



Shire of
Serpentine
Jarrahdale

Audit, Risk and Governance Committee

Unconfirmed Minutes

**Monday 6 May 2019
5.30pm**

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In Person

Shire of Serpentine Jarrahdale
6 Paterson Street, Mundijong WA 6123
Open Monday to Friday 8.30am-5pm (closed public holidays)



www.sjshire.wa.gov.au



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Minutes of the Audit, Risk and Governance Committee Meeting held in the Council Chambers, Civic Centre, 6 Paterson Street, Mundijong on Monday 6 May 2019.

The Presiding Member, Councillor See declared the meeting open at 5.30pm and welcomed Councillors, Committee Members and Staff, and acknowledged that the meeting was being held on the traditional land of the Noongar People and paid her respects to their Elders past and present.

Minutes

1. Attendances and apologies (including leave of absence):

Councillors: Cr J See Presiding Member
Cr M Rich
Cr M Byas
Cr R Coales

Independent Members: Ms E Newby
Mr S Casilli

Officers: Ms H Sarcich..... Deputy CEO / Director Community Services
Mr F Sullivan Director Corporate Services
Mr A Bowman Manager Governance
Mr R Gallagher Internal Auditor
Ms C Mortimer Coordinator Governance and Risk
Ms A Liersch Agendas and Minutes Officer (Minute Taker)

Apologies: Nil.

2. Public question time:

2.1 Response to previous public questions taken on notice

Nil.

2.2 Public questions

Nil.

3. Public statement time:

Nil.

4. Petitions and deputations:

Nil.

5. Declaration of Councillors and Officers interest:

Nil.



6. Receipt of minutes or reports and consideration of adoption of recommendations from Committee meetings held since the previous Council meetings:

6.1 Minutes of previous Audit, Risk and Governance Committee Meeting:

6.1.1 Audit, Risk and Governance Committee Meeting – 4 February 2019

ARG003/05/19

AUDIT, RISK & GOVERNANCE COMMITTEE RESOLUTION

Moved Ms Newby, seconded Cr Rich

That the minutes of the Audit, Risk and Governance Committee Meeting held on 4 February 2019 be confirmed (E19/1516).

CARRIED UNANIMOUSLY 6/0

6.2 Reports for consideration:

ARG003/05/19 – Risk Register (SJ2196)	
Responsible Officer:	Manager Governance
Senior Officer/s:	Director Corporate Services
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Authority / Discretion

Executive	The substantial direction setting and oversight role of the Council such as adopting plans and reports, accepting tenders, directing operations and setting and amending budgets.
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Report Purpose

To review all Council items from 1 August 2017 to 31 March 2019 with a risk rating of 10 or above, to ensure relevant risk management of these items are in place.

Relevant Previous Decisions of Council

ARG008/08/18 AUDIT, RISK & GOVERNANCE COMMITTEE DECISION / Officer Recommendation

Moved Cr Coales, seconded Cr McConkey

That the Audit, Risk and Governance Committee recommends to Council:

1. That Council adopt the draft Risk Management Framework as contained in attachment ARG008.1/08/18.



2. That Council notes the risk management policy is to be reviewed to better align with the risk management framework.

CARRIED UNANIMOUSLY 7/0

OCM8.1/09/18 COUNCIL RESOLUTION

Moved Cr Byas, seconded Cr McConkey

That the minutes and resolutions contained therein of the Audit, Risk and Governance Committee Meeting held on 21 August 2018 be endorsed. (E18/9202).

CARRIED UNANIMOUSLY 7/0

Background

Included within all agenda items to Council since August 2017 there has been a requirement for Officers to report on the risk implication to the Shire for each item / report that requires a Council resolution. Below is the Risk Implications and Risk Matrix table that is used in all Agenda Reports to Council and Committees.

Risk Implications

Risk has been assessed on the basis of the Officer's Recommendation.

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.



Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk rating of **XXX** has been determined for this item.

Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

The following items were identified as having a risk great than 10:

OCM116/08/17	Organisational Structure Review (Risk 12)
OCM127/09/17	Approval of Private Structure in Road Reserve – Alcoa Haulage Bridge over Kingsbury Drive (Risk 12)
OCM131/09/17	Community Sport and Recreation Facility Fund – Briggs Park Recreation Precinct Redevelopment Stage 1 (Risk 12)
OCM145/10/17	Land Asset Management Plan (Risk 12)
OCM149/11/17	Award of Tender Upgrade of Abernethy Road Upgrade – Separate Portion 4, Works within railway Boundary (Risk 12)
OCM173/12/17	Draft Local Planning Strategy and Local Planning Scheme (Risk 12)
OCM173/12/17	Road Dedication – Lots 8000 and 8006 Gordin Way / Abernethy Road Byford (Risk 12)
OCM176/12/17	Grant Agreement – Local Projects and Local Jobs funding – Briggs Park (Risk 12)
OCM18/03/18	Draft Management Plan – Weeds and Pests (Risk 12)
OCM049/5/18	Review of Council Policy – Purchasing (Risk 12)
OCM086/08/18	Road Reserve – Lot 1724 Mundijong Rd, Mundijong (Risk 12)
OCM107/09/18	Strategic Information Systems Strategy (Risk 12)
OCM136/11/18	Community Group Fee Waiver Request (Risk 12)
OCM146/12/18	Adoption of the Community Infrastructure Development Contribution Plan and Initiations of Proposed scheme amendment No 207 Community Infrastructure Development Contribution Scheme (Risk 15)



- OCM11/02/19 Request for Funding for the 2019 Bushfire mitigation activity fund (Risk 12)
- OCM13/02/19 Permit to operate Heavy Haulage vehicles on Thomas and Anketell Rd – Coogee Chemical (Risk 12)
- OCM14/02/19 Kargotich Rd North of Thomas Downgrade Restricted Access Vehicle Rav 3 to 1 (Risk 12)

These risks are acceptable only with effective controls managed by Director / Chief Executive Officer and subject to regular monitoring

The following items were identified as having a risk greater than 17:

- SCM010/06/18 Rivers Regional Council (Risk 20)

This risk is only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority (Chief Executive Officer / Council) and subject to continuous monitoring.

Community / Stakeholder Consultation

Policy Concept Forum

Nil

Statutory Environment

Regulation 17 of the *Local Government (Audit) Regulations 1996* (WA) ('the Regulations') require the CEO to review the appropriateness and effectiveness of the Shire of Serpentine Jarrahdale's ('the Shire') systems and processes in relation risk management, internal control and legislative compliance. The review may include any or all of the abovementioned matters and the results of any review must be reported to the Shire's Audit, Risk and Governance Committee.

The Shire's Integrated Planning and Reporting obligations are also intrinsically linked to risk management. The Integrated Planning and Reporting Framework and Guidelines September 2016 state:

- Strategic level risks should be considered by Council and are usually owned by Council and/or the Executive Team; and
- Regularly review of risk assessments and strategies should occur to ensure that risks critical to the Shire's objectives are managed and minimised.

Comment

Risk management creates value for a local government and its community and should contribute to the demonstrable achievement of objectives whether in strategic or project based initiatives or in normal operations.

Risk management involves effectively managing business systems and processes to achieve an appropriate balance between realising opportunities for gain while minimising adverse impacts. It is an integral part of good management practice and an essential element of sound corporate governance. Risk management processes should not encourage local governments to be 'risk averse'. Managing risk means balancing risk and



reward. Risk management gives organisations the confidence to pursue opportunities with the knowledge that they have adequately managed and accepted the risks in a balanced way.

Risk management involves establishing an appropriate framework and culture, and applying a logical and systematic method to identify and manage risks by:

- implementing and communicating an organisational policy
- balancing risk and opportunity within organisational policies
- defining the organisation's risk appetite, tolerance and likelihood guidelines
- training elected members and officers to establish the context for assessing potential risks, and
- identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process in a way that will maximise the potential to achieve goals and objectives and minimise potential for harm or loss.

Managing risk requires all elected members and officers to use an interactive process consisting of steps that, when undertaken in sequence, enable a sound basis for decision-making and facilitates continuous improvement in performance. To be most effective, risk management should become part of an organisation's culture. It should be communicated across the organisation and embedded into the organisation's philosophy; business practices and processes rather than be viewed or practiced as a separate activity. When this is achieved, everyone in the organisation becomes involved in the management of risk.

Each identified items were examined and where the risk still exists the existing control rating have been rated according the below:

Existing Controls Ratings

Effective - There is little scope for improvement.

1. Processes (Controls) operating as intended and aligned to Policies / Procedures.
2. Subject to ongoing monitoring.
3. Reviewed and tested regularly.

Adequate - There is some scope for improvement.

1. Processes (Controls) generally operating as intended, however inadequacies exist.
2. Nil or limited monitoring.
3. Reviewed and tested, but not regularly.

Inadequate - There is a need for improvement or action.

1. Processes (Controls) not operating as intended.
2. Processes (Controls) do not exist, or are not being complied with.
3. Have not been reviewed or tested for some time

A risk item can be considered closed when it meets the following criteria:



- It no longer exists; or
- The risk rating is determined to be low to medium and has appropriate controls in place that are regularly reviewed for effectiveness

OCM 116/08/17 Organisational Structure Review

Risk: That Council refuse the CEO recommendation on organisational structure

Existing Control Rating: N/A – Council accepted the CEO recommendation

OCM 127/09/17 Approval of Private Structure in Road Reserve – Alcoa Haulage Bridge over Kingsbury Drive

Risk: Collision between mining vehicle and the public

Risk Action Plan: Accept officer recommendation

Existing Control Rating: Effective, as Council accepted officer recommendation

OCM131/09/17 Community Sport and Recreation Facility Fund – Briggs Park Recreation Precinct Redevelopment Stage 1

Risk: Project does not proceed due to a lack of funding, leading to a loss of serviceability of public open space.

Risk Action Plan: Accept Officer Recommendation

Existing Control Rating: Effective, as Council accepted officer recommendation

OCM145/10/17 Land Asset Management Plan

Risk: Land asset management Plan is support / adopted

Risk Action Plan: Controls through confidentiality and appropriate implementation

Existing Control Rating: Adequate

Response provided from Strategic Planning Development Services Business Unit:

“Confidentiality

The risk was mitigated through the implementation of governance procedures to ensure confidentiality. Access to documents and discussions are only available to selected staff. A proper Terms of Reference was drafted for the Land Asset Management Technical Advisory Group that requires confidentiality.

Appropriate implementation

Proposals are considered by the Technical Advisory Group and recommendations made to the Executive Team and Council for decisions.”



OCM149/11/17 Award of Tender Upgrade of Abernethy Road Upgrade – Separate Portion 4, Works within railway Boundary

Risk: Not Award the contract and delay delivery of work

Existing Control Rating: N/A Council awarded the contract.

OCM173/12/17 Draft Local Planning Strategy and Local Planning Scheme

Risk: That council do not resolve to proceed to advertise draft LPS and LPS3

Existing Control Rating: N/A, council resolved to advertise draft LPS and LPS3

OCM173/12/17 Road Dedication – Lots 8000 and 8006 Gordin Way / Abernethy Road Byford

Risk: Not accepting officer recommendation

Existing Control Rating: N/A, Council accepted officer recommendation

OCM176/12/17 Grant Agreement – Local Projects and Local Jobs funding – Briggs Park

Risk: The project does not proceed due to a lack of funding, leading to a loss of serviceability of public open space

Risk Action Plan: Accept Officer Recommendation

Existing Control Rating: Effective, as Council accepted officer recommendation

OCM18/03/18 Draft Management Plan – Weeds and Pests

Risk: Council does not endorse the Management Plan – Weeds and Pest; Shire's inability to meet legal and moral obligations; Impact of the Shire reputation for pristine natural environment; impact on Shire's financial ability to retrospectively address effect on failure to minimize risk to native flora and fauna increase over time

Risk Action Plan: Accept Officer Recommendation

Existing Control Rating: Effective, as Council accepted officer recommendation

OCM049/5/18 Review of Council Policy – Purchasing

Risk: That Council does not adopt the Purchasing Policy

Existing Control Rating: N/A as Council adopted the Purchasing policy

OCM086/08/18 Road Reserve – Lot 1724 Mundijong Rd, Mundijong

Risk: Not obtaining the additional land to enable construction of the roundabout

Risk Action Plan: Accept Officer Recommendation

Existing Control Rating: Effective, as Council accepted officer recommendation



OCM107/09/18 Strategic Information Systems Strategy

Risk: Existing Information Systems Do not support the Shire's future growth and business operations

Risk Action Plan: Accept Officer Recommendation

Existing Control Rating: Effective, as Council accepted officer recommendation

Risk: Implement cost / time overruns

Risk Action Plan: Control through project sponsor and appropriate governance and practices

Existing Control Rating – Adequate

Response provided from Information, Communications and Technology Business Unit

"At the time that the Council Report was developed the Risk Assessment for OneComm was completed :

a) At a strategic level; and

b) Prior to any of the risk mitigation controls being developed by the OneComm Project team.

Keeping this in mind, the Risk Rating in the Council Report (September 2018) for OneComm was assessed subjectively as '12' overall because the processes (controls) did not exist at that time.

Since that time, the OneComm project team has formally developed a OneComm Project Risk Register in consultation with the project team and the Coordinator Governance & Risk (attachment 1).

The detailed OneComm Project Risk Register has 12 identified risks. There is detail on the Risk control processes and their residual risk rating after factoring in the controls that the OneComm Project team has developed and implemented since Council approved the OneComm Project in September 2018. Overall the risk control processes that have been developed are considered "Effective" as they are:

- 1. Operating as intended and aligned to Policies / Procedures.*
- 2. Subject to ongoing monitoring by the Project Manager and Project team*
- 3. Reviewed and tested regularly (standing agenda item in OneComm project team meetings and reported to the Steering Committee).*

Based on the above and including the fact that many new OneComm project controls have been implemented, the overall risk rating of the OneComm project has certainly reduced from "12" (ie High) to around "8" to "9"(ie Medium).

Examples of the Project Controls developed by the OneComm Project team are, inter alia:

- Project Management Plan 2019-2022*
- Project Communication Plan 2019-2022*
- Change Management Plan 2019-2022*
- Project Stakeholder Engagement Plan*



- *MoU with City of South Perth*
- *Ongoing and active Project Sponsor, Project Director and Executive Team Management Support*
- *Employment of a Change Manager*
- *Extensive training for all users will be undertaken*
- *All business processes contained within OneComm will be mapped by key users in Promapp.*
- *Through the change management/communication process, the Project Manager and Change Manager are seeking leadership and support from management and supervisors.*
- *Contingency Budget allocation for change requests*
- *Change Control Process (including approvals) will monitor budget restraints and ensure the change is justified accordingly.*
- *Project Status Reporting to the Project Steering Committee on a monthly basis.*
- *Issues Management Process*
- *Decision Management Process*
- *Change Management Plan 2019-2022”*

OCM136/11/18 Community Group Fee Waiver Request

Risk: Shire unable to sustain the upkeep and provision of facilities to the community

Risk Action Plan: Accept the Officer Recommendation

Existing Control Rating: Effective, as Council accepted officer recommendation

OCM146/12/18 Adoption of the Community Infrastructure Development Contribution Plan and Initiations of Proposed scheme amendment No 207 Community Infrastructure Development Contribution Scheme

Risk: Community Infrastructure implement is not support / adopted

Existing Control Rating: N/A, as council supported the community infrastructure development contribution plan.

OCM011/02/19 Request for Funding for the 2019 Bushfire mitigation activity fund

Risk: Fire Danger to the community

Risk Action Plan: Risk Management Plan

Existing Control Rating: Adequate



Risk: financial Implication to the Shire and the Community

Existing Control Plan: Risk Management Plan

Existing Control Rating: Adequate

Response provide from Rangers and Emergency Services Business Unit

“Council adopted the Bushfire Risk Management Plan (BRMP) on the 17 December 2018. The BRMP is the key mechanism to reduce the risk rating.

OCM141/12/18 COUNCIL RESOLUTION / Officer Recommendation:

Moved Cr McConkey, seconded Cr Denholm

That Council:

- 1. Endorses the Bushfire Risk Management Plan in attachment OCM141.1/12/18; and*
- 2. Requests the Chief Executive Officer present the Treatment Schedule once completed to Council for endorsement.*

CARRIED UNANIMOUSLY 8/0

Additionally the Office of Bushfire Risk Management (OBRM) endorsed the BRMP and the Shire has received funding to implement mitigation strategies”.

OCM013/02/19 Permit to operate Heavy Haulage vehicles on Thomas and Anketell Rd – Coogee Chemical

Risk: That Council does not support the officers Recommendation

Existing Control Rating: N/A, as council supported the officer's recommendation

OCM 14/02/19 Kargotich Rd North of Thomas Downgrade Restricted Access Vehicle Rave 3 to 1

Risk: not accepting proposal

Existing Control Rating: N/A, as Council supported the proposal

The following items were identified as having a risk greater than 17:

SCM010/06/18 Rivers Regional Council

This item was identified as having a risk of 20. For any risk greater than 17 - effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority (CEO / Council) and subject to continuous monitoring.

No specific risk treatment plan has be developed to date for this item as there has been a number of developments / changes on this item up until this point in time. It is recommended that a detailed risk analysis now be formalised and a risk treatment plan submitted to Council for monitoring.



Options and Implications

Option 1

That Council receives the report on risk and requests the CEO to develop a specific risk treatment plan for SCM 010/06/18 River Regional Council and that it be submitted to Council.

Option 2

That Council receives the report on risk and not requests the CEO to develop a specific risk treatment plan for SCM 010/06/18 River Regional Council and that it be submitted to Council.

Option 1 is recommended.

Conclusion

All Council items from 1 August 2017 to 31 March 2019 with a risk rating of 10 or above, have been reviewed to ensure relevant risk management of these items are in place. It is recommended that a specific risk treatment for Rivers Regional Council be undertaken.

Attachments

- [Attachment 1](#) - OneComm Project Risk Register (E19/3477)

Alignment with our Strategic Community Plan

Outcome 4.1	A resilient , efficient and effective organisation
Strategy 4.1.1	Provide efficient, effective, innovative, professional management of Shire operations to deliver the best outcome for the community within allocated resources

Financial Implications

Nil

Risk Implications

Risk has been assessed on the basis of the Officer's Recommendation.

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
Not having effective management plan in place for risk	Possible (3)	Moderate (3)	Moderate (5-9)	Reputation - 3 Moderate - Substantiated, public embarrassment , moderate impact on key	Risk Management Plan



				stakeholder trust or moderate media profile	
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Risk Matrix

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk rating of **9** has been determined for this item.

Any items with a risk rating over 10 (considered to be high or extreme risk) will be added to the Risk Register, and any item with a risk rating over 17 will require a specific risk treatment plan to be developed.

Voting Requirements: Simple Majority

ARG004/05/19

AUDIT, RISK & GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation

Moved Cr Rich, seconded Cr Coales

That the Audit Risk and Governance Committee recommends that Council:

RECEIVES the report on the risk register; and **REQUESTS** the Chief Executive Officer formalise a specific risk treatment plan for SCM010/06/18 Rivers Regional Council and that it be submitted to Council.

CARRIED UNANIMOUSLY 6/0

Please note that the Audit, Risk and Governance Committee does not have delegated authority to make decisions. All recommendations of the Audit, Risk and Governance Committee are presented to Council for ratification.



ARG004/05/19 – Maturing the Risk Frameworks at the Shire of Serpentine Jarrahdale (SJ2881)	
Responsible Officer:	Manager Governance
Senior Officer:	Director Corporate Services
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Authority / Discretion

Executive	The substantial direction setting and oversight role of the Council such as adopting plans and reports, accepting tenders, directing operations and setting and amending budgets.
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Report Purpose

The purpose of this report is to update the Audit, Risk and Governance Committee ('the Committee') on the status of Risk Management within the Shire of Serpentine Jarrahdale ('the Shire') and recommend Council endorse the Shire's "Risk Maturity Journey" to improve the Risk Management Framework at the Shire.

Relevant Previous Decisions of Council

ARG008/08/18 - the Audit, Risk and Governance Committee recommended to Council:

1. That Council adopt the draft Risk Management Framework as contained in attachment ARG008.1/08/18.
2. That Council notes the risk management policy is to be reviewed to better align with the risk management framework.

OCM8.1/09/18 – Council endorsed the minutes and resolutions contained therein of the Audit, Risk and Governance Committee Meeting held on 21 August 2018.

Background

Risk Management is a framework of culture, processes and structures directed towards the effective management of risk. This includes consideration of both potential opportunities and adverse effects on existing operations. As all actions and transactions involve risk, effective Risk Management involves the anticipating, understanding and monitoring of risk. It contributes to good corporate governance by providing reasonable assurance to Council, Executive Management and the community that the organisational objectives will be achieved within a tolerable degree of residual risk.



The Shire has two main documents in place designed to assist the organisation to identify, manage and mitigate risks. These are:

- Council Policy 1.4.2 Risk Management – adopted by Council 18 December 2017 (OCM179/12/17)
- Risk Management Framework (E19/1310) – adopted by Council 21 August 2018 (OCM8.1/09/18)

The Risk Management Framework was developed to address various Regulation 17 Audit Recommendations aimed at improving the Risk Management Framework at the Shire. In January 2019, the Shire employed a dedicated risk resource (Coordinator Governance and Risk) to further enhance and embed risk management processes throughout the organisation.

Community / Stakeholder Consultation

Not Applicable.

Statutory Environment

Regulation 17 of the *Local Government (Audit) Regulations 1996* (WA) ('the Regulations') require the Chief Executive Officer to review the appropriateness and effectiveness of the Shire's systems and processes in relation risk management, internal control and legislative compliance. The review may include any or all of the abovementioned matters and the results of any review must be reported to the Shire's Audit, Risk and Governance Committee.

The Shire's Integrated Planning and Reporting obligations are also intrinsically linked to risk management. The Integrated Planning and Reporting Framework and Guidelines September 2016 state:

- Strategic level risks should be considered by Council and are usually owned by Council and / or the Executive Team; and
- Regularly review of risk assessments and strategies should occur to ensure that risks critical to the Shire's objectives are managed and minimised.

Comment

Whilst the development and subsequent adoption of the Risk Management Framework is an important step forward to improve the risk management processes at the Shire, additional work is required to truly realise enterprise-wide risk management. Most importantly, a top down approach through the development of a Strategic Risk Management Register (linked to the Shire's strategic objectives) will ensure relevance and the ability to cascade risk throughout the organisation. It will also inform the development of a three-year risk based Strategic Internal Audit Plan for the delivery of internal audits over key risk areas including the controls in place to manage these risks.

Risk Maturity Road Map

The Risk Maturity Road Map identified in **attachment 1** outlines the planned stages to realise enterprise-wide risk management. The map details three stages:

1. Development of a Strategic Risk Register, including the development of Risk Appetite parameters and standard quarterly reporting to the Committee and Council;



2. Implementation and Education – embedding processes from stage one such as regular updating of the register, reporting to the Committee and Council and training for management (Executive and Business Unit levels); and
3. Cultural Change and Further Maturity – development and implementation of operational risk.

The Committee will receive progress updates towards each stage of the map at each quarterly meeting.

Options and Implications

Option1

The Committee recommend Council endorse the Shire's "Risk Maturity Journey" to improve the Risk Management Framework at the Shire. The implication of this option is realisation of enterprise-wide risk management. Financial and risk implications of this option are detailed within the relevant sections of this report.

Option 2

The Committee does not recommend Council endorse the Shire's "Risk Maturity Journey". The implication of this option is maintaining status quo of the Shire's current risk processes. The potential risk implications of maintaining status quo are detailed at the Risk Implications section of this report.

Option 1 is recommended.

Conclusion

The Risk Maturity Journey aims to assist in the improvement of organisational activities and achievement of outcomes. As the Shire continues to advance the effectiveness and efficiency of other systems and processes it is vital that sound and effective risk management is there to support the challenges ahead. Risk maturity aims to ensure balanced, informed and defensible decisions are made.

Attachments

- [Attachment 1](#) – Risk Maturity Road Map (E19/3283)

Alignment with our Strategic Community Plan

Outcome 4.1	A resilient, efficient and effective organisation
Strategy 4.1.1	Provide efficient, effective, innovative, professional management of Shire operations to deliver the best outcome for the community within allocated resources
Outcome 4.2	A strategically focused Council
Strategy 4.2.3	Provide clear strategic direction to the administration



Financial Implications

The majority of the work will be completed in-house by the Shire's Coordinator Governance and Risk however, a budget allocation of \$20,000 from the 2019-20 Governance Budget (CCS502) has been allocated for consultancy assistance. The scope of this work will relate to the development of the strategic risk register and risk appetite parameters through a series of workshops with the Executive Management Group and Management Team.

Risk Implications

Option	Risk Description	Risk Assessment (with existing controls considered)			Risk Action Plan (Controls or Treatment proposed)
		Likelihood	Consequence	Rating	
1	Insufficient planning and oversight of the Risk Maturity Journey leads to a fragmented, non-user friendly or meaningless system resulting in a loss of buy-in from staff and ultimately non-use.	Unlikely (2) <i>The event could occur at some time.</i>	Minor (2) <i>Environment - contained, reversible impact managed by internal response.</i>	Low (1-4) A risk rating 4 has been determined for this item.	<ul style="list-style-type: none"> • Risk Maturity Project Plan. • Regular progress reporting to the Committee. • Leadership and support form Executive Management Group. • Ongoing staff training.
1	Other organisation projects deplete the resources allocated to the Risk Maturity Journey resulting in incomplete implementation by the planned due date.	Possible (3) <i>The event should occur at some time.</i>	Minor (2) <i>Service Interruption – medium term temporary interruption, backlog cleared by additional resources < 1 week</i>	Medium (5-9) A risk rating of 6 has been determined for this item.	<ul style="list-style-type: none"> • Regular reporting to the Committee to preserve expectations. • Risk Maturity Project Plan
2	The Shire maintain status quo of their risk management processes (i.e. not informed by	Likely (4) <i>The event will probably occur in most circumstances.</i>	Moderate (3) <i>Reputation – substantiated, public embarrassment, moderate impact,</i>	High (10-16) A risk rating of 12 has been determined for this item.	<ul style="list-style-type: none"> • Undertake the Risk Maturity Journey as proposed



Option	Risk Description	Risk Assessment (with existing controls considered)			Risk Action Plan (Controls or Treatment proposed)
		Likelihood	Consequence	Rating	
	Strategic Objectives) which may lead to inadequate risk identification and control (e.g. by missing or underrepresenting areas) resulting in poor decision making that may jeopardise the organisation achieving its objectives.		<i>moderate news profile.</i>	As this risk has a rating over 10 it will be added to the risk register.	in this paper with oversight through regular reporting to the Committee .

Voting Requirements: Simple Majority

ARG005/05/19

AUDIT, RISK & GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation

Moved Mr Casilli, seconded Cr Rich

That the Audit, Risk and Governance Committee recommends that Council:

ENDORSES the “Risk Maturity Journey” as detailed in attachment 1.

CARRIED UNANIMOUSLY 6/0

Please note that the Audit, Risk and Governance Committee does not have delegated authority to make decisions. All recommendations of the Audit, Risk and Governance Committee are presented to Council for ratification.



ARG005/05/19 – 2019 Interim Internal Audit Plan (SJ2895)	
Responsible Officer:	Internal Auditor
Senior Officer:	Chief Executive Officer
Disclosure of Officers Interest:	No officer involved in the preparation of this report has an interest to declare in accordance with the provisions of the <i>Local Government Act 1995</i> .

Authority / Discretion

Legislative	Includes adopting local laws, local planning schemes and policies.
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Report Purpose

That Council adopts the 2019 Interim Internal Audit Plan to guide Internal Audit activities to December 2019.

Relevant Previous Decisions of Council

This plan is prepared in alignment with ARG006/05/18 – Internal Audit Charter (SJ2196) which details the following:

“To ensure that Shire’s assets are safeguarded and to oversee the allocated of public resources it is recommended that the Shire will implement an Internal Audit Plan.”

Background

In accordance with sections detailed in the Statutory Environment section, this report supports a systemic process for the Chief Executive Officer to review the appropriateness and effectiveness of local government through the proposed 2019 Interim Internal Audit Plan (the Plan) of matters to be audited and associated scope with oversight by the Council and Audit, Risk and Governance Committee (ARG).

Community / Stakeholder Consultation

The following stakeholder consultation was undertaken:

- Chief Executive Officer;
- Directors; and
- Managers.



Statutory Environment

Pursuant to Regulations 16 and 17 of the *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;*

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."*

Additionally, *Local Government (Financial Management) Regulations 5.2(c)*:

(2) *The CEO is to —*

- (a) *ensure that the resources of the local government are effectively and efficiently managed; and*
- (b) *assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and*
- (c) *undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.*



Options and Implications

Option 1

That Council adopts the Interim Audit Plan to guide Internal Audit Activities for 1 January to 31 December 2019.

Option 2

That Council adopts the Interim Audit Plan with variation detailed at the meeting to guide Internal Audit Activities for 1 January to 31 December 2019.

Option 3

That Council does not adopt the Interim Audit Plan.

The implication if either Option 1 or 2 is not chosen is that Internal Audit will operate without a accepted 12 month plan, the purpose of the plan is to guide significant Internal Audit activities and subsequently assist Council / ARG fulfil oversight responsibilities.

Option 1 is recommended.

Conclusion

Once endorsed, Internal Audit will commence activities in accordance with the Plan and report quarterly on the status of the audit reports and associated recommendations.

Attachments

- **Attachment 1 – CONFIDENTIAL** - Internal Audit – Interim Plan 2019 (E19/3912)

Alignment with our Strategic Community Plan

Outcome 4.2	A strategically focused Council
Strategy 4.2.2	Ensure appropriate long term strategic and operational planning is undertaken and considered when making decisions
Strategy 4.2.3	Provide clear strategic direction to the administration

Financial Implications

Nil.



Risk Implications

Option	Risk Description	Risk Assessment (with existing controls considered)			Risk Action Plan (Controls or Treatment proposed)
		Likelihood	Consequence	Rating	
3	That Council does not adopt an Interim Internal Audit Plan resulting in Internal Audit activities are not undertaken in a planned manner	Unlikely (2) <i>The event could occur at some time.</i>	Moderate (3) <i>Substantiated, public embarrassment, moderate impact, moderate news profile / contained, reversible impact managed by external agencies.</i>	Moderate (6)	<ul style="list-style-type: none"> Interim Internal Audit Plan tabled, read and adopted.
All	Inadequate Internal Audit Planning resulting in processes not supporting Council oversight responsibilities	Unlikely (2) <i>The event could occur at some time.</i>	Moderate (3) <i>Substantiated, public embarrassment, moderate impact, moderate news profile / contained, reversible impact managed by external agencies.</i>	Moderate (6)	<ul style="list-style-type: none"> Interim Internal Audit Plan tabled, read and adopted.
All	Unclear purpose and intention of Internal Audit resulting in lack of understanding of Internal Audit activities	Unlikely (2) <i>The event could occur at some time.</i>	Moderate (3) <i>Substantiated, public embarrassment, moderate impact, moderate news profile / contained, reversible impact managed by external agencies.</i>	Moderate (6)	<ul style="list-style-type: none"> Historic Internal Audit Charter and background documentation tabled to Council Interim Internal Audit Plan and overarching report



Risk Matrix

Consequence Likelihood		Insignificant	Minor	Moderate	Major	Catastrophic
		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

A risk rating of 6 has been determined for this item.

Voting Requirements: Simple Majority

ARG006/05/19

AUDIT, RISK & GOVERNANCE COMMITTEE RESOLUTION / Officer Recommendation

Moved Ms Newby, seconded Cr Rich

That the Audit, Risk and Governance Committee recommends that Council:

ADOPTS the 2019 Interim Internal Audit Plan to guide Internal Audit activities to December 2019.

CARRIED UNANIMOUSLY 6/0

Please note that the Audit, Risk and Governance Committee does not have delegated authority to make decisions. All recommendations of the Audit, Risk and Governance Committee are presented to Council for ratification.



7. Motions of which notice has been given:

Nil.

8. Urgent business:

Nil.

9. Closure:

There being no further business, the Presiding Member declared the meeting closed at 5.34pm.

I certify that these minutes were confirmed at the
Audit, Risk & Governance Committee Meeting held on 5 August 2019.

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Presiding Member – Councillor

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Date