance issues and that the accounts are a true and fair representation of the Shire's financial performance for 2012/13.

Council needs to receive the Audit Opinion prior to calling its Annual Electors Meeting scheduled for 16 December 2013 at 6pm (preceding the December Ordinary Council Meeting at 6.30pm).

Additionally, a Management Report has also been furnished by Grant Thornton indicating any issues identified through the audit. Two matters of note were raised, one relating to the adjustment of the revaluation reserve to accurately reflect the fair value of assets as a result of new legislation being introduced, and the second relating to the proper recording of prepaid income and expenditure. A management responses is included in the report.

**LEVEL OF SIGNIFICANCE**

In accordance with Council Policy *CE-8 Significant Decision Making Policy*, this matter is considered to be of high significance in terms of compliance and Council's ability to perform its role.

**COUNCILLOR/OFFICER CONSULTATION**

Financial Services staff together with the CEO, Director Corporate Services and Manager Financial Services/CFO have been consulted regarding the preparation of this report.

**COMMUNITY CONSULTATION**

No community consultation is required. The community will be notified and invited to attend the Annual Electors Meeting to discuss the contents of the Shire's Annual Report that will contain the Annual Financial Report and the Audit Opinion.

**STATUTORY IMPLICATIONS**

Part 7 of the *Local Government Act 1995* reflects the requirements of the Audit and Organisational Risk Committee in that it is required to receive the Audit Opinion.

In accordance with section 5.54 of the Act, Council is also to accept the Annual Report for the financial year prior to 31 December which would include an overview by the organisation of its past years performance supported by the annual financial report and audit opinion.

Sections 5.55 and 5.27 of the Act provide that within 56 days of Council accepting the Annual Report, it shall convene a general meeting of electors to accept the financial report.

**POLICY IMPLICATIONS**

There are no policy implications.

**FINANCIAL IMPLICATIONS**

There are no financial implications.

**STRATEGIC IMPLICATIONS**

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2013-2014 provided for this activity:

|               |           |  |
|---------------|-----------|--|
| Our Program:  | 4.d.1.3   | Provide transparent and accountable financial information required by the Local Government Act, Code of Accounting Practice, Australian Accounting Standards and Local Government Regulations. |
| Our Services: | 4.d.1.3.1 | Prepare the Annual Financial Statements.   |
| Our Program:  | 1.f.4.1   | Ensure our community has access to up to date information about Shire's operations and projects.   |
| Our Services: | 1.f.4.1.1 | Prepare Council publications and corporate documents including the Annual Report and Annual Budget.  |

**RISK MANAGEMENT CONSIDERATIONS**

There are no risk management considerations applicable.

**IMPACT ON CAPACITY**

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

**RELEVANT PRECEDENTS**

There are no relevant precedents related to this matter.

**VOTING REQUIREMENTS**

Absolute Majority

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit & Organisational Committee by SIMPLE Majority pursuant to Section 5.54 of the *Local Government Act 1995* RESOLVES to NOT RECEIVE the Audit Opinion from Grant Thornton Audit Pty Ltd for the period ending 30 June 2013 and seek further advice and clarification on the report.

**CONCLUSION**

The Audit Opinion is unqualified indicating no issues of concern identified through their examination of the Shire's financial affairs. The Officer's Recommendation supports receiving the Audit Opinion and the Annual Financial Report to enable the Annual Electors Meeting to be convened.

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

Res No : AOR8/13  
MOVED : Cr Long  
SECONDED : Cr Lally

That the Audit and Organisational Risk Committee by ABSOLUTE Majority pursuant to Section 5.54 of the *Local Government Act, 1995* RESOLVES to:

1. RECEIVE the Audit Opinion from Grant Thornton Audit for 2012/13; and
2. RECEIVE the Annual Financial Report for the Year ended 30 June 2013; and
3. NOTE the scheduling of the Annual Electors Meeting for Monday 16 December 2013 at 6.00 pm in the Council Chambers in Karratha.

**CARRIED**

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FOR : Cr Smeathers, Cr Long, Cr Lally, Cr Hipworth  
AGAINST : Nil

Noted that Grant Thornton provided observations regarding Council's internal control, highlighting no Material Weakness (critical areas that represent high risk); no Significant Deficiencies (important matters that represent medium risk); and only two Deficiencies (housekeeping or administrative matters that represent low risk). Responses have been put in place to address the two deficiencies.

Patrick Warr of Grant Thornton commended the Shire of Roebourne's internal controls as being amongst the best in local government in regional Western Australia.

At 12.27 pm Ray McDermott and Patrick Warr, Grant Thornton Audit Pty Ltd exited the meeting.



## 5.2 FREQUENCY OF MEETINGS

|                                       |   |
|---------------------------------------|---|
| <b>File No:</b>                       | <b>FM.3</b>   |
| <b>Responsible Executive Officer:</b> | <b>Director Corporate Services</b>                    |
| <b>Reporting Author:</b>              | <b>Manager Governance and Organisational Strategy</b> |
| <b>Date of Report:</b>                | <b>28 October 2013</b>                                |
| <b>Applicant/Proponent:</b>           | <b>N/A</b>  |
| <b>Disclosure of Interest:</b>        | <b>Nil</b>  |
| <b>Attachment(s)</b>                  | <b>Nil</b>  |

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### PURPOSE

To consider the frequency of the meetings of the Audit and Organisational Risk Committee for the next two years.

### BACKGROUND

The Terms of Reference refer to the Committee meeting no less than once every quarter each year. In 2013 meetings were scheduled to be held on a bi-monthly basis, however only four meetings were held during the year. Meetings have generally run for not less than one hour and no longer than two hours depending on the agenda.

It is proposed that quarterly meetings be scheduled in 2014 with ability to call special meetings of the Committee where urgent matters require more timely consideration.

### LEVEL OF SIGNIFICANCE

In accordance with Council Policy *CE-8 Significant Decision Making Policy*, this matter is considered to be of low significance in terms of Council's ability to perform its role.

### COUNCILLOR/OFFICER CONSULTATION

No Councillor or Officer consultation is required.

### COMMUNITY CONSULTATION

No community consultation is required.

### STATUTORY IMPLICATIONS

There are no statutory implications.

### POLICY IMPLICATIONS

There are no policy implications.

### FINANCIAL IMPLICATIONS

There are no financial implications.

**STRATEGIC IMPLICATIONS**

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2013-2014 provided for this activity:

Our Program: 4.c.2.3 Develop and/or review Council policies, procedures and processes.

**RISK MANAGEMENT CONSIDERATIONS**

There are no risk management considerations applicable.

**IMPACT ON CAPACITY**

There is no impact on capacity or resourcing to carry out the Officer's recommendation.

**RELEVANT PRECEDENTS**

There are no relevant precedents related to this matter.

**VOTING REQUIREMENTS**

Simple Majority

**OPTIONS:**Option 1

As per Officer's recommendation.

Option 2

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 12 of the *Local Government (Administration) Regulations 1996* RESOLVES to CONFIRM the ordinary meeting dates of the Audit and Organisational Risk Committee meeting for 2014 as:

| Date                    | Time | Comments   |
|-------------------------|------|--|
| Tuesday 4 February 2014 | 10am | Amongst other matters, to approve the Compliance Audit return for 2013.                  |
| Tuesday 1 April 2014    | 10am | Amongst other matters, to discuss with the external auditor the interim audit for 2014.  |
| Tuesday 3 June 2014     | 10am | Amongst other matters, to consider the internal audit program for 2014/15.               |
| Tuesday 5 August 2014   | 10am | Update on projects and internal audits.  |
| Tuesday 7 October 2014  | 10am | Amongst other matters, to receive the annual financial statements and the audit opinion. |
| Tuesday 2 December 2014 | 10am | Update on projects and internal audits.  |

Option 3

That the Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Section 3.18 of the *Local Government Act 1995* RESOLVES to:

1. MEET every \_\_\_\_\_ (frequency) at the time of \_\_\_\_\_.

**CONCLUSION**

In 2013 meetings were scheduled on a bimonthly basis, however the key responsibilities of the Audit and Organisational Risk Committee can be addressed with quarterly meetings. In the event that an urgent matter is to be discussed, a special meeting of the Committee can be convened.

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**OFFICER'S RECOMMENDATION / COMMITTEE RESOLUTION**

**Res No** : AOR9/13

**MOVED** : Cr Long

**SECONDED** : Cr Lally

That Audit and Organisational Risk Committee by SIMPLE Majority pursuant to Regulation 12 of the *Local Government (Administration) Regulations 1996* RESOLVES to CONFIRM the ordinary meeting dates of the Audit and Organisational Risk Committee meetings for 2014 as:

| Date                     | Time | Comments  |
|--------------------------|------|---|
| Tuesday 25 February 2014 | 10am | Amongst other matters, to approve the Compliance Audit return for 2013 and consider internal audit results.                 |
| Tuesday 27 May 2014      | 10am | Amongst other matters, to discuss with the external auditor the interim audit for 2014 and consider internal audit results. |
| Tuesday 26 August 2014   | 10am | Amongst other matters, to consider the internal audit program for 2014/15 and consider internal audit results.              |
| Tuesday 28 October 2014  | 10am | Amongst other matters, to receive the annual financial statements and the audit opinion.                                    |

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**CARRIED**

**FOR** : Cr Smeathers, Cr Long, Cr Lally, Cr Hipworth  
**AGAINST** : Nil





## **6 INFORMATION ONLY**

### **6.1 BUSINESS CONTINUITY PROJECT**

|                                |   |
|--------------------------------|---|
| <b>File No:</b>                | <b>CM.91</b>  |
| <b>Responsible Officer:</b>    | <b>Director Corporate Services</b>                    |
| <b>Reporting Author:</b>       | <b>Manager Governance and Organisational Strategy</b> |
| <b>Date of Report:</b>         | <b>28 October 2013</b>                                |
| <b>Disclosure of Interest:</b> | <b>Nil</b>  |
| <b>Attachment(s)</b>           | <b>Nil</b>  |

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#### **PURPOSE**

To provide information on a new project commissioned by the Pilbara Regional Council impacting business continuity planning.

#### **BACKGROUND**

The Pilbara Regional Council has recently appointed Blue Zoo to undertake consultancy services with all of its member councils to ascertain and establish sound business continuity systems to ensure suitable response options are activated in the event of crisis situations, health pandemics, natural disasters, down time with IT Systems, etc.

A series of workshops and data collection will be conducted in November 2013 with staff from all work areas across the Shire identifying critical business activities, the impacts that these areas have on continuity of services, the key disruption risks/threats and the minimum resourcing requirements needed to ensure that these services are kept operational.

Outcomes to be generated from the project:

- Benchmarking Reports to member councils;
- Tailored governance frameworks and policies ensuring appropriate execution and operation of business continuity for each member council;
- High level response strategy;
- Documented business continuity plan; and
- Tools and instructions to launch the business continuity management system, updated documentation and verification of plans through scenario testing.

Although the time frames are quite ambitious, the consultants hope to complete the project by January 2014.

#### **CONCLUSION**

For information.

## **6.2 RISK MANAGEMENT PROJECT**

|                                |   |
|--------------------------------|---|
| <b>File No:</b>                | <b>CM.91</b>  |
| <b>Responsible Officer:</b>    | <b>Director, Corporate Services</b>                   |
| <b>Reporting Author:</b>       | <b>Manager Governance and Organisational Strategy</b> |
| <b>Date of Report:</b>         | <b>28 October 2013</b>                                |
| <b>Disclosure of Interest:</b> | <b>Nil</b>  |
| <b>Attachment(s)</b>           | <b>Nil</b>  |

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### **PURPOSE**

To provide an update on the status of the Risk Management Project.

### **BACKGROUND**

Risks have been identified by Shire teams last year in an effort to highlight and understand corporate wide risks that affect our day to day operations. Funding is now available to continue to the next phase of the project, i.e. to develop and implement a risk management program during 2013/14 focussing on the following components:

- a) Risk Management Policy that covers strategic, operational, project, compliance and business continuity risk;
- b) Risk Appetite Statement where tolerance limits are identified;
- c) Management standards and procedures; and
- d) Control assurance measures and systems.

The next phase will involve Council members in terms of identifying risk appetite and tolerance limits as well as approving the Risk Management Policy.

### **CONCLUSION**

For information.

### 6.3 COMMITTEE TERMS OF REFERENCE

|                                |   |
|--------------------------------|---|
| <b>File No:</b>                | <b>FM.3</b>   |
| <b>Responsible Officer:</b>    | <b>Director Corporate Services</b>                                |
| <b>Reporting Author:</b>       | <b>Manager Governance and Organisational Strategy</b>             |
| <b>Date of Report:</b>         | <b>28 October 2013</b>  |
| <b>Disclosure of Interest:</b> | <b>Nil</b>  |
| <b>Attachment(s)</b>           | <b>Audit and Organisational Risk Committee Terms of Reference</b> |

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#### **PURPOSE**

To inform the Audit and Organisational Risk Committee of the Committee's Terms of Reference.

#### **BACKGROUND**

The Shire is required to have in place an audit committee for the purposes of Part 7 of the *Local Government Act 1995*.

The current Terms of Reference were approved by Council on 20 February 2012 and remain the business of the committee unless changed by Council at a future date.

In summary, the role of the Committee is to assist the Council in the effective discharge of its responsibilities in the areas of:

- a) risk management;
- b) internal controls and internal audit;
- c) financial reporting;
- d) external audit; and
- e) compliance.

#### **CONCLUSION**

For information.

## **Audit & Organisational Risk Committee**

### **Terms of Reference**

#### **1. Establishment**

An amendment to the Local Government Act 1995 (the Act) in 2005 introduced a requirement that all local governments establish an audit committee.

Pursuant to section 7.1A of the *Local Government Act 1995*, Council established on 21 November 2005 an Audit Committee. Given its expanded scope, Council on 19 April 2010 considered that the Committee be renamed the Audit & Organisational Risk Committee.

#### **2. Scope**

The Committee is to provide an independent oversight of the financial systems of the local government on behalf of the Council. As such, the Committee will operate to assist Council to fulfil its corporate governance, stewardship, leadership and control responsibilities in relation to the local government's financial reporting and audit responsibilities.

#### **3. Objectives**

The primary role of the Committee is to assist the Council in the effective discharge of its responsibilities for audit related matters, compliance with legislation and policy, accounting policy, review of the annual accounts and internal controls and risk management processes and procedures.

The specific functions of the Audit and Risk Committee include:

##### **3.1 RISK MANAGEMENT**

- 3.1.1 Develop an endorsed risk management framework appropriate for the Shire's operations.
- 3.1.2 Ensure controls are operating to mitigate business risks to an acceptable level.
- 3.1.3 Activate an approved Risk Register for Council. There is no scope restriction on risk categories the Committee may review. The Committee will review risk registers as required.
- 3.1.4 Determine the risk appetites for business operations.
- 3.1.5 Develop and review appropriate documentation and policies in relation to risk management and mitigation.

##### **3.2 INTERNAL CONTROLS AND INTERNAL AUDIT**

- 3.2.1 Ensures adequate systems of internal control are in operation to mitigate key business risks, promote the effectiveness, efficiency and economy of operations, and report accurate and meaningful management information.
- 3.2.2 Confirms major operational areas of the Shire are subject to internal review on a periodical basis.

- 3.2.3 Approves an Internal Audit Strategic and Annual Audit Plans and ensures the internal audit function is operating effectively, independently and in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 3.2.4 Confirms the Internal Audit and Risk Management function is resourced to fulfill its purpose and is given access to all necessary information.
- 3.2.5 Selects a suitably qualified firm/individual to lead the internal audit function.
- 3.2.6 Monitors appropriate and timely action is taken by the relevant managers to rectify major areas of concern identified by internal and external audit.

### 3.3 FINANCIAL REPORTING

- 3.3.1 Reviews the annual financial statements, key performance indicators and Annual Report considering whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles.
- 3.3.2 Recommends the annual statutory accounts, key performance indicators, certifications and Annual Report to Council.
- 3.3.3 Reviews significant accounting policy changes made by the Shire, large legal claims on the Shire and major frauds and thefts.
- 3.3.4 Oversees reliability and integrity of financial and related information systems.

### 3.4 EXTERNAL AUDIT

- 3.4.1 Develop and recommends to Council an appropriate process for the selection and appointment of persons as the Shire's auditor.
- 3.4.2 Develops and recommends to Council –
  - (a) A list of those matters to be audited; and
  - (b) The scope of the audit to be undertaken.
- 3.4.3 Recommend to Council the person(s) to be appointed as auditor.
- 3.4.4 Develop and recommend to Council a written agreement for the appointment of the auditor. The agreement is to include the External Auditor's advised audit fee, audit plan, audit scope and approach, including their review of internal controls over financial reporting, coordination of audit effort with internal audit and discusses accounting and reporting issues. This will involve meeting with the Auditor prior to the commencement of the audit, receiving feedback during the audit and on completion.
- 3.4.5 Considers audit opinion, audit findings and other reports provided to the Committee by the Auditor.
- 3.4.6 Review the report prepared by the CEO on any actions taken in respect of any matters raised in the report of the auditor and presenting the report to Council for adoption prior to the end of the next financial year or 6 months after the last report prepared by the auditor is received, whichever is the latest in time.

- 3.4.7 Confirms that management closes out high risk external audit recommendations on a timely basis and other issues as appropriate.
- 3.4.8 Review the scope of the audit plan and program and its effectiveness.

### 3.5 COMPLIANCE

- 3.5.1 Reviews the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 3.5.2 Reviews reports issued to, and findings resulting from, any compliance examinations by regulatory agencies, and any auditor observations.
- 3.5.3 Receives regular updates from management regarding compliance matters.
- 3.5.4 Engage independent consultants to examine or investigate matters of non-compliance. A scope of works shall be developed in these circumstances by the Committee with interim and final reports being furnished by the independent consultant to this Committee for consideration. A recommendation will be submitted by the Committee to the Council for deliberation.

## 4. Powers of the Audit Committee

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

The committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

## 5. Term of Committee

The Committee shall have an ongoing existence until such time as the Council determines its need to vary or terminate the Committee.

## 6. Membership

### 6.1 VOTING MEMBERS

Membership shall comprise of 5 Shire Council Members appointed by the Council following each local government ordinary election. Each member shall have full voting rights. There are no proxies.

*(The Audit Committee shall have a minimum membership of three (3) elected members. If the Committee is to have a larger membership, then the majority of members must be members of Council – Section 7.1A(2) of the Local Government Act 1995)*

## 6.2 EX-OFFICIO PARTICIPANTS

The following Shire officers shall be support to this Committee. Officers do not carry any voting entitlements in terms of decision making.

Chief Executive Officer  
Director Corporate Services  
Manager Governance & Organisational Strategy

Other staff may be co-opted onto the Committee from time to time as appropriate to facilitate discussions on agenda related matters.

## 7. Meetings

To be held quarterly, or as required more frequently, in order to expedite matters of governance and risk.

Notice of meetings shall be provided no less than five (5) working days before the meeting date. Members to be supplied with an agenda no less than 72 hours prior to the meeting date.

### Standing Orders

Standing Orders are permitted to be relaxed throughout the duration of the meeting at the approval of the Committee.

Notwithstanding any relaxation of Standing Orders, it is incumbent on the members to declare any interests they may have in relation to matters contained in the agenda; and follow proper protocols in respect to the interest had Standing Orders not been relaxed.

## 8. Quorum

A quorum is constituted to be not less than fifty percent of the total number of members of the Committee in office for the time being. In the above context there shall be no less than 3 voting members in attendance at all times.

## 9. Place and Duration of Meeting

Meetings will be conducted at the Shire Council Chambers in Welcome Road, Karratha. Meetings will have a duration that generally does not exceed one (1) hour.

## 10. Reporting

Minutes are to be prepared of the meeting and circulated to Members within 72 hours and shall also be presented to the next ordinary meeting of Council for the receipt of minutes and deliberating on any recommendations where delegated authority has not been provided.

Minutes shall also be re-presented to the next meeting of the Committee for endorsement.

## 11. Delegated Authority

The only powers and duties that can be delegated to the committee are any of the powers and duties of the local government under Part 7 of the Act. The committee cannot on-delegate the powers and duties delegated to it.

## 12. Ethical Behaviour

Members of the Committee will at all times in the discharge of their duties and responsibilities exercise honesty, objectivity and probity. Members will refrain from entering into any activity that may prejudice their ability to do so. At all times members must act in a proper and prudent manner in the use of information acquired in the course of their work.

Further, members will not publicly discuss or comment on matters relative to the activities of the Committee, other than as authorised by the Board of Directors.

## 13. Liabilities of Members

No civil liability attaches to a member of a committee for an honest act or omission in the exercise, performance or discharge, or purported exercise, performance or discharge, of the members' or committee's powers, functions or duties. Such a liability attaches instead to the Council.

## 14. Amendments to Terms of Reference

These Terms of Reference can only be amended by resolution of Council on the basis of a report directly to Council.

|                                |                  |
|--------------------------------|------------------|
| Original Date of Establishment | 21 November 2005 |
| Review or Amendment #1         | 22 October 2007  |
| Review or Amendment #2         | 19 October 2009  |
| Review or Amendment #3         | 19 April 2010    |
| Review or Amendment #4         | 16 May 2011      |
| Amendment #5                   | 20 February 2012 |



**6.4 BUSINESS IMPROVEMENT PROGRAM - PROGRESS REPORT**

|                                |   |
|--------------------------------|---|
| <b>File No:</b>                | <b>FM.3</b>   |
| <b>Responsible Officer:</b>    | <b>Director Corporate Services</b>                    |
| <b>Reporting Author:</b>       | <b>Manager Governance and Organisational Strategy</b> |
| <b>Date of Report:</b>         | <b>31 October 2013</b>                                |
| <b>Disclosure of Interest:</b> | <b>Nil</b>  |
| <b>Attachment(s)</b>           | <b>Nil</b>  |

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**PURPOSE**

To provide the Audit & Organisational Risk Committee with a progress update on the Business Improvement Program as at October 2013.

| <b>Focus Areas</b>                           | <b>Brief Description</b>  | <b>Indicative Activities/Outputs</b>   | <b>Current and Future Status</b>  |
|--|---|--|---|
| <b>1. Strategic Community Plan 2012-2022</b> | Outlines the outcomes expressed by our communities and our response as an organisation in achieving those agreed outcomes in the next 10 years.   | <ul style="list-style-type: none"> <li>• Vision</li> <li>• Strategies</li> <li>• Community Engagement</li> <li>• Resources and Commitments</li> </ul>  | <ul style="list-style-type: none"> <li>• Approved by Council in June 2013.</li> <li>• Due for review at State of Play session on 9 November.</li> </ul> |
| <b>2. Corporate Business Plan 2012-2016</b>  | Outlines what the organisation needs to deliver in the next five years.<br>Has been extensively reworked internally over the past 4-6 weeks with a focus on consistency and measurability of KPI's. | <ul style="list-style-type: none"> <li>• Activates Strategic Community Plan</li> <li>• Progress Measures to achieve delivery of outcomes</li> <li>• Budget information for five years</li> </ul> | <ul style="list-style-type: none"> <li>• Approved by Council in June 2013.</li> <li>• Due for review at State of Play session on 9 November.</li> </ul> |
| <b>3. Operational Plan 2013-2014</b>         | Annual slice and dice of Corporate Business Plan. Has been extensively reworked internally to ensure consistency and compliance.  | <ul style="list-style-type: none"> <li>• Annual Budget.</li> <li>• Annual Projects and Services</li> </ul>   | <ul style="list-style-type: none"> <li>• Approved by Council in June 2013.</li> <li>• Q1 performance report due to Council in November.</li> </ul>      |

|                                    |  |  |   |
|------------------------------------|--|--|---|
| <b>4. Asset Management Plan</b>    | What Assets are required at what service level to deliver the services expressed by our communities.   | <ul style="list-style-type: none"> <li>• Asset Conditions &amp; Ratings</li> <li>• Levels of Service, operational, technical and community</li> <li>• Financial information for maintenance of assets at an agreed level of service</li> <li>• Asset Disposal Strategy and Lifecycle Costing.</li> <li>• Action Plans</li> </ul>                             | <ul style="list-style-type: none"> <li>• <b>Approved by Council in June 2013.</b></li> </ul>  |
| <b>5. Long Term Financial Plan</b> | <p>Informs the Strategic Community Plan and Corporate Business Plan.</p> <p>CEO has reviewed with EMT. Staff believe that assumptions that inform the financial modelling need review prior to Council adoption.</p> | <ul style="list-style-type: none"> <li>• Sensitivity Analysis</li> <li>• Long Term Financial Sustainability</li> <li>• Capital Works Program for next 10 years</li> <li>• Financial Modelling</li> <li>• Assumptions and Scenarios</li> </ul>  | <ul style="list-style-type: none"> <li>• Presented to Council in March 2013.</li> <li>• Submitted to the Department of Local Government in June 2013.</li> <li>• Assumptions due for review at State of Play session on 9 November.</li> </ul>  |
| <b>6. Workforce Plan</b>           | Development of an all encompassing strategy which addresses staff turnover rates and an appreciation of the full number of staff required to deliver Shire business now and into the future.                         | <ul style="list-style-type: none"> <li>• Structural Review</li> <li>• Performance Measurement Systems</li> <li>• Performance Appraisal System</li> <li>• Retention</li> <li>• Recruitment</li> <li>• Succession Planning</li> <li>• Development and training</li> <li>• Staff housing &amp; accommodation</li> <li>• Indigenous engagement policy</li> </ul> | <ul style="list-style-type: none"> <li>• Approved by Council in August 2013.</li> </ul>   |
| <b>7. Housing Strategy</b>         | Development of a strategy to address the housing and accommodation needs of the Shire from retention and recruitment perspective.  | <ul style="list-style-type: none"> <li>• Short term review and modifications undertaken.</li> <li>• Options for staff housing to be developed (ownership vs leasing vs paying allowances)</li> </ul>   | <ul style="list-style-type: none"> <li>• Initial work submitted by Integral Development failed to address the unique staff recruitment and retention issues and lacked options analysis.</li> <li>• Contract cancelled by the A/CEO in June 2012 with the aim of developing strategy in-house.</li> <li>• Report to be presented to Council in November / December 2013.</li> </ul> |

|   |  |  |   |
|---|--|--|---|
| <b>8. Corporate Performance Management System</b> | A tool to integrate all operations including projects and services delivered by the organisation and report on the individual status and financials.   | <ul style="list-style-type: none"> <li>•</li> </ul>  | <ul style="list-style-type: none"> <li>• Contract awarded to Civica Pty Ltd.</li> <li>• Proposed implementation for Q2 report to Council in February 2014.</li> </ul>   |
| <b>9. Procurement and Tendering</b>               | Given the large growth and volume of projects that the Shire is accountable for, there needs to be a review of the way procurement and tendering occurs to ensure a more centralised approach is adopted which is connected across the various directorates within the organisation. | <ul style="list-style-type: none"> <li>• Centralise and streamline the approach to procurement and tendering</li> <li>• Create knowledge management and succession planning of procurement and tendering through the organisation</li> </ul>   | <ul style="list-style-type: none"> <li>• Corporate Compliance team has been developing documentation to adequately meet the organisations needs and our statutory accountabilities.</li> <li>• Current practices are being process mapped as an internal resource and guide to all staff.</li> <li>• Documents to be released by December 2013.</li> </ul>  |
| <b>10. Functional Processes</b>                   | A review of the key processes that link how things are done within the organisation and examine the need to be streamline to avoid duplication of activity and further create efficiencies in time and cost on how activities are undertaken.  | <ul style="list-style-type: none"> <li>• Define what is a process and how these will be recorded.</li> <li>• Conduct a review of current functional processes across the organisation</li> <li>• Define what functional processes are needed, how they will be recorded, understood and applied consistently throughout the organisation.</li> </ul> | <ul style="list-style-type: none"> <li>• Policies adopted.</li> <li>• Current practices are being process mapped as an internal resource and guide to all staff.</li> </ul>   |
| <b>11. Risk Management Review</b>                 | Review of existing policies, procedures and supporting documentation.<br><br>Development of Risk Management Framework.   | <ul style="list-style-type: none"> <li>• Common, contemporary, compliant framework to be developed and utilised by four (4) Pilbara LGA's.</li> </ul>  | <ul style="list-style-type: none"> <li>• PRC Document has been produced and presented to Council.</li> <li>• Implementation of report recommendations being progressively undertaken by Corporate Compliance team in collaboration with other staff members.</li> <li>• Risk Framework identified.</li> <li>• Risk Register prepared.</li> <li>• Risk plan and policies to be developed inclusive of risk tolerance limits and business continuity planning.</li> </ul> |



## 7 CLOSURE & DATE OF NEXT MEETING

The Meeting closed at 12.52 pm.

The date of the next meeting to be held on Tuesday 25 February 2014 in Meeting Room 4 – Welcome Road Karratha.

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I, Cr Evette Smeathers, Chairperson for the Audit and Organisational Risk Committee of the Shire of Roebourne, hereby declare on behalf of the Committee that the enclosed Minutes are a true and accurate record of the Audit and Organisational Risk Committee Meeting held on Friday 1 November 2013.

..... Date \_\_\_\_/\_\_\_\_/\_\_\_\_  
Signed