



SHIRE OF WYNDHAM | EAST KIMBERLEY

AGENDA

AUDIT (FINANCE AND RISK) COMMITTEE

11 May 2020

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**SHIRE OF WYNDHAM EAST KIMBERLEY
AGENDA OF THE AUDIT (FINANCE AND RISK)
COMMITTEE
KUNUNURRA COUNCIL CHAMBERS
TO HELD ON MONDAY, 11 MAY 2020 AT 5:00 PM**

1. DECLARATION OF OPENING

2. RECORD OF ATTENDANCE / APOLOGIES

3. PUBLIC QUESTION TIME / PREVIOUS PUBLIC QUESTIONS TAKEN ON NOTICE

4. DECLARATION OF INTEREST

- Financial Interest
- Impartiality Interest
- Proximity Interest

5. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

That the Minutes of the Audit (Finance and Risk) Committee meeting of 10 February 2020 be accepted as a true and accurate record of proceedings.

Note: The Minutes of the Audit (Finance and Risk) Committee are provided under separate cover via www.swek.wa.gov.au

6. DEPUTATIONS / PRESENTATIONS / SUBMISSIONS / NOTICES OF MOTIONS

7. REPORTS

7.1. STANDING ITEM - SUNDRY DEBTORS

DATE:	11 May 2020
AUTHOR:	Coordinator Finance
RESPONSIBLE OFFICER:	Felicity Heading, Acting Director Corporate Services
FILE NO:	FM.07.02
DISCLOSURE OF INTERESTS:	NIL

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee reports to Council that the actions being undertaken by the administration in regard to sundry debtors including sundry debts in legal process are sufficient and appropriate.

PURPOSE

To review the status of sundry debtors, including airport debtors, and sundry debts in legal process.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices.

BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

The listing of 90+ day sundry debtors was provided at the Ordinary Council Meeting on a monthly basis until March 2009 when Council resolved that the 90+ days debtor list be removed from the Council Agenda as a standing item and be presented to the Audit Committee for consideration and to make recommended actions to Council as this falls within the scope of the committee's purpose.

In line with the more strategic focus of the new Committee the report in April 2012 only included debtor balances at 90+days and over \$500.

To further progress this strategic focus this item has been changed to provide summary information regarding all sundry debts including airport landing fees administered by Avdata on the Shire's behalf.

Further changes were recommended to the Committee at the February 2014 meeting to modify the report by removing the categories previously reported and to report sundry debtors as a whole, with airport debtors still being identified separately and that only debtors in excess of \$20,000 be provided with more detail. These changes were supported by the Committee and have been considered in the writing of this report.

STATUTORY IMPLICATIONS

This item in a Council Meeting needs to be discussed behind closed doors under Section 5.23. (2) (e) (iii) of the *Local Government Act 1995* because the item may disclose information about the business, professional, commercial or financial affairs of a person and because the item also contained legal advice to the Council.

POLICY IMPLICATIONS

Council Policy *CP/FIN-3214 Sundry Debt Collection* is relevant to this item.

FINANCIAL IMPLICATIONS

Legal fees may be incurred to recover debts or revenue written off if debt recovery is considered not economically viable.

It should be noted however, that as outlined in section 9.1 of the *CP/FIN-3214 Sundry Debt Collection Policy*, when possible 'Debt collection and legal fees associated with the recovery of outstanding debts will be recovered from the sundry debtor to the extent allowable under legislation and will be assessed on a case by case basis'.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2017-2027

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire's financial viability

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

RISK IMPLICATIONS

Risk: Failure to adequately resource and manage funding requirements which meet the needs of the Shire's service delivery requirements and strategic objectives.

Control: Policies updated in accordance with schedule and operational requirements.

COMMUNITY ENGAGEMENT

The Shire of Wyndham East Kimberley *CP/COM-3100 Community Engagement Policy* has been considered in relation to this item.

No community engagement is required however there is regular contact with debtors generally.

COMMENTS

Sundry Debtors (General) Summary as at 1 May 2020

Categories	90 Days		60 Days	30 Days	Current	Total
	No	\$	\$	\$	\$	\$
Sundry Debtors	18	148,826	77,197	346,015	236,723	808,761

Note: The information in the above table is from the Shire's Debtors System, the revenue is recognised when the debt is raised.

Sundry Debtors (Airport Landing Fees) Summary as at 1 May 2020

Categories	90 Days		60 Days	30 Days	Current	Total
	No	\$	\$	\$	\$	\$
Kununurra Airport	14	26,742	4,541	89,642	105,225	226,150
Wyndham Airport	2	1,101	36	484	1,677	3,298
Total	16	27,843	4,577	90,126	106,902	229,448

Note: The information in the above table is provided by Avdata.

Additional Information

Virgin Administration

It should be noted that Virgin Australia Holdings Limited and its related entities were placed into Voluntary Administration effective from 20 April 2020. Further details are provided in confidential attachment 1.

Impact of COVID-19

In response to the COVID-19 pandemic a number of initiatives have been put in place to assist ratepayers, businesses and the community in general that have an impact on the Shire's debt collection processes. These include the adoption of Council policy CP/FIN-3219 Financial Hardship - Rates and Sundry Debtors to allow those experiencing financial hardship to apply for debt relief including the waiver of interest and fees and charges, and

minor amendments to the existing policy CP/FIN-3214 Sundry Debt Collection to allow for extended payment arrangement terms. In addition to this legal action has been placed on hold all for outstanding sundry debtors.

ATTACHMENTS

(Confidential Attachments provided under separate cover).

Confidential Attachment 1 - Sundry Debtors at 1 May 2020

7.2. STANDING ITEM - INSURANCE CLAIMS

DATE:	11 May 2020
AUTHOR:	Finance Officer
RESPONSIBLE OFFICER:	Felicity Heading, Acting Director Corporate Services
FILE NO:	RM.01.2
DISCLOSURE OF INTERESTS:	NIL

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee recommends to Council that it notes the Insurance Claims Report and associated attachments.

PURPOSE

To report to the Audit (Finance and Risk) Committee (the Committee) the insurance claims that have been lodged for the 2018/19 and 2019/20 financial years, the associated costs and the status of the claims.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices.

BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

The Audit (Finance and Risk) Committee has as one of its functions to facilitate the effective management of financial and other risks and the protection of Council assets. The Shire administration is currently allocating time and resources to risk management and it is appropriate that the Shire's risk performance is reported to the Committee as a standard report on a quarterly basis.

STATUTORY IMPLICATIONS

Not applicable

POLICY IMPLICATIONS

The following Shire documents are relevant to this report:

- Corporate Insurance Strategy

- CP GOV-3108 Risk and Opportunity Management Policy

FINANCIAL IMPLICATIONS

Insurance premiums have been considered in the 2019/20 budget process. The Shire has in terms of its insurance policy insurance excesses that it has to absorb as a “first loss” in the event of a claim. These excesses are set out in the detailed insurance schedules accompanying the insurance policies.

There are no other financial implications arising out of the preparation of this report.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2017-2027

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire’s financial viability

Goal: 4.3: Ensure a strong and progressive organisation delivering customer focused services

Strategy 4.3.2: Create a culture that encourages innovation, collaboration, best practice and organisational discipline to improve efficiency, effectiveness and productivity

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

RISK IMPLICATIONS

Risk: Failure to manage the appropriateness and effectiveness of the Shire’s systems and procedures in relation to risk management, internal control and legislative compliance.

Control: Audit Regulation 17 Conducted every two years. Annual review of insurance cover.

COMMUNITY ENGAGEMENT

The Shire of Wyndham East Kimberley’s *CP/GOV-3100 Community Engagement Policy* has been considered in relation to this item.

No community engagement is required.

COMMENTS

The Terms of Reference for the Audit (Finance and Risk) Committee set out as one of the objectives to “facilitate the effective management of financial and other risks and the protection of Council assets”. Part of the *Local Government Operational Guidelines Number 09 - Audit in Local Government* identifies that “good audit committee practices in monitoring internal control and risk management programs typically include: assessing the adequacy of local government processes to manage insurable risks and ensure the adequacy of insurance cover, and if applicable, the level of self-insurance.”

The attachments detail the cost of claims across four categories where claims were made for the financial years 2018/19 and 2019/20. These can be summarised as follows:

	2018/19 (Q1 - Q4)		2019/20 (Q3)	
	Total Costs	Number of Claims	Estimated Costs	Number of Claims
WorkCare	\$42,359	6	\$102,357	8
Property	\$10,380	6	\$23,344	3
Liability	\$0	1	\$0	0
Motor Vehicle	\$719	1	\$12,502	4
Total	\$53,458	14	\$138,203	15

Six WorkCare claims totalling \$112,064 were lodged during the 2018/19 year, all of which have been finalised. The total cost of these claims was \$42,359. There have been eight claims lodged to date for the 2019/20 year totaling \$102,357 with the total paid to date of \$37,888 and further estimated costs of \$64,469. Generally the amounts estimated are greater than the actual costs at the time the claims are finalised. The data is therefore conservative.

The Shire recruited a Safety and Wellbeing Officer in 2019 to assist in the development, implementation and management of the Shire's Workplace OSH processes, procedures, as well as coordinating health and wellbeing programs and initiatives. The Shire has also been working closely with its insurers, LGIS, to provide training to all staff on their responsibilities for maintaining a safe workplace. This may result in future periods of more instances of reporting but not change the number of claims made. The incident reporting will provide valuable data to enable the Shire to better manage its risk. This has positive implications for the cost of insurance.

There were six claims for property damage lodged during the 2018/19 year totalling \$10,380. There have been 3 claims lodged to date for the 2019/20 year with estimated costs totaling \$23,344. One claim is for damage due to vandalism to the Kununurra oval cricket pitch, one for lightning damage to the radio communications tower at the Kununurra depot and one for storm damage to the pool shade sail at the Kununurra Leisure Centre.

There was one liability claim made for the 2018/19 year. This was a claim in respect of water damage to hire vehicles parked at the airport. The Shire has made a without prejudice payment to settle this claim. There have been no liability claims lodged to date for the 2019/20 year.

One Motor Vehicle claim was made during the 2018/19 year for \$719 and 4 claims have been made during the 2019/20 year with estimated costs totaling \$12,502.

ATTACHMENTS

(Confidential Attachments provided under separate cover).

Attachment 1 - Shire of Wyndham East Kimberley - LGIS WorkCare

Attachment 2 - Shire of Wyndham East Kimberley - LGIS Property Claims

Attachment 3 - Shire of Wyndham East Kimberley - LGIS Liability Claims

Attachment 4 - Shire of Wyndham East Kimberley - Motor Vehicle Claims

7.3. STANDING ITEM - RATES DEBTORS

DATE:	11 May 2020
AUTHOR:	Rates Officer
RESPONSIBLE OFFICER:	Felicity Heading, Acting Director Corporate Services
FILE NO:	FM.11.1
DISCLOSURE OF INTERESTS:	NIL

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee reports to Council that the actions being undertaken by the administration in regard to rates debtors, including rates debts in legal process, are sufficient and appropriate.

PURPOSE

To review the status of rates debtors and those rates debts that are in legal process.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices.

BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

At the Ordinary Council Meeting, 16 October 2007, Council resolved the following:

Minute No. 7936

That Council direct the CEO to provide a written report to Council under confidential cover each month in regard to all debts currently in legal process.

Carried Unanimously 5/0

At the Ordinary Council Meeting on 18 March 2008, Council resolved the following:

Minute No: 8148

Moved: Cr J Parker Seconded: Cr F Mills

That Council:

- 1. note the confidential report provided to it in relation to debts owed to Council and under legal action.**
- 2. direct the Executive Manager Corporate Services to provide a written report to the Audit Committee under confidential cover at each Audit Committee meeting in regard to all debts currently in legal process.**
- 3. request the Audit Committee to make recommendations to Council as required and appropriate in relation to the report provided under confidential cover regarding debts currently in legal process.**
- 4. resolve that this requirement replaces the previous requirement on the CEO to report information to Council.**

Carried Unanimously 8/0

This requirement is now fulfilled by a combination of this report and Standing Item – Sundry Debtors.

The Outstanding Rates Debtors over three years report has also been incorporated into the confidential attachment to this item to give a complete picture of rates debtors.

STATUTORY IMPLICATIONS

This item in a Council Meeting needs to be discussed behind closed doors in accordance with section 5.23.(2)(e)(iii) of the *Local Government Act 1995* because the item may disclose information about the business, professional, commercial or financial affairs of a person.

POLICY IMPLICATIONS

Council's Policy *CP/FIN-3212 Rates and Charges Debt Collection* is relevant

FINANCIAL IMPLICATIONS

Legal fees may be incurred to recover debts or revenue written off if debt recovery is considered not economically viable. Should debts become not recoverable it affects the cash position of the Shire. Provision is made for debts that are not recoverable at the end of each financial year.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2017-2027

Focus Area 4: Civic Leadership

Goal 4.4: Sustainably maintain the Shire's financial viability

Strategy 4.4.4 : Apply best practice financial management to ensure long term sustainability

RISK IMPLICATIONS

Risk: Failure to adequately resource and manage funding requirements which meet the needs of the Shire's service delivery requirements and strategic objectives.

Controls: Policies updated in accordance with schedule and operational requirements. Implementation of Long Term Financial Plan and Annual Budget.

COMMUNITY ENGAGEMENT

The Shire of Wyndham East Kimberley CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

No community engagement is required however regular communication is had with ratepayers.

COMMENTS

Rates and Services Debtors Summary

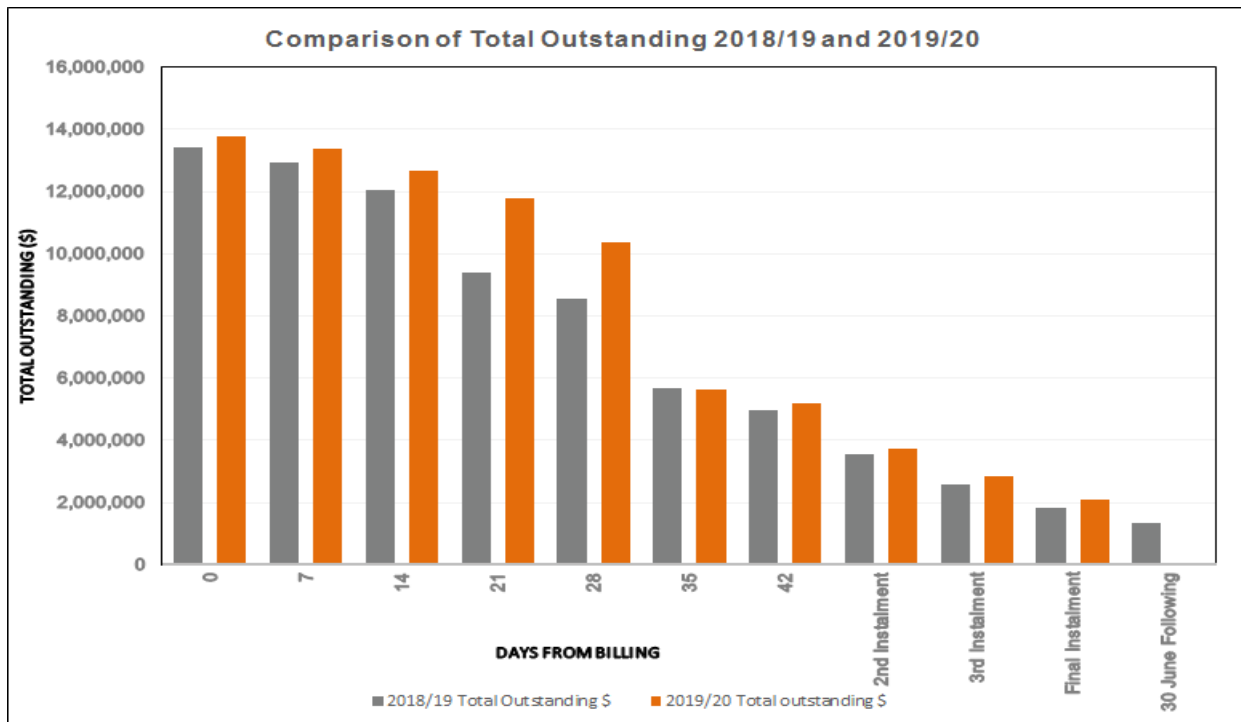
Rates & Services Levied 2019/20 (including arrears) at 1 May 2020	Overdue at 1 May 2020
\$ 14,063,741	\$1,845,199

Rates for the financial year of 2019/20 were raised on 11 July 2019 and notices issued on the 19 July 2019. Interim rating occurs periodically throughout the year. The Overdue amount of \$1,845,199 is analysed in the Confidential Attachment.

Comparison of rates received 2018/19 and 2019/20

NB: It should be noted that the table below includes Rates, Waste Management Charges, Waste Receptacle Charges, Back Rates, ESL & Deferred Rates.

		2018/19			2019/20		
Days from Billing		Total Outstanding	Received	% of Billing	Total outstanding	Received	% of Billing
		\$	\$	%	\$	\$	%
0	Notices Issued	13,418,076			13,755,411		
7		12,910,025	508,051	3.79%	13,387,247	368,164	2.68%
14		12,042,246	867,779	6.47%	12,670,945	716,302	5.21%
21		9,409,788	2,632,457	19.62%	11,772,160	898,785	6.53%
28		8,558,338	851,450	6.35%	10,384,303	1,387,857	10.09%
35		5,654,622	2,903,716	21.64%	5,615,165	4,769,139	34.67%
42		4,957,835	696,786	5.19%	5,203,347	411,818	2.99%
2nd Instalment		3,564,154	1,393,681	10.39%	3,744,575	1,458,772	10.61%
3rd Instalment		2,570,784	993,370	7.40%	2,848,867	895,708	6.51%
Final Instalment		1,818,030	752,754	5.61%	2,093,115	755,752	5.49%
30 June Following		1,353,327	464,703	3.46%	0	0	0.00%
Total			12,064,749	89.92%	0	11,662,297	84.78%



Instalment Status Report at 1 May 2020

Instalment Option	Number of Properties	% Total Properties*	Properties up to date	Properties Behind	Instalments Overdue \$	% of Properties Overdue
2 Instalments	217	7.8%	184	33	11,076	15.2%
4 Instalments	514	18.5%	334	180	112,305	35.0%
All instalment Payers	731	26.3%	518	213	123,381	29.2%

2782 *excluding non-rateable properties

Overdue instalments of \$123,381 represent 6.7% of total overdue rates.

Additional Information

Impact of COVID-19

It should be noted that in response to the COVID-19 pandemic a number of initiatives have been put in place to assist ratepayers, businesses and the community in general that impact the Shire's debt collection processes. These include the adoption of Council policy CP/FIN-3219 Financial Hardship - Rates and Sundry Debtors to allow those experiencing financial hardship to apply for debt relief including the waiver of interest and fees and charges, and minor amendments to the existing policy CP/FIN-3212 Rates and Charges Debt Collection to allow for extended payment arrangement terms. In addition legal action has been placed on hold for most outstanding rates debtors.

The total percentage of rates collected to date is 84.78%. For the comparative time last year the figure was 86.46% a difference of 1.68%. This can partly be explained by the reduction

in collections in March and April 2020 due to the impact of COVID-19 and the Shires response to those impacts.

ATTACHMENTS

(Confidential Attachment provided under separate cover).

Confidential Attachment - Rates Debtors May 2020

7.4. STANDING ITEM - LEASES

DATE:	11 May 2020
AUTHOR:	Coordinator Finance
RESPONSIBLE OFFICER:	Felicity Heading, Acting Director Corporate Services
FILE NO:	CP.07 and CP.16
DISCLOSURE OF INTERESTS:	NIL

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Committee recommends to the Council that it notes the Confidential Lease Schedule and the New and Renewal Lease Schedule attached.

PURPOSE

To consider the attached Confidential Lease Schedule and New and Renewal Lease Schedule.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Provider - provide physical infrastructure and essential services.

BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

The Shire of Wyndham East Kimberley administers over thirty five leases ranging from airport leases, community and commercial leases.

In December 2007 the Audit (Risk and Finance) Committee resolved:

Minute No. A066

Moved: Cr Keith Wright

Seconded Cr Frederic Mills

- 1. That the Audit Committee note that the responsibility for the management of leases and periodical contracts is that of the Executive Manager Corporate Services.***
- 2. That the Audit Committee note that the Executive Manager Corporate Services monitors the leases and coordinates the lease database and reporting to Executive Managers, the Audit Committee and Council.***

3. ***That the Audit Committee request staff to present an updated Lease Spreadsheet certified by Executive Manager Corporate Services to each Audit Committee meeting as a standing item.***

Carried Unanimously 4/0

STATUTORY IMPLICATIONS

Local Government Act 1995

Part 5, Division 2

5.23. *Meetings generally open to public*

- (2) *If a meeting is being held by a council or by a committee referred to in subsection (1)(b), the council or committee may close to members of the public the meeting, or part of the meeting, if the meeting or the part of the meeting deals with any of the following —*
- (a) *a matter affecting an employee or employees; and*
 - (b) *the personal affairs of any person; and*
 - (c) *a contract entered into, or which may be entered into, by the local government and which relates to a matter to be discussed at the meeting; and*
 - (d) *legal advice obtained, or which may be obtained, by the local government and which relates to a matter to be discussed at the meeting; and*
 - (e) *a matter that if disclosed, would reveal —*
 - (i) *a trade secret; or*
 - (ii) *information that has a commercial value to a person; or*
 - (iii) *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; and*
 - (f) *a matter that if disclosed, could be reasonably expected to —*
 - (i) *impair the effectiveness of any lawful method or procedure for preventing, detecting, investigating or dealing with any contravention or possible contravention of the law; or*
 - (ii) *endanger the security of the local government's property; or*
 - (iii) *prejudice the maintenance or enforcement of a lawful measure for protecting public safety; and*
 - (g) *information which is the subject of a direction given under section 23(1a) of the Parliamentary Commissioner Act 1971; and*
 - (h) *such other matters as may be prescribed.*
- (3) *A decision to close a meeting or part of a meeting and the reason for the decision are to be recorded in the minutes of the meeting.*

POLICY IMPLICATIONS

CP/PMG-3780 Leasing of Council Managed Reserve Land – Community is relevant.

CP/PMG-3781 Leasing of Council Managed/Owned Land – Commercial is relevant.

FINANCIAL IMPLICATIONS

There are no financial implications from the preparation of this report.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2017-2027

Focus Area 4: Civic Leadership

Goal: 4.3: Ensure a strong and progressive organisation delivering customer focused services.

Strategy 4.3.2: Create a culture that encourages innovation, collaboration, best practice and organisational discipline to improve efficiency, effectiveness and productivity

Goal 4.4: Sustainably maintain the Shire's financial viability

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability

RISK IMPLICATIONS

Risk: Failure to provide community services which meet the needs and expectations of the community to support social cohesion and participation.

Control: Review policies and procedures in accordance with review schedule

Risk: Failure to secure land which promotes heritage and meets the operational and service delivery requirements of the Shire.

Control: The Shire will be required to develop a Heritage List, which will replace the previous Municipal Heritage Inventory.

COMMUNITY ENGAGEMENT

The Shire of Wyndham East Kimberley CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

No community engagement is required.

COMMENTS

Shire officers are currently working on eleven outstanding new and renewal leases. While the Shire is making every attempt to finalise the remaining leases as soon as possible, control over the timeline in progressing the leases is not vested entirely in the Shire. Details of outstanding leases are contained in Attachment 2.

With the advent of COVID-19 and the associated restrictions on movement and gatherings organisations have not been able to meet in order to pass resolutions. This has affected Shire Officers in being able to progress aspects of those leases that are not as yet final.

ATTACHMENTS

Confidential Attachment 1 - Lease Schedule

Confidential Attachment 2 - New and Renewal Lease Schedule

7.5. AUDIT STRATEGY MEMORANDUM FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

DATE:	11 May 2020
AUTHOR:	Acting Chief Executive Officer
RESPONSIBLE OFFICER:	Vernon Lawrence, Acting Chief Executive Officer
FILE NO:	FM.02.19
DISCLOSURE OF INTERESTS:	NIL

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee recommend to Council that it:

- 1. Notes the contents of this report and the confidential attachment Audit Strategy Memorandum 30 June 2020; and**
- 2. Endorses the changes to *CP/FIN-3201 Significant Accounting Policies*.**

PURPOSE

The purpose of the report is firstly for the Audit (Finance and Risk) Committee to consider the contents of the document Audit Strategy Memorandum, in particular the audit scope, approach and key deliverables. The second purpose is for the Audit (Finance and Risk) Committee to recommend to Council that it notes the contents of this report and that of the Audit Strategy Memorandum. Finally, to recommend to Council to endorse the changes to *CP/FIN-3201 Significant Accounting Policies* arising out of the Regulatory and Technical Developments detailed in the Audit Strategy Memorandum.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices.

Regulator - Responsible for the enforcement of statutory requirements.

BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

The Terms of Reference of the Audit (Finance and Risk) Committee (the Committee) require the Committee as part of its duties and responsibilities to review the scope of the audit plan and program and its effectiveness. The Shire's auditors, Moore Stephens, have compiled the Audit Strategy Memorandum which considers and documents this aspect of the Committee's duties. This is an independent assessment of what is required and has been compiled with current knowledge of the Shire's internal control systems.

COMMITTEE RESOLUTION

Minute Number: 13/05/2019 AC426

Moved: Cr G Lodge

Seconded: Cr J Farquhar

That the Audit (Finance and Risk) Committee recommend to Council that it:

- 1. Notes the contents of this report and the confidential attachment Audit Strategy Memorandum 30 June 2019; and**
- 2. Endorses the changes to CP/FIN-3201 Significant Accounting Policies.**

Carried 3/0

STATUTORY IMPLICATIONS

There is a significant amount of legislation relevant to the audit process and scope that it is not practical to list all in detail in this report. However the main legal requirements are contained in:

- *Part 6 of the Local Government Act, 1995*
- *Local Government (Financial Management) Regulations, 1996*
- *Local Government (Audit) Regulations, 1996*
- *Australian Accounting Standards*

POLICY IMPLICATIONS

CP/FIN-3201 Significant Accounting Policies will need to be amended as shown in attachment 2.

FINANCIAL IMPLICATIONS

There are no cost implications arising from the preparation of this report. The Shire has budgeted for the payment of audit fees during the budget process based on the estimates provided by Moore Stephens.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2017-2027

Focus Area 4: Civic Leadership.

Goal 4.4: Sustainably maintain the Shire's financial viability.

Strategy 4.4.4: Apply best practice financial management to ensure long term sustainability.

RISK IMPLICATIONS

Risk: Failure to adequately resource and manage funding requirements which meet the needs of the Shire's service delivery requirements and strategic objectives.

Control: Annual Financial Audit. Policies updated in accordance with schedule and operational requirements.

COMMUNITY ENGAGEMENT

The Shire of Wyndham East Kimberley's CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

No community engagement is required.

COMMENTS

As in prior years Moore Stephens in their introduction to the Audit Strategy Memorandum state that the document is strictly confidential and should not be disclosed to third parties without their consent. To be consistent with the prior year the document is to be kept as confidential and is therefore listed in the confidential attachments to the agenda.

The confidential attachment is a comprehensive document that details among other items the following:

- The scope of the audit
- The audit methodology and approach
- The key deliverables timetable
- Key audit risks and focus areas
- Audit resources to be used
- Auditor's responsibility to consider fraud
- Management responsibility and representations
- Materiality and Sampling
- Regulatory and technical developments.

Shire Officers have considered the contents of the document and are of the opinion that it is consistent with prior years. Of particular interest for staff is the Key Audit Risks and Focus Areas. Detailed requirements in these areas are generally given to staff by the auditors so that documentation is ready for inspection when the auditors visit the administration offices. The detailed information required for the upcoming interim audit has been made available on the Moore Stephens portal and staff are currently addressing the requirements.

The Audit Strategy Memorandum notes three Accounting Standards that have mandatory application for current or future reporting periods. These are:

- *AASB1058 Income of Not-for-Profit Entities* - has a significant impact on income recognition for the Shire in particular prepaid rates and grant income.
- *AASB 15 Revenue from Contracts with Customers* - this standard establishes principles to report to users of financial statements the nature, amount, timing, and uncertainty of revenue cash flows arising from a contract with a customer.

- *AASB 16 Leases* - this standard ensures that both finance and operating leases are treated alike and bring to account a right of use asset and a lease liability into the Statement of Financial Position.

The implications of the application of these accounting statements can be seen in the amended *CP/FIN-3201 Significant Accounting Policies* attached.

Appendix 3 in the Memorandum contains the Draft Management Representation Letter the Shire will be required to sign. The Shire Officers have considered the content and note that it is consistent with the content of prior years. The Acting CEO is happy to sign the letter on behalf of the Shire at the appropriate time.

The engagement partner from Moore Stephens, Greg Godwin, addressed the Audit Committee on 28 April 2020 via a telephone conference call. During his briefing he discussed the main aspects of the Audit Strategy Memorandum in detail and answered all questions put to him by the Committee and Shire Officers. Shire Officers have made note of particular areas of interest to the Auditors and will address them as part of the preparation for the annual audit.

ATTACHMENTS

(Confidential Attachments provided under separate cover).

Confidential Attachment 1 - 2020 Audit Strategy Memorandum

Attachment 2 - CP/FIN-3201 Significant Accounting Policies Track Changes - May 2020

Attachment 3 - CP/FIN-3201 Significant Accounting Policies - May 2020

7.6. STRATEGIC RISK REGISTER

DATE:	11 May 2020
AUTHOR:	Senior Governance and Risk Officer
RESPONSIBLE OFFICER:	Vernon Lawrence, Acting Chief Executive Officer
FILE NO:	RM.02.1
DISCLOSURE OF INTERESTS:	NIL

VOTING REQUIREMENT

Simple Majority

OFFICER'S RECOMMENDATION

That the Audit (Finance and Risk) Committee Note the Quarterly Strategic Risk Report for Quarter 3.

PURPOSE

For the Audit (Finance and Risk) Committee note the Quarterly Strategic Risk Report as attached in attachment 1.

NATURE OF COUNCIL'S ROLE IN THE MATTER

Leader - plan and provide direction through policy and practices

BACKGROUND/PREVIOUS CONSIDERATIONS BY COUNCIL/COMMITTEE

At the 10 February Audit (Finance and Risk) Committee resolved to adopt the Strategic risk Report for Quarter 2:

Minute Number: 10/02/2020 AC455

Moved: Cr M McKittrick

Seconded: Cr T Chafer

That the Audit (Finance and Risk) Committee Note the Quarterly Strategic Risk Report for Quarter 2.

Carried: 2/0

At the 26 February 2019 Ordinary Council meeting, Council resolved to adopt CP GOV-3108 Risk and Opportunity Management Policy, endorsing the accompanying Risk and Opportunity Management Framework. Risk Management processes are encouraged in local

governments to effectively manage business systems and processes, achieve an appropriate balance between realising opportunities for gain, while minimising adverse impacts, an essential element of sound corporate governance. The Risk and Opportunity Policy and Framework, requires all Elected Members and Officers to use an interactive process consisting of several steps, that when undertaken in sequence, enable a sound basis for decision-making and facilitate continuous improvement in performance.

As recommended in the Framework, and in consistency with advice delivered within the Audit Regulation 17 Review in 2019, Strategic Risk should be reported on from the Administration to the Audit (Finance and Risk) Committee once per quarter.

In May 2019 the Audit (Finance and Risk) Committee workshopped the risk information developed by the Administration, whereby several individual business unit registers were integrated to identify both the Shires corporate wide operational, and strategic risks. These strategic risks were then circulated to Council Officers to perform a risk assessment to develop a risk rating and tolerance level. This data was then consolidated into the Strategic Risk Register .

By integrating information from Councils forward planning documents, policies, local laws, objectives in the Corporate Business Plan and other strategic information, the administration highlighted 21 strategic risks associated with achieving the organisation's long term strategic objectives. These Strategic Risks are presented in Attachment 1 of this report.

The Strategic Risk Register (Attachment 1), links each risk to the meaningful goals created in the Strategic Community Plan. Each risk belongs to one of the nine risk categories outlined in the Risk and Opportunity Framework, and is analysed against the risk rating matrix for evaluation. Current implemented Council controls are listed in the risk mitigation section of the register. There is a comments section provided for information on current controls, interim updates, or operational issues exceeding the risk tolerance of the Administration which need to be referred to the Audit finance and Risk Committee. Where risk exceeds the tolerance level of the Administration, additional remediations will be recommended in the Officer's Recommendation to the Audit (Finance and Risk) Committee.

The remediation section of the Register contains actions from Council to the Administration which manage the strategic risks, with status updates every quarter for consideration by the Audit Finance and Risk Committee. The Audit Finance and Risk Committee may task additional strategic remediations to the Council to resolve, as well as agree to re-evaluate risks where necessary by way of amendment to the recommendation. Residual risks, quarter to quarter, which are rated high or extreme and require significant investment of time and money, should be captured in the Corporate Business Plan.

STATUTORY IMPLICATIONS

Local Government (Audit) Regulations 1996 - Reg 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 at least once every 2 calendar years.

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

POLICY IMPLICATIONS

The Strategic Risk Register implements various policies, local laws, forward planning documents and informing strategies to mitigate the Shires Strategic Risk. The Strategic Risk Register is informed by the CPGOV-3108 Risk and Opportunity Management Policy.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

STRATEGIC IMPLICATIONS

Strategic Community Plan 2012-2022

Focus Area 1: Healthy vibrant active communities

Focus Area 2: Enhancing the environment

Focus Area 3: Economic Prosperity

Focus Area 4: Civic Leadership

Goal 1.1: Bring community together and promote our rich culture and heritage

Goal 1.2: Increase participation in sporting, recreation and leisure activities

Goal 1.3: Promote quality education, health, childcare, aged care and youth services

Goal 2.1: Conserve the Shire's unique natural environment for the enjoyment of current and future generations

Goal 2.2: Provide sustainable public infrastructure that serves the current and future needs of the community

Goal 2.3: Make towns safe and inviting for locals and visitors

Goal 3.1: To deliver the critical infrastructure that will create the conditions for economic growth across the Shire

Goal 3.2: To be business friendly and the Shire of choice for inward investment in the Kimberley

Goal 3.3: Develop and retain skilled people that business need to succeed

Goal 4.2: Good decision making through engagement with the community

Goal 4.4: Sustainably maintain the Shire's financial viability

Goal: 4.1: Effective representation through advocacy at a regional, state and national level

Goal: 4.3: Ensure a strong and progressive organisation delivering customer focused services

RISK IMPLICATIONS

Risk: Failure to manage the appropriateness and effectiveness of the Shire's systems and procedures in relation to risk management, internal control and legislative compliance

Control: Audit Regulation 17 Review conducted by external Auditor

COMMUNITY ENGAGEMENT

The Shire of Wyndham East Kimberley's CP/GOV-3100 Community Engagement Policy has been considered in relation to this item.

COMMENTS

A range of comments in the register refer to some impact from the COVID-19 Pandemic, however the current effects of the pandemic on the Shire's strategic goals will likely be more extensively considered in the following quarter. The administration is watching closely the effects of the pandemic and is monitoring operational risks closely in alignment with the COVID-19 Risk Framework and Register.

To note, there are some risks which have moved from a medium risk category to a high risk category in the last quarter, these are contained in Attachment 2. This included a change to RID-8 Heritage and RID-18 Community Engagement. In terms of heritage this work has been deferred due to the re-prioritisation of services under the impacts of Covid-19. Community engagement has also become difficult due to social distancing requirements and the Council have deferred the Aboriginal Engagement Plan.

Also to note is the integration of the Corporate Business Plan Actions and Service area's to the Register linking to the strategic risk remediations. This has allowed for the two way flow of information in the integrated planning and reporting process and better monitoring of Council's objectives.

ATTACHMENTS

Attachment 1 - Strategic Risk Register Q3

Attachment 2 - Strategic Risk Register Q3 - High Risk Areas

8. MATTERS BEHIND CLOSED DOORS

9. CLOSURE