Heart of the Stirlings

SHIRE OF GNOWANGERUP

MINUTES

Audit Committee

Wednesday 23rd March 2016
Commencing at 3:00pm

Council Chambers
28 Yougenup Road
GNOWANGERUP WA 6335

COUNCIL'S VISION
Gnowangerup Shire – A thriving, inclusive and growing community built on opportunity

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1.   OPENING OF MEETING

Shire President Keith House, welcomed Councillors, Staff and visitors and opened the meeting at 3:02pm.

2.   ATTENDANCE/APOLOGIES

2.1   ATTENDANCE
Keith House   Shire President
Bronwyn Gaze
Richard House
Frank Hmeljak
Sue Lance
Ben Moore
Shelley Hmeljak

Vin Fordham Lamont   Acting Chief Executive Officer
Yvette Wheatcroft   Manager of Works
John Skinner   Asset & Waste Management Coordinator
Carol Shaddick   Senior Finance Officer
Abbey Sergeant   Executive Officer
Anrie van Zyl   Corporate Support Officer

GUEST:
Ken Pech

2.2   APOLOGIES
Shelley Pike Chief Executive Officer
Fiona Gaze   Deputy Shire President
Lex Martin

3. CONFIRMATION OF PREVIOUS MEETING MINUTES

3.1   AUDIT COMMITTEE MEETING MINUTES 16TH DECEMBER 2015

COMMITTEE RESOLUTION

Moved: Cr R House   **Seconded: Cr B Gaze**

AC0316.1   That the minutes from Audit Committee meeting held on 16th December 2015 be confirmed as true and correct record of proceedings subject to the following amendments:

- **That the following amendments to the resolution numbers be made, change (AC1215.6, AC1215.7 and AC1215.8) to (AC1215.8, AC1215.9 and AC1215.10).**

UNANIMOUSLY CARRIED: 8/0

4. OFFICER ITEMS

4.1   **AUDIT COMMITTEE MEETINGS 2015**
Location: Physical location
Proponent: N/A
File Ref: 11.2.3
Date of Report: 8th January 2016
Business Unit: Strategy and Governance
Officer: Shelley Pike, Chief Executive Officer
Disclosure of Interest: Nil

ATTACHMENTS
Nil.

PURPOSE OF THE REPORT
To bring the committee's attention to the use of resolution numbers four (4) and five (5) twice within the Audit Committee Meetings for 2015.

BACKGROUND
Following some diligent checking and cross referencing of the Audit Committee Minutes of 2015, staff have discovered that resolution numbers four (4) and five (5) have been used twice within the 2015 calendar year.

In total the Audit Committee held four meetings within the 2015 calendar year. These were:
- 25 March 2015
- 17 June 2015
- 26 August 2015 and,
- 16 December 2015

Resolution numbers reset at the beginning of each calendar year. The Audit Committee made a total of 10 resolutions for 2015. Please note these also include the Confirmation of Previous Minutes at each meeting.

Upon checking the minutes ready for binding it was discovered that the numbers four (4) and five (5) have been used twice. The numbers were used for the first time in the 17 June 2015 Minutes which is correct, and the second time in the 26 August 2015 Minutes which is incorrect. This in turn has put our resolution numbers out for the August and December Meetings. As the Audit Minutes of the 17 December 2015 are yet to be confirmed at the next Audit Meeting these can be amended accordingly.

COMMENTS
Minutes are a public historical document and to ensure that no confusion is caused, Council is asked to rectify this matter by resolving to amend the resolution numbers to ensure they are in sequential order through the year. Clerical errors like this need to be rectified to ensure the minutes are clear and concise and to avoid future confusion.

CONSULTATION WITH THE COMMUNITY AND GOVERNMENT AGENCIES
Nil.

LEGAL AND STATUTORY REQUIREMENTS
Nil.

POLICY IMPLICATIONS
Nil.

FINANCIAL IMPLICATIONS
Nil.

STRATEGIC IMPLICATIONS
Nil.

ALTERNATE OPTIONS AND THEIR IMPLICATIONS
Nil.

CONCLUSION
This matter is purely a clerical error which the committee is required to rectify by means of resolution.

VOTING REQUIREMENTS
Simple Majority

COMMITTEE RECOMMENDATION

Moved: Cr F Hmeljak   **Seconded: Cr R House**

AC0316.2   **That the Audit Committee recommend to council:**

To amend the resolution numbers from the 26th August Audit Committee Meeting from (AC0815.4, AC0815.5) to (AC0815.6, AC0815.7).

UNANIMOUSLY CARRIED: 8/0

4.2	**2015 CALENDAR YEAR COMPLIANCE AUDIT RETURN**
Location:	N/A
Proponent:	N/A
File Ref:	14.1.1
Date of Report:	11/01/2016
Business Unit:	Corporate Services
Officer:	Vin Fordham Lamont
Disclosure of Interest:	Nil

ATTACHMENTS
 • Copy of 2015 Compliance Audit Return

PURPOSE OF THE REPORT
Council's Audit Committee is required to review the 2015 Compliance Audit Return and report the results to Council.

BACKGROUND
The Local Government (Audit) Regulations 1996 require that each local government is to carry out a compliance audit for the period 1 January to 31 December in each year.

The compliance audit is a useful tool in prompting and assisting both Councillors and staff to comply with the legislative requirements of local government. It also provides a snapshot to Council of how the organisation is functioning.

It is a requirement that the completed return is presented to the Audit Committee for review. It is then referred to Council for adoption.

COMMENTS
The compliance audit was undertaken in early January 2016 and no issues arose as a result of the audit. Consequently, no items are required to be brought to the Audit Committee's attention.

CONSULTATION WITH THE COMMUNITY AND GOVERNMENT AGENCIES
N/A

LEGAL AND STATUTORY REQUIREMENTS
Local Government (Audit) Regulations 1996
Regulation 14. Compliance audits by local governments

(1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
(2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
(3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
(3) After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —

(a) presented to the council at a meeting of the council; and

(b) adopted by the council; and

(c) recorded in the minutes of the meeting at which it is adopted.

[Regulation 14 inserted in Gazette 23 Apr 1999 p. 1724-5;

amended in Gazette 30 Dec 2011 p. 5580-1.]

POLICY IMPLICATIONS

N/A

FINANCIAL IMPLICATIONS

N/A

STRATEGIC IMPLICATIONS

Shire of Gnowangerup Strategic Community Plan 2013-2022

Goal 5: Proactive Leadership, Good Governance and Efficient Service delivery

      Outcome 5.1: Strategic governance and leadership

            Strategy 5.1.5: Ensure compliance with Local Laws and statutory requirements

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

N/A

CONCLUSION

As no issues were identified in the compliance audit, it is appropriate for the Audit Committee to accept the return and refer it to Council for adoption.

VOTING REQUIREMENTS

Simple majority

COMMITTEE RECOMMENDATION

Moved: Cr B Gaze   **Seconded: Cr F Hmeljak**

0316.3 That the Audit Committee recommend to council:

1. **Accept the Compliance Audit Return for the period 1 January 2015 to 31 December 2015.**
2. **Authorise the Chief Executive Officer and Shire President to sign/certify the 2015 Compliance Audit Return.**

UNANIMOUSLY CARRIED: 8/0

Government of **Western Australia**
Department of **Local Government and Communities**

Gnowangerup - Compliance Audit Return 2015

Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government and Communities together with a copy of section of relevant minutes.

		Commercial Enterprises by Local Governments			
No	Reference	Question	Response	Comments	Respondent
1	s3.59(2)(a)(b)(c) F&G Reg 7,9	Has the local government prepared a business plan for each major trading undertaking in 2015.	N/A	The Shire did not participate in any major trading undertakings in 2015.	Vin Fordham Lamont
2	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2015.	N/A	The Shire did not participate in any major land transactions in 2015.	Vin Fordham Lamont
3	s3.59(2)(a)(b)(c) F&G Reg 7,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2015.	N/A		Vin Fordham Lamont
4	s3.59(4)	Has the local government given Statewide public notice of each proposal to commence a major trading undertaking or enter into a major land transaction for 2015.	N/A		Vin Fordham Lamont
5	s3.59(5)	Did the Council, during 2015, resolve to proceed with each major land transaction or trading undertaking by absolute majority.	N/A		Vin Fordham Lamont

Government of **Western Australia**
Department of **Local Government and Communities**

Delegation of Power / Duty

No	Reference	Question	Response	Comments	Respondent
1	s5.16, 5.17, 5.18	Were all delegations to committees resolved by absolute majority.	Yes		Vin Fordham Lamont
2	s5.16, 5.17, 5.18	Were all delegations to committees in writing.	Yes		Vin Fordham Lamont
3	s5.16, 5.17, 5.18	Were all delegations to committees within the limits specified in section 5.17.	Yes		Vin Fordham Lamont
4	s5.16, 5.17, 5.18	Were all delegations to committees recorded in a register of delegations.	Yes		Vin Fordham Lamont
5	s5.18	Has Council reviewed delegations to its committees in the 2014/2015 financial year.	Yes		Vin Fordham Lamont
6	s5.42(1),5.43 Admin Reg 18G	Did the powers and duties of the Council delegated to the CEO exclude those as listed in section 5.43 of the Act.	Yes		Vin Fordham Lamont
7	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO resolved by an absolute majority.	Yes		Vin Fordham Lamont
8	s5.42(1)(2) Admin Reg 18G	Were all delegations to the CEO in writing.	Yes		Vin Fordham Lamont
9	s5.44(2)	Were all delegations by the CEO to any employee in writing.	Yes		Vin Fordham Lamont
10	s5.45(1)(b)	Were all decisions by the Council to amend or revoke a delegation made by absolute majority.	Yes		Vin Fordham Lamont
11	s5.46(1)	Has the CEO kept a register of all delegations made under the Act to him and to other employees.	Yes		Vin Fordham Lamont
12	s5.46(2)	Were all delegations made under Division 4 of Part 5 of the Act reviewed by the delegator at least once during the 2014/2015 financial year.	Yes		Vin Fordham Lamont
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record as required.	Yes		Vin Fordham Lamont

Disclosure of Interest

No	Reference	Question	Response	Comments	Respondent
1	s5.67	If a member disclosed an interest, did he/she ensure that they did not remain present to participate in any discussion or decision-making procedure relating to the matter in which the interest was disclosed (not including participation approvals granted under s5.68).	Yes		Vin Fordham Lamont
2	s5.68(2)	Were all decisions made under section 5.68(1), and the extent of participation allowed, recorded in the minutes of Council and Committee meetings.	Yes		Vin Fordham Lamont

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No	Reference	Question	Response	Comments	Respondent
3	s5.73	Were disclosures under section 5.65 or 5.70 recorded in the minutes of the meeting at which the disclosure was made.	Yes		Vin Fordham Lamont
4	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly elected members within three months of their start day.	Yes		Vin Fordham Lamont
5	s5.75(1) Admin Reg 22 Form 2	Was a primary return lodged by all newly designated employees within three months of their start day.	Yes		Vin Fordham Lamont
6	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all continuing elected members by 31 August 2015.	Yes		Vin Fordham Lamont
7	s5.76(1) Admin Reg 23 Form 3	Was an annual return lodged by all designated employees by 31 August 2015.	Yes		Vin Fordham Lamont
8	s5.77	On receipt of a primary or annual return, did the CEO, (or the Mayor/President in the case of the CEO's return) on all occasions, give written acknowledgment of having received the return.	Yes		Vin Fordham Lamont
9	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained the returns lodged under section 5.75 and 5.76	Yes		Vin Fordham Lamont
10	s5.88(1)(2) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70 and 5.71, in the form prescribed in Administration Regulation 28.	Yes		Vin Fordham Lamont
11	s5.88 (3)	Has the CEO removed all returns from the register when a person ceased to be a person required to lodge a return under section 5.75 or 5.76.	Yes		Vin Fordham Lamont
12	s5.88(4)	Have all returns lodged under section 5.75 or 5.76 and removed from the register, been kept for a period of at least five years, after the person who lodged the return ceased to be a council member or designated employee.	Yes		Vin Fordham Lamont
13	s5.103 Admin Reg 34C & Rules of Conduct Reg 11	Where an elected member or an employee disclosed an interest in a matter discussed at a Council or committee meeting where there was a reasonable belief that the impartiality of the person having the interest would be adversely affected, was it recorded in the minutes.	Yes		Vin Fordham Lamont
14	s5.70(2)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to the Council or a Committee, did that person disclose the nature of that interest when giving the advice or report.	Yes		Vin Fordham Lamont

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No	Reference	Question	Response	Comments	Respondent
15	s5.70(3)	Where an employee disclosed an interest under s5.70(2), did that person also disclose the extent of that interest when required to do so by the Council or a Committee.	Yes		Vin Fordham Lamont
16	s5.103(3) Admin Reg 34B	Has the CEO kept a register of all notifiable gifts received by Council members and employees.	Yes		Vin Fordham Lamont

Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Was local public notice given prior to disposal for any property not disposed of by public auction or tender (except where excluded by Section 3.58(5)).	Yes		Vin Fordham Lamont
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property.	Yes		Vin Fordham Lamont

Elections

No	Reference	Question	Response	Comments	Respondent
1	Elect Reg 30G (1)	Did the CEO establish and maintain an electoral gift register and ensure that all 'disclosure of gifts' forms completed by candidates and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the candidates.	N/A	No gifts disclosed by candidates.	Vin Fordham Lamont

Finance

No	Reference	Question	Response	Comments	Respondent
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act.	Yes		Vin Fordham Lamont
2	s7.1B	Where a local government determined to delegate to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority.	Yes		Vin Fordham Lamont
3	s7.3	Was the person(s) appointed by the local government to be its auditor, a registered company auditor.	Yes		Vin Fordham Lamont
4	s7.3, 7.6(3)	Was the person or persons appointed by the local government to be its auditor, appointed by an absolute majority decision of Council.	Yes		Vin Fordham Lamont

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No	Reference	Question	Response	Comments	Respondent
5	Audit Reg 10	Was the Auditor's report for the financial year ended 30 June 2015 received by the local government within 30 days of completion of the audit.	Yes		Vin Fordham Lamont
6	s7.9(1)	Was the Auditor's report for 2014/2015 received by the local government by 31 December 2015.	Yes		Vin Fordham Lamont
7	S7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken by the local government, was that action undertaken.	N/A	No action required.	Vin Fordham Lamont
8	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a report prepared on any actions undertaken.	N/A		Vin Fordham Lamont
9	S7.12A (4)	Where the local government determined that matters raised in the auditor's report (prepared under s7.9 (1) of the Act) required action to be taken by the local government, was a copy of the report forwarded to the Minister by the end of the financial year or 6 months after the last report prepared under s7.9 was received by the local government whichever was the latest in time.	N/A		Vin Fordham Lamont
10	Audit Reg 7	Did the agreement between the local government and its auditor include the objectives of the audit.	Yes		Vin Fordham Lamont
11	Audit Reg 7	Did the agreement between the local government and its auditor include the scope of the audit.	Yes		Vin Fordham Lamont
12	Audit Reg 7	Did the agreement between the local government and its auditor include a plan for the audit.	Yes		Vin Fordham Lamont
13	Audit Reg 7	Did the agreement between the local government and its auditor include details of the remuneration and expenses to be paid to the auditor.	Yes		Vin Fordham Lamont
14	Audit Reg 7	Did the agreement between the local government and its auditor include the method to be used by the local government to communicate with, and supply information to, the auditor.	Yes		Vin Fordham Lamont

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Local Government Employees

No	Reference	Question	Response	Comments	Respondent
1	Admin Reg 18C	Did the local government approve the process to be used for the selection and appointment of the CEO before the position of CEO was advertised.	N/A	No new CEO appointed in 2015.	Vin Fordham Lamont
2	s5.36(4) s5.37(3), Admin Reg 18A	Were all vacancies for the position of CEO and other designated senior employees advertised and did the advertising comply with s.5.36(4), 5.37(3) and Admin Reg 18A.	N/A		Vin Fordham Lamont
3	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position of CEO under section 5.36(4).	N/A		Vin Fordham Lamont
4	Admin Regs 18E	Did the local government ensure checks were carried out to confirm that the information in an application for employment was true (applicable to CEO only).	N/A		Vin Fordham Lamont
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss a designated senior employee.	Yes		Vin Fordham Lamont

Official Conduct

No	Reference	Question	Response	Comments	Respondent
1	s5.120	Where the CEO is not the complaints officer, has the local government designated a senior employee, as defined under s5.37, to be its complaints officer.	N/A	CEO is complaints officer.	Vin Fordham Lamont
2	s5.121(1)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that result in action under s5.110(6)(b) or (c).	N/A	No complaints received in 2015.	Vin Fordham Lamont
3	s5.121(2)(a)	Does the complaints register maintained by the complaints officer include provision for recording of the name of the council member about whom the complaint is made.	N/A		Vin Fordham Lamont
4	s5.121(2)(b)	Does the complaints register maintained by the complaints officer include provision for recording the name of the person who makes the complaint.	N/A		Vin Fordham Lamont
5	s5.121(2)(c)	Does the complaints register maintained by the complaints officer include provision for recording a description of the minor breach that the standards panel finds has occured.	N/A		Vin Fordham Lamont
6	s5.121(2)(d)	Does the complaints register maintained by the complaints officer include the provision to record details of the action taken under s5.110(6)(b) or (c).	N/A		Vin Fordham Lamont

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Tenders for Providing Goods and Services

No	Reference	Question	Response	Comments	Respondent
1	s3.57 F&G Reg 11	Did the local government invite tenders on all occasions (before entering into contracts for the supply of goods or services) where the consideration under the contract was, or was expected to be, worth more than the consideration stated in Regulation 11(1) of the Local Government (Functions & General) Regulations (Subject to Functions and General Regulation 11(2)).	N/A	No tenders issued in 2015.	Vin Fordham Lamont
2	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than inviting tenders for a single contract.	N/A	Multiple contracts in lieu of tenders not entered into.	Vin Fordham Lamont
3	F&G Reg 14(1) & (3)	Did the local government invite tenders via Statewide public notice.	N/A		Vin Fordham Lamont
4	F&G Reg 14 & 15	Did the local government's advertising and tender documentation comply with F&G Regs 14, 15 & 16.	N/A		Vin Fordham Lamont
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer, notice of the variation.	Yes		Vin Fordham Lamont
6	F&G Reg 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Reg 16.	Yes		Vin Fordham Lamont
7	F&G Reg 18(1)	Did the local government reject the tenders that were not submitted at the place, and within the time specified in the invitation to tender.	N/A		Vin Fordham Lamont
8	F&G Reg 18 (4)	In relation to the tenders that were not rejected, did the local government assess which tender to accept and which tender was most advantageous to the local government to accept, by means of written evaluation criteria.	N/A		Vin Fordham Lamont
9	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17.	N/A		Vin Fordham Lamont
10	F&G Reg 19	Was each tenderer sent written notice advising particulars of the successful tender or advising that no tender was accepted.	N/A		Vin Fordham Lamont
11	F&G Reg 21 & 22	Did the local governments's advertising and expression of interest documentation comply with the requirements of F&G Regs 21 and 22.	N/A	None of these EOIs were issued in 2015.	Vin Fordham Lamont
12	F&G Reg 23(1)	Did the local government reject the expressions of interest that were not submitted at the place and within the time specified in the notice.	N/A		Vin Fordham Lamont

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No	Reference	Question	Response	Comments	Respondent
13	F&G Reg 23(4)	After the local government considered expressions of interest, did the CEO list each person considered capable of satisfactorily supplying goods or services.	N/A		Vin Fordham Lamont
14	F&G Reg 24	Was each person who submitted an expression of interest, given a notice in writing in accordance with Functions & General Regulation 24.	N/A		Vin Fordham Lamont
15	F&G Reg 24AD(2)	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice.	N/A		Vin Fordham Lamont
16	F&G Reg 24AD(4) & 24AE	Did the local government's advertising and panel documentation comply with F&G Regs 24AD(4) & 24AE.	N/A		Vin Fordham Lamont
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16 as if the reference in that regulation to a tender were a reference to a panel application.	N/A		Vin Fordham Lamont
18	F&G Reg 24AD(6)	If the local government to sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application, notice of the variation.	N/A		Vin Fordham Lamont
19	F&G Reg 24AH(1)	Did the local government reject the applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time specified in the invitation for applications.	N/A		Vin Fordham Lamont
20	F&G Reg 24AH(3)	In relation to the applications that were not rejected, did the local government assess which application(s) to accept and which application(s) were most advantageous to the local government to accept, by means of written evaluation criteria.	N/A		Vin Fordham Lamont
21	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers, comply with the requirements of F&G Reg 24AG.	N/A		Vin Fordham Lamont
22	F&G Reg 24AI	Did the local government send each person who submitted an application, written notice advising if the person's application was accepted and they are to be part of a panel of pre-qualified suppliers, or, that the application was not accepted.	N/A		Vin Fordham Lamont

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No	Reference	Question	Response	Comments	Respondent
23	F&G Reg 24E	Where the local government gave a regional price preference in relation to a tender process, did the local government comply with the requirements of F&G Reg 24E in relation to the preparation of a regional price preference policy (only if a policy had not been previously adopted by Council).	N/A		Vin Fordham Lamont
24	F&G Reg 24F	Did the local government comply with the requirements of F&G Reg 24F in relation to an adopted regional price preference policy.	Yes		Vin Fordham Lamont
25	F&G Reg 11A	Does the local government have a current purchasing policy in relation to contracts for other persons to supply goods or services where the consideration under the contract is, or is expected to be, $150,000 or less.	Yes		Vin Fordham Lamont

I certify this Compliance Audit return has been adopted by Council at its meeting on

_____

_____   _____

Signed Mayor / President, Gnowangerup   Signed CEO, Gnowangerup

4.3	CEO REVIEW RE LOCAL GOVERNMENT (AUDIT) REGULATION 17
Location:	N/A
Proponent:	N/A
File Ref:	
Date of Report:	24th February 2016
Business Unit:	Strategy & Governance
Officer:	Shelley Pike
Disclosure of Interest:	Nil

ATTACHMENTS:
- Shire of Gnowangerup Risk Management Governance Framework - excerpt
- Risk Profile Reporting Tool (Confidential – Internal Document) - excerpt

PURPOSE OF THE REPORT:
The Chief Executive Officer is required to review the appropriateness and effectiveness of the Shire's systems and procedures in regard to risk management, internal control and legislative compliance at least every two years and report the results to the Audit Committee.

BACKGROUND:
The *Local Government (Audit) Regulations 1996* (the Regulations) prescribe the requirements for local governments in relation to the engagement of auditors, the annual compliance audit return and the functions of the audit committee.

In February 2013 the Department of Local Government and Communities released Circular No. 05-2013 advising local governments of amendments to the Regulations. The amendments were gazetted 8 February 2013 and came into effect 9 February 2013.

The amendments extend the responsibilities of the Audit Committee and Chief Executive Officer (CEO) of local governments in relation to the reviewing and reporting of the local government's systems and procedures in regards to risk management, internal control and legislative compliance.

In essence, the CEO is to review, at least once every two years, the appropriateness and effectiveness of the local government's systems and procedures in regard to risk management, internal control and legislative compliance. In addition, the CEO is to report the results of the review to the Shire's Audit Committee. In accordance with Regulation 17 of the Regulations, this is the CEO's report that outlines those results.

Likewise, the Audit Committee is to review the CEO's report, and then report the results of its review, including a copy of the CEO's report, to Council.

COMMENTS:
The CEO has reviewed the Shire's systems in relation to risk management, internal control and legislative compliance and considers that they are appropriate and effective subject to the specific comments below:

<u>Informing / Guiding Documents</u>

Risk Management Governance Framework
The Shire of Gnowangerup underwent a process of risk profiling in 2014 in which a number of areas were identified that required specific actions. The framework describes the principles of risk management and details the roles and responsibilities of various staff in addressing various elements of risk management. The framework includes a risk level matrix and criteria for assessing risks in terms of likelihood and consequences. The Deputy Chief Executive Officer, in conjunction with other senior staff, will continuously review the framework to ensure it is current and reflects the latest Australian Standards.

Risk Management Policy
The Shire developed a Risk Management Policy which states the objectives for, and commitment to, risk management. The Policy is designed to align with this and make a statement on the Shire's objectives, approaches and commitment to effective risk management across all its operations. The policy includes the following statements:

> *It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.*

> *Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Shire's Integrated Planning Framework.*

> *The Shire's Management Team will determine and communicate the Risk Management Policy, Objectives and Procedures, as well as direct and monitor implementation, practice and performance.*

> *Every employee within the Shire is recognised as having a role in risk management, from the identification of risks, to implementing risk treatments and shall be invited and encouraged to participate in the process.*

This policy was adopted by Council at its meeting held on 28th October 2015.

Corporate Risk Register
The Shire has developed a Corporate Risk Register (the register) which captures risks that may prevent the achievement of the Shire's key strategic objectives and major systems and projects. The register includes financial and non-financial systems and helps ensure compliance with key legislation, details key current controls and identifies new controls to reduce risks. The register is an important element of risk management that assists the Shire in capturing and recording risks that threaten the major systems and the delivery of major projects.

The CEO will provide updates on the Corporate Risk Register to the Audit Committee on an annual basis.

Emergency Management Risk
Local government has statutory obligations for emergency management and the risk register is essential to identify risks, their severity and to identify the agencies responsible for the mitigation of the risk. As part of the Shire's obligations the Local Emergency Management Committee (LEMC) has been formed which meets on a quarterly basis to discuss emergency management and risk identification. The Shire's commitment to this committee includes providing members from Council and management, as well as administrative support.

Business Continuity Plan
Through the review, it was identified that the Shire of Gnowangerup did not have a distinct Business Continuity Plan (BCP). A BCP was developed and adopted by Council at its Ordinary meeting of 28th October 2015.

The objective of the BCP was stated in the adopted document as:

> *"Provide a readily accessible, useable and thorough document which enables Shire and its Officers to:*
> - *Follow an agreed and systematic approach for the management of any crisis or service outage.*
> - *Implement procedures to maintain essential or critical services through the crisis recovery periods.*
> - *Re-establish services and operations as quickly and efficiently as possible.*
> - *Minimise the effect on the public, officers and Shire."*

Purchasing Policy
On 28 November 2015 the Shire reviewed its Purchasing Policy (4.1) which was originally adopted by Council at its meeting held on 22 June 1998. The Purchasing Policy includes these statements:

> *"The Local Government Act and Regulations covers the procurement of all goods and services and is binding on all Local Government Authorities in Western Australia.*
>
> *The purpose of this policy is to ensure that financial probity is assured by providing clear guidelines for the procurement of goods and services, valued at under $150,000. This policy will assist the Shire of Gnowangerup in ensuring best value for money, good management practices, legislative compliance, transparency and probity.*
>
> *The procurement of goods and services, valued at over $150,000 will be by a competitive tendering and contracting (CTC) process.*
>
> *In both instances the Shire of Gnowangerup has adopted the WALGA Procurement Policy for the purchase of goods and services."*

This policy comprises part of the annual Delegations of Authority and Policy Manual review undertaken by Council.

Compliance Calendar

The Shire's Executive Assistant has developed a Compliance Calendar which outlines the Shire's obligations for statutory reporting, legislative compliance or formal submissions that are required under various legislative provisions. The Compliance Calendar will assist relevant staff in ensuring the Shire meets its statutory obligations.

Staff Management of Risk

"Three Lines of Defence" Operating Model

The Shire has adopted a "Three Lines of Defence" model for the management of risk within the Risk Management Governance Framework that broadly outlines that the Shire's risk management is a shared responsibility in that all staff have an important role in managing the Shire's risk.

Risk Framework Owner

The Deputy Chief Executive Officer has been tasked as the 'Risk Framework Owner'. A key component of this role is responsibility for overseeing and facilitating the risk management framework as well as supporting reporting requirements for risk matters.

Purchasing and Procurement Processes

As stated previously, Council's purchasing policies are reviewed annually as part of the Delegations of Authority and Policy Manual review undertaken by Council.

Compliance Return

The Shire continues to complete the annual Compliance Audit Return (CAR) for submission to the Department of Local Government and Communities (DLGC) by 31 March each year. The CAR focuses on key areas of legislation, as specified by the DLGC and the Shire has consistently demonstrated a high level of compliance.

External Audit Services

In respect to the annual external audit, as required by section 7.2 of the *Local Government Act 1995*, Council has recently appointed AMD Chartered Accountants for a 3 year period for the provision of annual statutory audit services. AMD is a well-established audit firm with significant industry experience and the capacity to provide the required services to the Shire.

In addition to the annual statutory audit services provided to Council, AMD is engaged by the Shire on an as required, fee for service, basis to undertake audits of external grant funding acquittals and financial management reviews.

Since the amendments to the Regulations were introduced, the Shire has made significant improvements in its systems to ensure effective monitoring of risk management programs, the maintenance of sound internal controls, and that a strong attitude toward legislative compliance persists.

However, notwithstanding the new requirements of the Regulations, it is important to note that it has been the Shire's practice to bring to the attention of the Audit Committee any issues relating to internal control, risk management and legislative compliance.

It is on this basis, that the CEO looks forward to continuing to work with the Audit Committee and Council to ensure the effective management of the Shire's risk.

<u>CONSULTATION WITH THE COMMUNITY AND GOVERNMENT AGENCIES:</u>
The review was undertaken internally and therefore only Shire of Gnowangerup staff were engaged with throughout the process.

<u>LEGAL AND STATUTORY REQUIREMENTS:</u>
Local Government (Audit) Regulations 1996

16. Audit committee, functions of

An audit committee —
- (a)   is to provide guidance and assistance to the local government —
  - (i)   as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and
  - (ii)   as to the development of a process to be used to select and appoint a person to be an auditor; and
- (b)   may provide guidance and assistance to the local government as to —
  - (i)   matters to be audited; and
  - (ii)   the scope of audits; and
  - (iii)   its functions under Part 6 of the Act; and
  - (iv)   the carrying out of its functions relating to other audits and other matters related to financial management; and
- (c)   is to review a report given to it by the CEO under regulation 17(3) (the ***CEO's report***) and is to —
  - (i)   report to the council the results of that review; and
  - (ii)   give a copy of the CEO's report to the council.

[Regulation 16 inserted in Gazette 31 Mar 2005 p. 1043; amended in Gazette 8 Feb 2013 p. 867.]

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.

[Regulation 17 inserted in Gazette 8 Feb 2013 p. 868.]

<u>POLICY IMPLICATIONS:</u>
Risk Management Policy (part of the Risk Management Governance Framework)

FINANCIAL IMPLICATIONS:
Nil – as review was conducted internally.

STRATEGIC IMPLICATIONS:
Strategic Community Plan 2013 - 2022
Strategy 5.1.5 – Ensure compliance with Local Laws and statutory requirements.
Strategy 5.2.5 – Manage corporate risks, supported by appropriate policies and procedures.
Strategy 5.2.7 – Promote continuous improvement of services, corporate systems and
processes.

ALTERNATE OPTIONS AND THEIR IMPLICATIONS:
Nil

CONCLUSION:
It is appropriate for the Audit Committee to accept the review and refer it to Council for adoption.

VOTING REQUIREMENTS:
Simple Majority

COMMITTEE RECOMMENDATION:

Moved: Cr B Gaze   **Seconded: Cr R House**

AC0316.4   **That the Audit Committee recommend to council:**

Note the results of the Chief Executive Officer's review of the appropriateness and effectiveness of the Shire's systems in regard to risk management, internal control and legislative compliance under Regulation 17 of the Local Government (Audit) Regulations 1996 and refers it to Council for adoption.

UNANIMOUSLY CARRIED: 8/0

Executive Summary

Being the initial risk report, this is focussing on driving the framework for ensuring that future reports will continue to provide relevant insight and recommendations to assist the Shire Executive in managing risks. This report is provided in full (dashboard and individual risk profiles) to allow the Executive an opportunity to review and confirm the current risk landscape of the Shire. It is envisaged that future reports will only be in a dashboard format, highlighting the current Risk & Control ratings together with any current actions / treatments underway.

These internal reports are expected to be generated and discussed twice a year as part of the agenda for the Management Team.

Recommendations

Risk Framework
1. Ensure that the Risk Management Policy is approved by Council.
2. Approve the Risk Management Procedures Manual.

Risk Profiles
1. Review and approve all Risk Profiles (from a Risk & Control perspective).
2. Confirm Current Issues / Actions / Treatments (Responsibility & Due Date)

Misconduct

		Risk	Control
		Moderate	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Develop HR Handbook to include changes in staff responsibilities and delegations.	*On-going*	*DCEO*	

Business Disruption

		Risk	Control
		Moderate	**Inadequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Determine site of alternative office for emergency situations	*Mar-16*	*DCEO*	

Damage to Physical Assets

		Risk	Control
		Moderate	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Maintain fencing of critical physical assets	*Jun-16*	*INFRASTRUCTURE*	
Monitor Asset Management Plan	*Jun-16*	*INFRASTRUCTURE*	

Errors, Ommisions & Delays

		Risk	Control
		Moderate	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Regular management monitoring and reporting	*ongoing*	*DCEO*	
#REF!	*#REF!*	*#REF!*	
Manage Staff Workloads	*ongoing*	*Managers/Supervisors*	

External Theft & Fraud (inc. Cyber Crime)

		Risk	Control
		Moderate	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Policies and procedures to be reviewed	*onging*	*CEO*	
Monitor IT Security	*ongoing*		
Review Insurance coverage annually	*ongoing*		

Failure of IT &/or Communications Systems and Infrastructure

		Risk	Control
		Low	**Effective**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Server Revitalisation (hardware replacement & data back up solution)	*Oct-14*	*DCEO*	
Review Vendor IT Disaster Recovery Plan	*Jun-15*	*DCEO*	
Create IT Information Framework (IPF)	*Dec-14*	*DCEO*	

Failure to fulfil statutory, regulatory or compliance requirements

		Risk	Control
		Low	**Effective**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Review Compliance Calendar Monthly	*monthly*	*CEO*	
Improved Council Induction		*CEO*	
Regular Information to councillors regarding declartion of interest	*ongoing*	*CEO*	

Inadequate safety and security practices

		Risk	Control
		High	**Inadequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Undertake 4801 Audit & determine ongoing actions to remedy	*Dec-15*	*DCEO*	
Improve Contractor / Site Induction process	*Dec-14*	*DCEO*	

Providing inaccurate advice / information

		Risk	Control
		Moderate	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Monthly electronic newsletter to provide info to Community	*Aug-14*	*CEO*	

Inadequate Organisation and Community Emergency Management

		Risk	Control
		High	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Nil	*Dec-15*		

Inadequate Document Management Processes

		Risk	Control
		Moderate	**Effective**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Monitoring of the record keeping plan	*Jun-15*	*DCEO*	
Record Audits	*Jun-15*	*DCEO*	

Inadequate Project / Change Management

		Risk	Control
		High	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Project Management Reporting to the CEO and Council Monthly	*Ongoing*	*CEO*	

Inadequate engagement with Community / Stakeholders / Elected Members

		Risk	Control
		High	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Create Customer Satisfaction Survey every 3 years	*Nov-18*	*CEO*	
Relevant focus groups as required	*ongoing*	*CEO*	

Inadequate Procurement, Disposal or Tender Practices.

		Risk	Control
		Low	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
**			
Prepare a contract for small works - business case	*Jun-16*	*CEO*	

Inadequate Asset Sustainability Practices

		Risk	Control
		Moderate	**Inadequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Asset Management Framework Review	*Dec-14*	*DCEO*	
Develop a Building Maintenance Program	*Jun-16*	*DCEO*	

Inadequate Stock Management

		Risk	Control
		Low	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
No current actions required			

Inadequate Supplier / Contract Management

		Risk	Control
		Moderate	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Create Contractors review document (quarterly review) to monitor costs and budget implications	*Dec-14*	*DCEO*	

Ineffective People Management / Employment Practices

		Risk	Control
		Low	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Redundancies		*DCEO*	
Reward and Recognition Program	*Ongoing*	*CEO*	

Inadequate Environment Management

		Risk	Control
		High	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Landfill site plans			
Recycling data from Warren Blackwood Waste			
CCTV and electric gates for landfill sites			

Not meeting Community expectations

		Risk	Control
		High	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
#REF!		*#REF!*	
Review Community Strategy	*Jun-16*	*CEO*	

Ineffective Management of Facilities / Venues / Events

		Risk	Control
		Low	**Adequate**
Current Issues / Actions / Treatments	**Due Date**	**Responsibility**	
Inclusion in the Community Plan	*Jun-15*	*CEO*	
Community survey			

Note: To add in additional rows, click in the cell and drag it down as shown in the theme above. This will bring the hyperlinks into the new cell.

Risk Management Governance Framework

- ➢ Risk Management Policy
- ➢ Risk Management Procedures

September 2014 (Version 1)

Table of Contents

Introduction

The Overarching document for this framework is the Strategic Risk Management Framework that was developed and updated (2014). It sets out the overall risk assessment for the whole of Shire operations. This document is a development of that document and covers a number of themes that identifies the operational risk. This document also provides a snap shot of the current risk levels that alerts Council so that effective treatment can be put in place. There will be certain themes that will remain on a high alert because of their volatility or uncertainty which the Council has little or no control and there must be vigilant at all times.

The Policy and Procedures form the Risk Management Framework for the Shire of Gnowangerup. It sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. All components of this document are based on Australia/New Zealand Standard ISO 31000:2009 Risk Management and meets Regulation 17 of the Local Government Act 1994.

Gnowangerup is a participant in the Risk Management Foundation project which includes a number of Shires in the great Southern. Set up by LGIS it was to provide a standardized approach and assist in the development of a robust framework that was consistent in application. The contribution of LGIS layout is and the assessment matrices that are used later in this document are acknowledged.

Rationale

It is essential that all areas of the Shire adopt these procedures to ensure:

- Strong corporate governance.
- Compliance with relevant legislation, regulations and internal policies.
- Integrated Planning and Reporting requirements are met.
- Uncertainty and its effects on objectives are understood.

This Framework aims to balance a documented, structured and systematic process with the current size and complexity of the Shire along with existing time, resource and workload pressures.
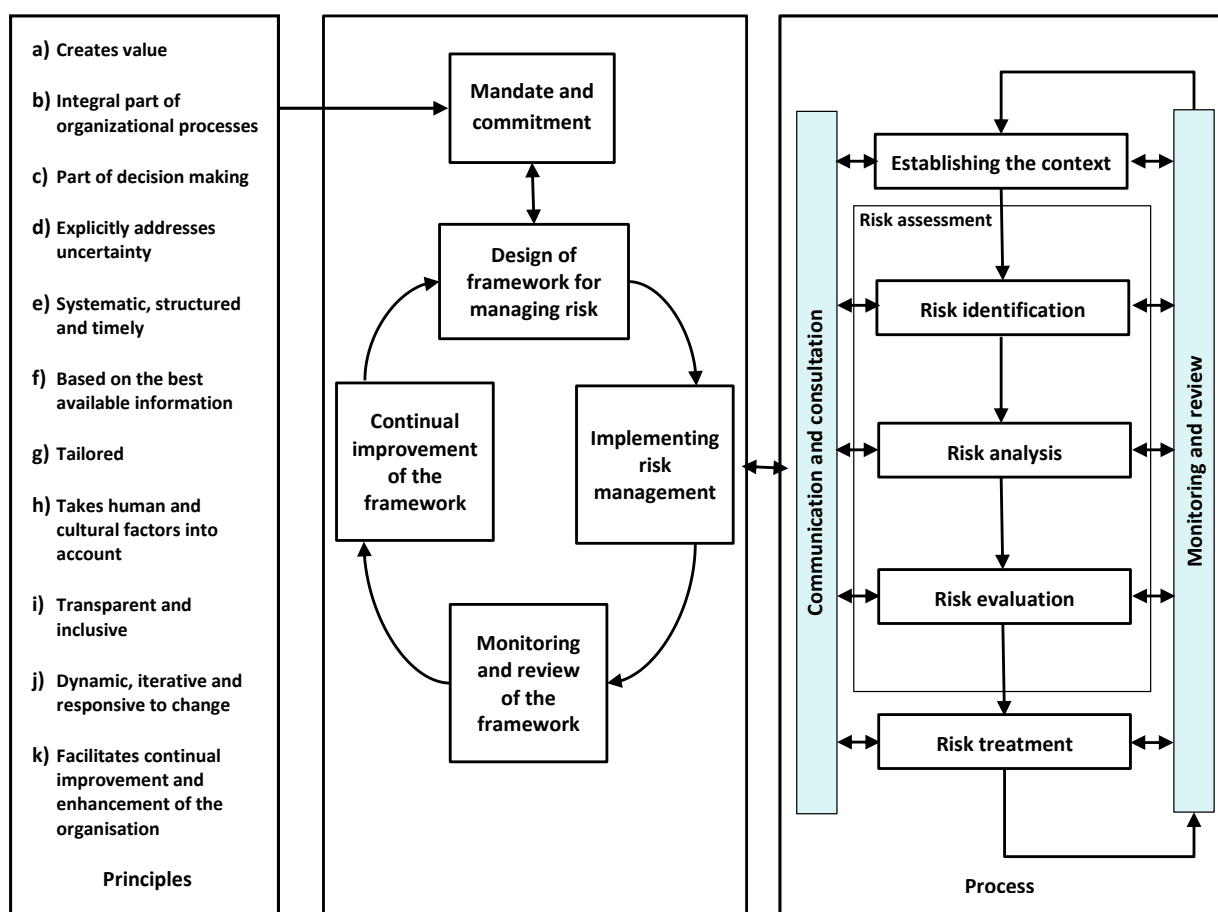
a) Creates value

b) Integral part of organizational processes

c) Part of decision making

d) Explicitly addresses uncertainty

e) Systematic, structured and timely

f) Based on the best available information

g) Tailored

h) Takes human and cultural factors into account

i) Transparent and inclusive

j) Dynamic, iterative and responsive to change

k) Facilitates continual improvement and enhancement of the organisation

Principles

Mandate and commitment

Design of framework for managing risk

Continual improvement of the framework

Implementing risk management

Monitoring and review of the framework

Process

Communication and consultation

Establishing the context

Risk assessment

Risk identification

Risk analysis

Risk evaluation

Risk treatment

Monitoring and review

Figure 1: Risk Management Process (Source: AS/NZS 31000:2009)

Risk Management Policy Guidelines

Purpose

The Shire of Gnowangerup's Risk Management Policy documents the commitment and objectives regarding managing uncertainty that may impact the Shire's strategies, goals or objectives.

Policy

It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2009 Risk management), in the management of all risks that may affect the Shire, its customers, people, assets, functions, objectives, operations or members of the public.

Risk Management will form part of the Strategic, Operational, Project and Line Management responsibilities and where possible, be incorporated within the Shire's Integrated Planning Framework.

The Shire's Management Team will determine and communicate the Risk Management Policy, Objectives and Procedures, as well as direct and monitor implementation, practice and performance.

Every employee within the Shire is recognised as having a role in risk management, from the identification of risks, to implementing risk treatments and shall be invited and encouraged to participate in the process.

Related document: Shire of Gnowangerup Risk Management Policy (2014)

Definitions (from AS/NZS ISO 31000:2009)

Risk: Effect of uncertainty on objectives.

> Note 1: An effect is a deviation from the expected – positive or negative.

> Note 2: Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).

Risk Management: Coordinated activities to direct and control an organisation with regard to risk.

Risk Management Process: Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Risk Management Objectives

- Optimise the achievement of our vision, mission, strategies, goals and objectives.

- Provide transparent and formal oversight of the risk and control environment to enable effective decision making.

- Enhance risk versus return within our risk appetite.

- Embed appropriate and effective controls to mitigate risk.

- Achieve effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.

- Enhance organisational resilience.

- Identify and provide for the continuity of critical operations

Risk Appetite

The Shire quantified its risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Procedures and are subject to ongoing review in conjunction with this policy.

All organisational risks to be reported at a corporate level are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisations appetite and are to be noted within the individual risk assessment.

Roles, Responsibilities & Accountabilities

The CEO is responsible for the allocation of roles, responsibilities and accountabilities. These are documented in the Risk Management Procedures (Operational Document).

Monitor & Review

The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.

The document will be kept under review by the Shire's Management Team and its employees. It will be formally reviewed biennially.

Signed: ……………………………………………

    Chief Executive Officer

Date: ____/____/_____

Risk Management Procedures

Governance

Appropriate governance of risk management within the Shire of Gnowangerup provides:

- Transparency of decision making.

- Clear identification of the roles and responsibilities of the risk management functions.

- An effective Governance Structure to support the risk framework.

Framework Review

The Risk Management Framework is to be reviewed for appropriateness and effectiveness annually.

Operating Model

The Shire has adopted a "Three Lines of Defence" model for the management of risk. This model ensures roles; responsibilities and accountabilities for decision making are structured to demonstrate effective governance and assurance. By operating within the approved risk appetite and framework, the Council, Management and Community will have assurance that risks are managed effectively to support the delivery of the Strategic, Corporate & Operational Plans.

First Line of Defence

All operational areas of the Shire are considered '1st Line'. They are responsible for ensuring that risks within their scope of operations are identified, assessed, managed, monitored and reported. Ultimately, they bear ownership and responsibility for losses or opportunities from the realisation of risk. Associated responsibilities include;

- Establishing and implementing appropriate processes and controls for the management of risk (in line with these procedures).

- Undertaking adequate analysis (data capture) to support the decision-making process of risk.

- Prepare risk acceptance proposals where necessary, based on level of residual risk.

- Retain primary accountability for the ongoing management of their risk and control environment.

Second Line of Defence

The Governance Support, appointed by the CEO acts as the primary '2nd Line'. This resides with the Executive Manager Corporate Services and Community development with the assistance of the Executive Assistant as the Administrator for the inputting and updating of data. The Executive Manager manages the framework for risk management, drafts and implements governance procedures and organizes the necessary tools and training to support the 1st line process.

It is a pivotal role as it maintains oversight on the application of the framework that provides a transparent view and level of assurance to the 1st & 3rd lines on the risk and control environment. Support can be provided by additional oversight functions completed by other 1st Line Teams such as officers responsible for Emergency Services, Works Programs, Occupational Safety and Health and the Executive Assistant Additional responsibilities include:

- Providing independent oversight of risk matters as required.

- Monitoring and reporting on emerging risks.

- Co-ordinating the Shire's risk reporting for the CEO & Management Team and the Audit Committee.
- Updating of the risk register

Third Line of Defence

Internal & External Audit are the third line of defence, providing independent assurance to the Council, Audit Committee and Shire Management on the effectiveness of business operations and oversight frameworks (1st & 2nd Line).

Internal Audit – Appointed by the CEO to report on the adequacy and effectiveness of internal control processes and procedures. The scope of which would be determined by the CEO with input from the Audit Committee.

External Audit – Appointed by the Council on the recommendation of the Audit Committee to report independently to the President and CEO on the annual financial statements only.

Governance Structure

The following diagram depicts the current operating structure for risk management within the Shire.
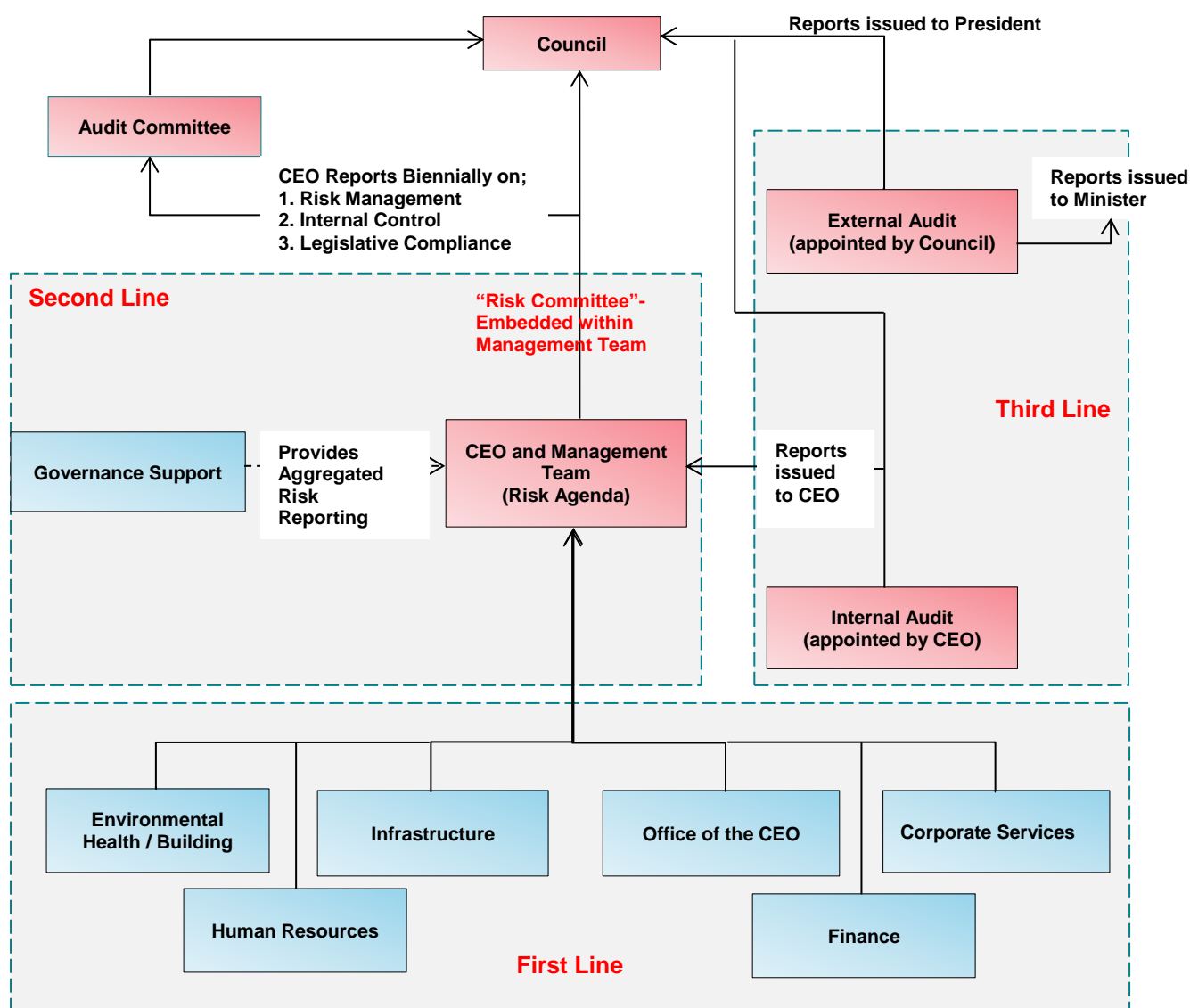
Roles & Responsibilities

Council

- Review and approve the Shire's Risk Management Policy and Risk Assessment & Acceptance Criteria.
- Appoint / Engage External Auditors to report on financial statements annually.
- Establish and maintain an Audit Committee in terms of the Local Government Act.

Audit Committee

- Support Council to provide effective corporate governance.
- Oversight of all matters that relate to the conduct of External Audits.
- Must be independent, objective and autonomous in deliberations.
- Make recommendations to Council on External Auditor appointments.

CEO / Management Team

- Appoint Internal Auditors as required under Local Government (Audit) regulations.
- Liaise with Council in relation to risk acceptance requirements.
- Approve and review the appropriateness and effectiveness of the Risk Management Framework.
- Drive consistent embedding of a risk management culture.
- Analyse and discuss emerging risks, issues and trends.
- Document decisions and actions arising from risk matters.
- Own and manage the Risk Profiles at Shire Level.
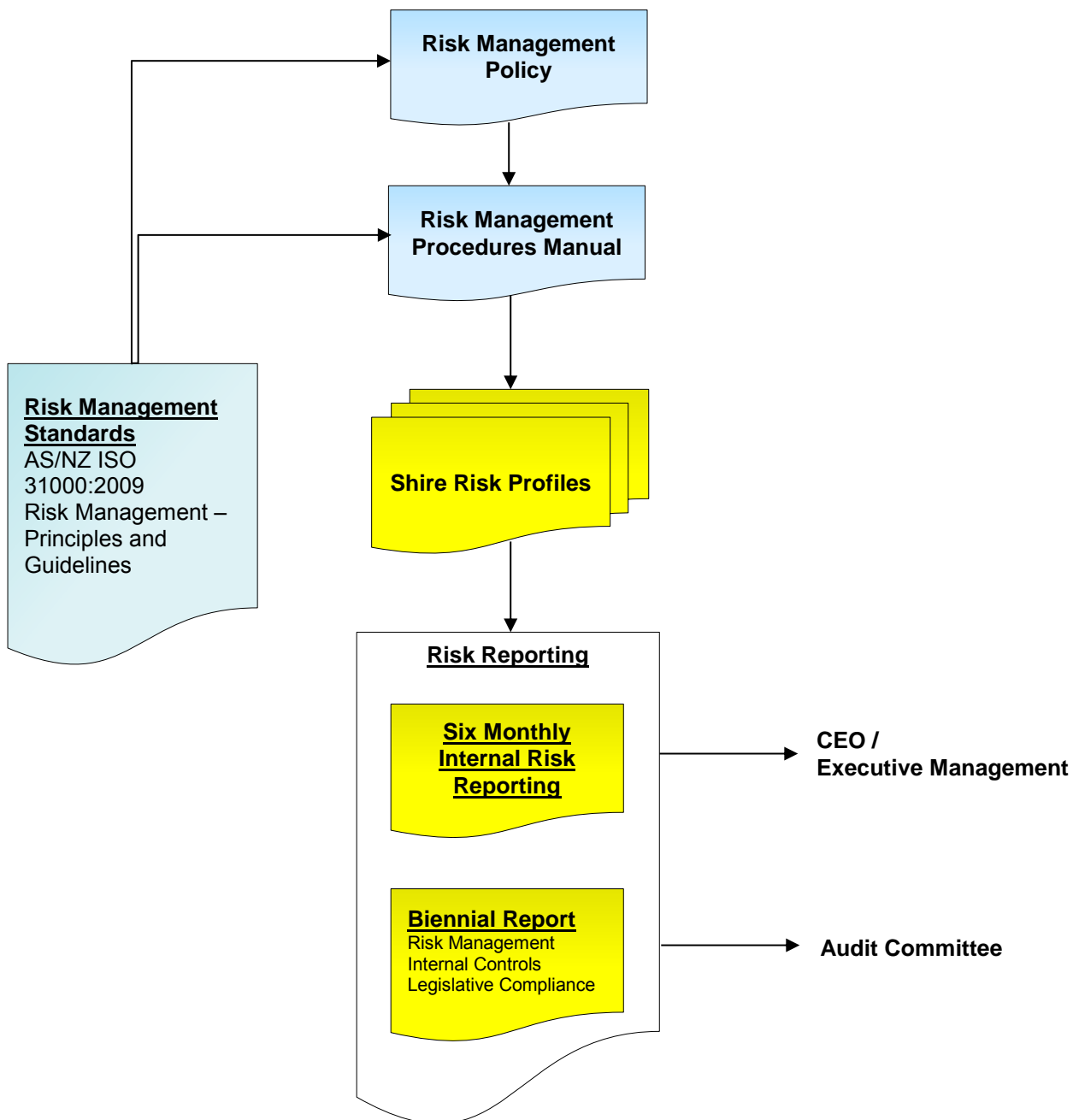
Governance Support

- Oversee and facilitate the Risk Management Framework.
- Support reporting requirements for Risk matters.
- Administers the data management and risk register

Work Areas

- Drive risk management culture within work areas.
- Own, manage and report on specific risk issues as required.
- Assist in the Risk & Control Management process as required.
- Highlight any emerging risks or issues accordingly.
- Incorporate 'Risk Management' into Management Meetings, by incorporating the following agenda items;
  o New or emerging risks.
  o Review existing risks.
  o Control adequacy.
  o Outstanding issues and actions.

Document Structure (Framework)

The following diagram depicts the relationship between the Risk Management Policy, Procedures and supporting documentation and reports.

```
                          ┌─────────────────────┐
                          │  Risk Management    │
                          │      Policy         │
                          └─────────┬───────────┘
                                    │
                                    ▼
                          ┌─────────────────────┐
                          │  Risk Management    │
                          │  Procedures Manual  │
                          └─────────┬───────────┘
                                    │
┌──────────────────────┐           ▼
│ Risk Management       │  ┌─────────────────────┐
│ Standards             │  │                     │
│ AS/NZ ISO             │  │  Shire Risk Profiles│
│ 31000:2009            │  └─────────┬───────────┘
│ Risk Management –     │            │
│ Principles and        │            ▼
│ Guidelines            │  ┌─────────────────────┐
└──────────────────────┘  │  Risk Reporting     │
                          │                     │
                          │ ┌─────────────────┐ │        CEO /
                          │ │ Six Monthly     │ │──────► Executive Management
                          │ │ Internal Risk   │ │
                          │ │ Reporting       │ │
                          │ └─────────────────┘ │
                          │ ┌─────────────────┐ │
                          │ │ Biennial Report │ │
                          │ │ Risk Management │ │──────► Audit Committee
                          │ │ Internal Controls│ │
                          │ │ Legislative Compliance │
                          │ └─────────────────┘ │
                          └─────────────────────┘
```

Risk & Control Management

All Work Areas of the Shire are required to assess and manage the Risk Profiles on an ongoing basis. This will be done through MANX (the Management Executive Team), which will include governance support person) that will monitor the work areas and the risk profiles.

In conjunction with Governance Support, managers are accountable for ensuring that Risk Profiles are:

- Reflective of the material risk landscape of the Shire.
- Reviewed on at least a six monthly basis, unless there has been a material restructure or change in the risk and control environment.
- Maintained in the standard format.

This process is supported by the use of key data inputs, workshops and ongoing business engagement.

Risk & Control Assessment

To ensure alignment with AS/NZ ISO 31000:2009 Risk Management, the following approach is to be adopted from a Risk & Control Assessment perspective.

The Matrices used in this document have been provided by LGIS as the standard application used for a number of Local Government entities, including the Shires who are participants of the Risk Management Foundation project.

Establishing the Context

The first step in the risk management process is to understand the context within which the risks are to be assessed and what is being assessed, this forms two elements:

Organisational Context

The Shire's Risk Management Procedures provide the basic information and guidance regarding the organisational context to conduct a risk assessment; this includes Risk Assessment and Acceptance Criteria (Appendix A) and any other tolerance tables as developed. In addition, existing Risk Themes are to be utilised (Appendix C) where possible to assist in the categorisation of related risks.

Any changes or additions to the Risk Themes must be approved by the CEO.

All risk assessments are to utilise these documents to allow consistent and comparable risk information to be developed and considered within planning and decision making processes.

Specific Risk Assessment Context

To direct the identification of risks, the specific risk assessment context is to be determined prior to and used within the risk assessment process. For risk assessment purposes the Shire has been divided into three levels of risk assessment context:

1. Strategic Context

This constitutes the Shire's external environment and high-level direction. Inputs to establishing the strategic risk assessment environment may include;

- Organisation's Vision / Mission
- Stakeholder Analysis
- Environment Scan / SWOT Analysis
- Existing Strategies / Objectives / Goals

2. Operational Context

The Shire's day to day activities, functions, infrastructure and services. Prior to identifying operational risks, the operational area should identify its Key Activities i.e. what is trying to be achieved. Note: these may already be documented in business plans, budgets etc.

3. Project Context

Project Risk has two main components:

- **Risk in Projects** refers to the risks that may arise as a result of project activity (i.e. impacting on current or future process, resources or IT systems) which may prevent the Shire from meeting its objectives .This would include the Swimming Pool project and the SES building project

- **Project Risk** refers to the risks which threaten the delivery of project outcomes.

In addition to understanding what is to be assessed, it is also important to understand who are the key stakeholders or areas of expertise that may need to be included within the risk assessment.

Risk Identification

Using the specific risk assessment context as the foundation, and in conjunction with relevant stakeholders, answer the following questions, capture and review the information within each Risk Profile.

- What can go wrong? / What are areas of uncertainty? (Risk Description)
- How could this risk eventuate? (Potential Causes)
- What are the current measurable activities that mitigate this risk from eventuating? (Controls)
- What are the potential consequential outcomes of the risk eventuating? (Consequences)

Risk Analysis

To analyse the risks, the Shire's Risk Assessment and Acceptance Criteria (Appendix A) is applied:

- Based on the documented controls, analyse the risk in terms of Existing Control Ratings
- Determine relevant consequence categories and rate how bad it could be if the risk eventuated with existing controls in place (Consequence)
- Determine how likely it is that the risk will eventuate to the determined level of consequence with existing controls in place (Likelihood)
- By combining the measures of consequence and likelihood, determine the risk rating (Level of Risk)

Risk Evaluation

The Shire is to verify the risk analysis and make a risk acceptance decision based on:

- Controls Assurance (i.e. are the existing controls in use, effective, documented, up to date and relevant)
- Existing Control Rating
- Level of Risk
- Risk Acceptance Criteria (Appendix A)
- Risk versus Reward / Opportunity

The risk acceptance decision needs to be documented and acceptable risks are then subject to the monitor and review process. Note: Individual Risks or Issues may need to be escalated due to urgency, level of risk or systemic nature.

Risk Treatment

For unacceptable risks, determine treatment options that may improve existing controls and/or reduce consequence / likelihood to an acceptable level.

Risk treatments may involve actions such as avoid, share, transfer or reduce the risk with the treatment selection and implementation to be based on;

- Cost versus benefit
- Ease of implementation
- Alignment to organisational values / objectives

Once a treatment has been fully implemented, the Governance is to review the risk information and acceptance decision with the treatment now noted as a control and those risks that are acceptable then become subject to the monitor and review process (Refer to Risk Acceptance section).

Monitoring & Review

The Shire is to review all Risk Profiles at least on a six monthly basis or if triggered by one of the following;

- Changes to context,
- A treatment is implemented,
- An incident occurs or due to audit/regulator findings.

The Governance Officer is to monitor the status of risk treatment implementation and report on, if required.

The CEO & Management Team will monitor significant risks and treatment implementation as part of their normal agenda item on a quarterly basis with specific attention given to risks that meet any of the following criteria:

- Risks with a Level of Risk of High or Extreme
- Risks with Inadequate Existing Control Rating
- Risks with Consequence Rating of Catastrophic
- Risks with Likelihood Rating of Almost Certain

The design and focus of the Risk Summary report will be determined from time to time on the direction of the CEO & Management Team. They will also monitor the effectiveness of the Risk Management Framework ensuring it is practical and appropriate to the Shire.

Communication & Consultation

Throughout the risk management process, stakeholders will be identified, and where relevant, be involved in or informed of outputs from the risk management process.

Risk management awareness and training will be provided to staff.

Risk management will be included within the employee induction process to ensure new employees are introduced to the Shire's risk management culture.

Reporting Requirements

Coverage & Frequency

The following diagram provides a high level view of the ongoing reporting process for Risk Management.
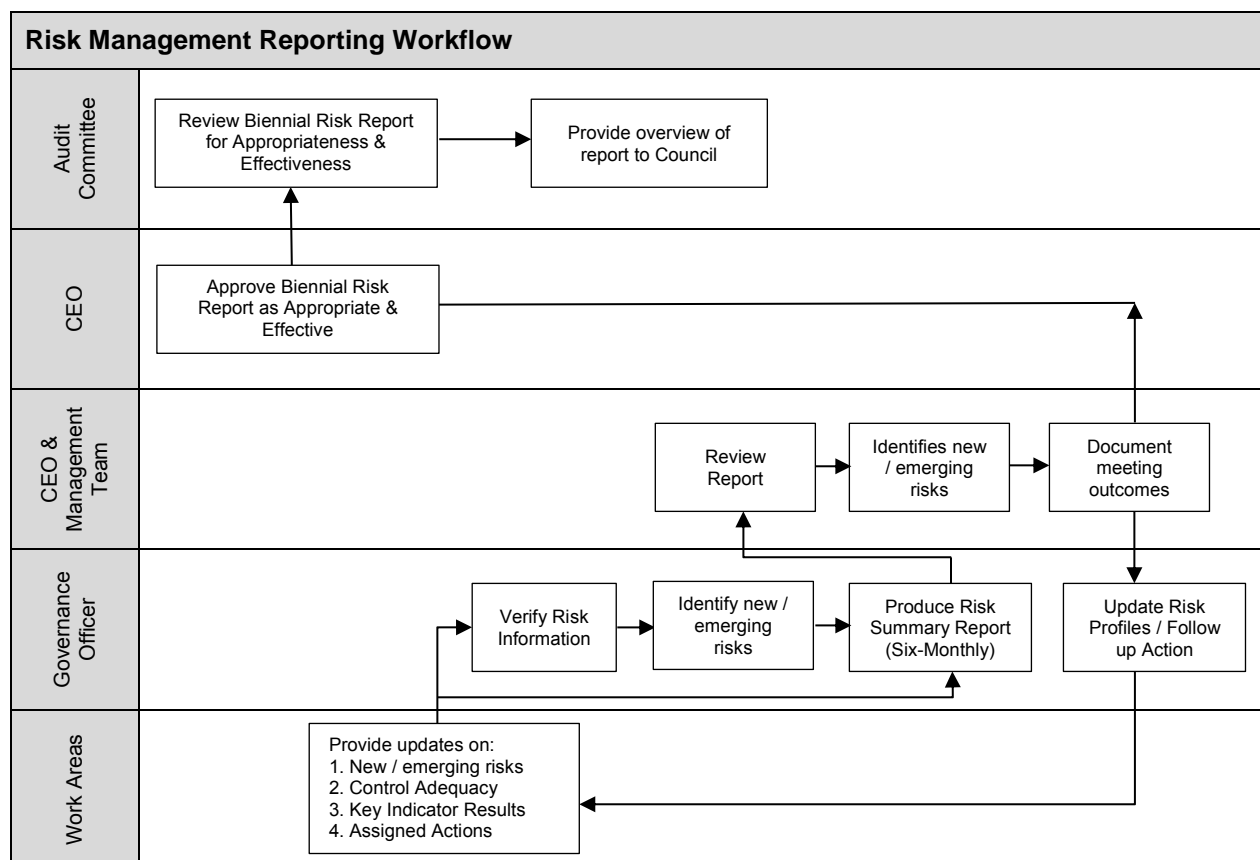
Each Work Area is responsible for ensuring:

- They continually provide updates in relation to new and emerging risks, control effectiveness and key indicator performance to the Governance Officer.

- Work through assigned actions and provide relevant updates to the Governance Officer.

- Risks / Issues reported to the CEO & Management Team are reflective of the current risk and control environment.

The Governance Support is responsible for:

- Ensuring Shire Risk Profiles are formally reviewed and updated, at least on a six monthly basis or when there has been a material restructure, change in risk ownership or change in the external environment.

- Producing a six-monthly Risk Report for the CEO & Management Team which contains an overview Risk Summary for the Shire.

- Annual Compliance Audit Return completion and lodgement

- In addition there is a Risk Management dashboard that monitors the ongoing management of risk at the operational level and provides a snap shot of the current risk levels of the various areas of operation.

Key Indicators

Key Indicators are required to be used for monitoring and validating key risks and controls. The following describes the process for the creation and reporting of Key Indicators:

Identification

The following represent the minimum standards when identifying appropriate Key Indicator key risks and controls:

- The risk description and casual factors are fully understood
- The Key Indicator is fully relevant to the risk or control
- Predictive Key Indicators are adopted wherever possible
- Key Indicators provide adequate coverage over monitoring key risks and controls

Validity of Source

In all cases an assessment of the data quality, integrity and frequency must be completed to ensure that the Key Indicator data is relevant to the risk or Control.

Where possible the source of the data (data owner) should be independent to the risk owner. Overlapping Key Indicators can be used to provide a level of assurance on data integrity.

If the data or source changes during the life of the Key Indicator, the data is required to be revalidated to ensure reporting of the Key Indicator against a consistent baseline.

Tolerances

Tolerances are set based on the Shire's Risk Appetite. They are set and agreed over three levels:

- Green – within appetite; no action required.
- Amber – the Key Indicator must be closely monitored and relevant actions set and implemented to bring the measure back within the green tolerance.
- Red – outside risk appetite; the Key Indicator must be escalated to the CEO & Management Team where appropriate management actions are to be set and implemented to bring the measure back within appetite.

Note: there may be instances when the certain areas are left on Amber or Red this is for areas where there may have a higher uncertainty and must be kept on the radar so to speak so that they are constantly monitored.

Monitor & Review

All active Key Indicators are updated as per their stated frequency of the data source.

When monitoring and reviewing Key Indicators, the overall trend must be considered over a longer timeframe instead of individual data movements. The trend of the Key Indicators is specifically used as an input to the risk and control assessment.

Risk Acceptance

Day-to-day operational management decisions are generally managed under the delegated authority framework of the Shire.

Risk Acceptance is a management decision to accept, within authority levels, material risks which will remain outside appetite framework (refer Appendix A – Risk Assessment & Acceptance Criteria) for an extended period of time (generally 3 months or longer).

The following process is designed to provide a framework for those identified risks.

The 'Risk Acceptance' must be in writing, signed by the relevant Manager and cover:

- A description of the risk.

- An assessment of the risk (e.g. Impact consequence, materiality, likelihood, working assumptions etc.)

- Details of any mitigating action plans or treatment options in place

- An estimate of the expected remediation date.

A lack of budget / funding to remediate a material risk outside of appetite is not sufficient justification in itself to accept a risk.

Accepted risks must be continually reviewed through standard operating reporting structure (i.e. Management Team)

Annual Control Assurance Plan

The annual assurance plan is a monitoring schedule prepared by the Executive Management Team that sets out the control assurance activities to be conducted over the next 12 months. This plan needs to consider the following components.

- Coverage of all risk classes (Strategic, Operational, Project)

- Existing control adequacy ratings across the Shire's Risk Profiles.

- Consider control coverage across a range of risk themes (where commonality exists).

- Building profiles around material controls to assist in design and operating effectiveness reviews.

- Consideration to significant incidents.

- Nature of operations

- Additional or existing 2nd line assurance information / reviews (e.g. HR, Financial Services, IT)

- Frequency of monitoring / checks being performed

- Review and development of Key Indicators

- Timetable for assurance activities

- Reporting requirements

Whilst this document and subsequent actions are owned by the Governance Officer, input and consultation will be sought from individual Work Areas.

5. CLOSURE

There being no further business President Cr K House closed the meeting at 3:10pm