



Shire of
Serpentine
Jarrahdale

Audit, Risk and Governance Committee Meeting

Agenda

Monday, 13 February 2023

5:30pm

Contact Us

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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



Table of Contents

| | |
|--|----|
| 1. Attendances and apologies (including leave of absence): | 3 |
| 2. Public Questions:..... | 3 |
| 3. Deputations:..... | 3 |
| 4. Declaration of Committee Members and Officers interest: | 3 |
| 5. Receipt of minutes or reports and consideration of adoption of recommendations from Committee meetings held since the previous Council meetings: | 3 |
| 5.1 Minutes of previous Audit, Risk and Governance Committee Meetings: | 3 |
| 5.1.1 - Audit, Risk and Governance Committee Meeting – 7 November 2022 | 3 |
| 6. Reports for consideration: | 4 |
| 6.1 – 2022 Compliance Audit Return (SJ2484) | 4 |
| 6.2 – Update of progress implementing the Abernethy Road Inquiry recommendations (SJ3558) | 10 |
| 6.3 – Strategic Risk Register Quarterly Review Report – February 2023 (SJ2881)..... | 17 |
| 7. Motions of which notice has been given:..... | 26 |
| 8. Urgent business:..... | 26 |
| 9. Closure: | 26 |



Dear Committee Member

An Audit, Risk and Governance Committee Meeting of the Shire of Serpentine Jarrahdale will be held on Monday, 13 February 2023 in the Council Chambers, Civic Centre, 6 Paterson Street, Mundijong – commencing at 5:30pm.

A blue ink signature of Paul Martin, written in a cursive style.

Paul Martin

Chief Executive Officer

2 February 2023

Agenda

1. **Attendances and apologies (including leave of absence):**
2. **Public Questions:**
3. **Deputations:**
4. **Declaration of Committee Members and Officers interest:**
5. **Receipt of minutes or reports and consideration of adoption of recommendations from Committee meetings held since the previous Council meetings:**
 - 5.1 **Minutes of previous Audit, Risk and Governance Committee Meetings:**
 - 5.1.1 - **Audit, Risk and Governance Committee Meeting – 7 November 2022**

That the minutes of the Audit, Risk and Governance Committee Meeting held on 7 November 2022 be CONFIRMED (E22/14551).



6. Reports for consideration:

| 6.1 – 2022 Compliance Audit Return (SJ2484) | |
|---|--|
| Responsible Officer: | Manager Governance and Strategy |
| Senior Officer: | Acting 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

| | |
|-------------|--|
| Legislative | Includes adopting local laws, local planning schemes and policies. |
|-------------|--|

Report Purpose

The purpose of the report is to enable the Committee to consider and make recommendations to Council regarding adoption of the 2022 Compliance Audit Return.

Relevant Previous Decisions of Council

There are no previous decisions of Council relating to this matter.

Background

The Compliance Audit Return is a legislative requirement used to assess compliance with elements of the *Local Government Act 1995* (the Act). The Compliance Audit Return takes the form of a questionnaire which, once completed and certified, is provided to the Department of Local Government, Sport and Cultural Industries (DLGSC).

Community / Stakeholder Consultation

Policy Concept Forum

Nil.

Statutory Environment

Section 7.13(1)(i) of the Act requires local governments to carry out a compliance audit in a manner specified in the Regulations. Regulations 14 and 15 of the *Local Government (Audit) Regulations 1996* require:

- a local government to carry out a compliance audit return for the period 1 January to 31 December in each year;
- the local government's audit committee to review the compliance audit return and report to Council the results of that review;
- following Council's approval, the certification of the compliance audit return by the President and Chief Executive Officer; and



- the certified copy of the compliance audit return be provided to the Department of Local Government, Sport and Cultural Industries' Chief Executive Officer by 31 March of that year.

Comment

The Compliance Audit Return provides a means to self-check compliance with statutory requirements. The 2022 Compliance Audit Return contains questions related to:

- Commercial Enterprises by Local Governments
- Delegation of Power/Duty
- Disclosure of Interest
- Disposal of Property
- Elections
- Finance
- Integrated Planning and Reporting;
- Local Government Employees;
- Official Conduct
- Tenders of Providing Goods and Services
- Optional Questions

The 2022 Compliance Audit Return was made available to local governments in the second week of January 2023.

The Department of Local Government, Sport and Cultural Industries are currently transitioning to a new system for local governments to lodge their Compliance Audit Return. A temporary portal for lodgment of 2022 returns is being utilised but is not yet available for local governments to upload responses to, in a form approved by the Minister.

The content contained in **attachment 1** reflects the Shire's 2022 Compliance Audit Return questions and responses for the period 1 January 2022 to 31 December 2022, in the format used in previous years.

The Committee should note the submission format may vary once access to the temporary portal is available, reflecting the form approved by the Minister and including a section for certification by the Shire President and Chief Executive Officer. The content of the responses as approved by Council will not be altered.

Assurance

Responses to the Compliance Audit Report are compiled by the Shire's Governance function, who conducts the following assurance checks on the answers provided by the responsible functional areas:

- Verifies that evidenced records and their content exist in the record management system
- Verifies that evidenced Council resolutions did occur in the manner described through the review of Council minutes



- Followed up and requested further evidence from responsible functional areas in circumstances where the provided response indicated a lack of clarity.

Findings

The 2022 Compliance Audit Return identified no non-compliances across the statutory compliance areas.

The Committee should note the response provided to Question 3 of the Finance section:

| Finance | | | | |
|---------|-----------|--|----------|---|
| No | Reference | Question | Response | Comment |
| 3 | s7.9(1) | Was the auditor's report for the financial year ended 30 June 2022 received by the local government by 31 December 2022? | No | An Audit Report for the 2021/2022 financial year has not yet been received by the Shire from the Shire's Auditor. As at the time of compiling these responses the Shire has been advised by its Auditor that an exit meeting is targeted for February 2023. |

Regulation 10(1) of the *Local Government (Audit) Regulations 1996* provides that an auditor's report is to be forwarded within 30 days of completing the audit. At the time of preparing this report, the Shire's audit had not been received.

Shire Officers have been in regular contact with the Shire's Auditor, who under law is appointed by the Office of the Auditor General throughout the conduct of the Audit. The Shire's Auditor has advised that the delay in provision of the Audit is primarily due to industry wide skill shortages in the areas of finance and audit and does not relate to any specific or unusual matters that should be of concern to the Committee at this time.

Once the audited financial statements have been received, they will be presented to the Audit, Risk and Governance Committee, as per usual practice.



Due to delay in the provision of the Auditor's report, there are 4 questions where compliance information cannot yet be provided, as follows:

| Finance | | | | |
|---------|-----------------------|---|----------|--|
| No | Reference | Question | Response | Comment |
| 4 | s7.12A(3) | Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Local Government Act 1995 required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters? | N/A | At the time of completing this Compliance Audit Report, the auditor's report for the financial year to 30 June 2022 has not been received by the Shire, therefore it is not possible to provide compliance information at this time. |
| 5 | s7.12A(4)(a) & (4)(b) | Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government? | N/A | Refer to previous question for an explanation as to why compliance information cannot be provided at this time. |
| 6 | s7.12A(5) | Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b) of the Local Government Act 1995, did the CEO publish a copy of the report on the local government's official website? | N/A | As above |
| 7 | Audit Reg 10(1) | Was the auditor's report for the financial year ending 30 June 2022 received by the local government within 30 days of completion of the audit? | N/A | As above. |

Officers will ensure the compliance information is forwarded to the Department as soon as it is practicable.



Options and Implications

Option 1

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

1. APPROVES the 2022 Compliance Audit Return for the period 1 January 2022 to 31 December 2022, as shown in **attachment 1**;
2. NOTES the form approved by the Minister is not yet available, and the content shown in **attachment 1** will be transferred into the approved form, once released;
3. AUTHORISES the Shire President and Chief Executive Officer to certify the Compliance Audit Return; and
4. AUTHORISES the certified 2022 Compliance Audit Return being submitted to the Department of Local Government, Sport and Cultural Industries.

Option 2

That the Audit, Risk and Governance Committee RECOMMENDS that Council DOES NOT APPROVE the Compliance Audit Return for the period 1 January 2022 to 31 December 2022.

Option 1 is recommended.

Conclusion

In recent years, the Shire has invested in building capacity in areas of governance, risk management, integrated planning and reporting and project management.

The 2022 Compliance Audit Return demonstrates the Shire's commitment in this regard and overall strong compliance with legislative requirements, with no non-compliances identified.

Attachments (available under separate cover)

- **6.1 - attachment 1** – Compliance Audit Return 2022 (E23/1069)

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 Officer Options and Implications:

| Officer Option | Risk Description | Controls | Principal Consequence Category | Risk Assessment | | | Risk Mitigation Strategies (to further lower the risk rating if required) |
|----------------|--|----------|--------------------------------|-----------------|-------------|-------------|---|
| | | | | Likelihood | Consequence | Risk Rating | |
| 1 | There are no significant risks associated with Option 1. | | | | | | |
| 2 | If Council do not approve the compliance audit return, it will not be submitted on time (i.e. legislative non-compliance) resulting in a possible elevation of the Shire on the Departments risk assessment. | Nil | Organisational Performance | Unlikely | Minor | LOW | Nil |

Voting Requirements: Simple Majority

Officer Recommendation

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

- 1. APPROVES the 2022 Compliance Audit Return for the period 1 January 2022 to 31 December 2022, as shown in attachment 1;**
- 2. NOTES the form approved by the Minister is not yet available, and the content shown in attachment 1 will be transferred into the approved form, once released;**
- 3. AUTHORISES the Shire President and Chief Executive Officer to certify the Compliance Audit Return; and**
- 4. AUTHORISES the certified 2022 Compliance Audit Return being submitted to the Department of Local Government, Sport and Cultural Industries.**

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.



| 6.2 – Update of progress implementing the Abernethy Road Inquiry recommendations (SJ3558) | |
|--|--|
| Responsible Officer: | Manager Governance and Strategy |
| Senior Officer: | Chief Executive Officer |
| Disclosure of Officer's 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

| | |
|-------------|--------------------------------------|
| Information | For the Council / Committee to note. |
|-------------|--------------------------------------|

Report Purpose

The purpose of this report is to enable the Audit, Risk and Governance Committee to receive an update on progress implementing the Abernethy Road Inquiry recommendations.

Relevant Previous Decisions of Council

Ordinary Council Meeting – 20 June 2022 – OCM124/06/22 - COUNCIL RESOLUTION - extract

4. ADOPTS Audit, Risk and Governance Committee Resolution ARG015/05/22 and NOTES the Abernethy Road Inquiry Report per attachment 1; NOTES the response to the Abernethy Road Inquiry Report per attachment 2, noting that the Project Management Framework implementation in R9 is scheduled to be completed in June 2022; LISTS for consideration in the 2022-23 budget the resource requirements to deliver on the recommendations as described in the financial implications of this report; and REQUESTS that the Chief Executive Officer update the progress on recommendation response at the February 2023 Audit, Risk and Governance Committee meeting.

Special Council Meeting – 24 October 2022 – SCM028/10/22 – COUNCIL RESOLUTION – extract

NOTES that the following activities will be deferred for the time being to enable the ward and representation review to occur and AGREES to their deferment being reflected in the Corporate Business Plan and CEO KPIs where required:

- Project Management Framework embedding and strengthening;*
- Implementation of findings of the Abernethy Road Inquiry including procurement enhancement*
- Strategic Community Plan review;*
- local government policy review; and*
- preparation of the Shire's first Integrity Framework.*



Background

In May 2022 the Audit, Risk and Governance Committee received a report of the Abernethy Road Inquiry. The Committee noted the proposed responses to the Inquiry's findings and requested that an update be provided at the February 2023 Committee meeting.

Community / Stakeholder Consultation

Nil.

Statutory Environment

Nil.

Comment

While the response to the Abernethy Road Inquiry involved responses to fifteen recommendations, these can be summarised as fitting into one of two categories:

1. Improvements Project Management and Contract Management; and
2. Consideration of amendments to procurement policy and procedures.

A commentary on progress of these two categories is provided below.

Improvements in Project Management and Contract Management

In challenging circumstances, significant progress has been made to improve project management and contract management at the Shire. These challenging circumstances include the current labour market which has made securing skills and experience in project management, contract management, procurement and related fields more difficult. There have also been competing priorities, such as the conduct of the fresh election in the North Ward; and the Ward and Representation Review, which have required investment in Officer time.

Contract management

Following the Committee's recommendation, a new Contract Management Policy was adopted by Council in May 2022. This new Contract Management policy has provided a clear framework for the management of contract variations with an emphasis on ensuring that projects have sufficient budget to avoid cost overrun.

The Contract Management Policy has been supported by internal forms and procedures and an initial internal information and promotion campaign to ensure understanding of the new policy and associated rules. As continual turnover has occurred among Officers working at the Shire, Officers have worked with new starters to ensure familiarity with the policy.

The effective operation of this policy as a control is demonstrated in part by the Keirnan Park Planning Update and proposed amendments to Capital Road Program which were taken to Council in December 2022 which have enabled Council to consider variations and better proactively manage Council resources.

This has also occurred through the procurement of specialist contract management services. In 2021 following a formal Request for Quote process the Shire engaged a legal firm on a non-exclusive basis to provide specialist contract management advice. These services have been employed on especially complex contract management matters most notably the renegotiation of the Technology One Contract and the Serpentine Jarrahdale



Recreation Centre. In both cases potentially difficult contract matters were resolved satisfactorily with the agreement of Council.

In the second part of 2022, the OneComm Contract Management module was developed as part of the implementation of the Shire's new ERP. The purpose of the module is to act as the Shire's Contract Management register and track details of contracts, variations and extensions. At the time of writing, the Contract Management module was being prepared for deployment and testing with an anticipated release early this year.

Project management

Greater sophistication in Project Management has been achieved through development and implementation of a new Project Management Framework.

A key product here was delivered in June 2022 when Council adopted a new Project Management Policy which provides the basis for the Project Management Framework.

The Project Management Policy is supported by the Project Lifecycle Management module in OneComm, a Business Operating Procedure and associated processes which form attachments to the Business Operating Procedure. The Project Lifecycle Management module and associated Business Operating Procedure were launched following Council's adoption of the policy.

As set out in the Policy, the Project Management Framework includes the following elements:

- Defined roles and responsibilities, including governance arrangements through a Project Change Board
- A Responsibility Assignment Matrix (RASCI)
- Defined change management thresholds; and
- Project monitoring and reporting processes.

The rapid design and development of the framework was a significant undertaking for the organisation. As discussed below the bulk of the design and development occurred in an intensive period between January and March 2022. While this period resulted in the adoption of the Framework, it was not sustainable.

Embedding the Project Management Framework as set out in the Policy has been challenged in 2022 by difficulties in retaining a suitable person to lead the Project Management Office. This is not a new issue as Project Management skills and experience are valued in the current labour market. The skills and experience required to build capacity in Project Management (distinct from the skills required to manage projects) are especially highly valued in the market.

Officers have been working to ensure that the difficulties in attraction and retention do not stall progress in its entirety.

For example, in 2021 following an initial unsuccessful recruitment process for a Project Management Office Leader, Officers conducted a procurement process to identify a market solution. This procurement process did not yield any responses.

A second recruitment exercise conducted in 2021 resulted in a person being appointed from mid-January 2022 to April 2022. In this time significant progress was made developing the Project Management Framework and associated support for the OneComm module.



Following the departure of the Officer, a recruitment exercise was performed with the position of Project Management Office – Leader being filled from August 2022 to October 2022.

The lack of continuity in the Project Management Office Leader role has made building capacity and knowledge of the framework and embedding the framework's principles more difficult. It has also challenged the post go-live support for the PLM module.

Despite these challenges, progress has been made. Projects are being managed in accordance with the hierarchy set out in the framework. Major capital projects have been assigned a Project Sponsor and regular Project Steering Groups are being held to provide better communication internally. Matters that exceed tolerance levels are also being escalated where required by the Framework. In addition, monthly reporting on capital projects is occurring and being monitored on an exception basis by the Project Change Board. This monthly reporting is in addition to the quarterly project reporting on progress implementing the Corporate Business Plan that is provided to Council.

Structural reform internally too has boosted capacity in project management with new project managers and project support staff commencing in the Shire in the last 12 months in engineering, design and project management. This influx of talent is improving project feasibility and preplanning as well as day to day project and contractor management. The key challenge in this regard is onboarding new Officers, training in the framework and associated policies, procedures and systems and retaining Officers.

In December 2022 an internal restructure and reprioritisation of work within the organisation has occurred to ensure ongoing support for the Project Management Office function and commonalities between Corporate Business Planning and Reporting, Risk Management and Governance are leveraged. This internal restructure provides greater certainty in championing and embedding the framework within the organisation. Officers are confident that greater continuity in the role combined with the consolidation phase of OneComm will aid in gaining traction and momentum for the framework.

At the same time with the rapid development of the Framework and the associated challenges in implementation following Council's adoption, it is foreseen and expected that elements of the framework may be reconfigured in the next six months which may result in revisions to the framework being presented to Council. This approach is consistent with the journey of continuous improvement associated with the maturing the project management framework.

This approach is also consistent with the consolidation phase of OneComm, the scope of which was agreed by Council at the December 2022 Ordinary Council Meeting.

In November 2022, the Audit, Risk and Governance Committee agreed that an audit would be undertaken into the Project Management Framework in 2023-24. This audit is an element of the Council Project Management Policy which states that:

“Internal audits of the Project Management Framework will be undertaken every two years to assess the delivery of projects against the Project Management Framework. Non-conformances will be consolidated with the audit report and recommendations listed for implementation.”

Continuous improvement in project management has also been achieved through restructure of the Shire's Infrastructure Division. This restructure which commenced in 2021 is realising the benefits in greater capacity and internal expertise. While issues of attraction



and retention are difficult to entirely resolve Officers believe that there has been marked improvement in internal project management capacity since the restructure occurred. This increased capacity is manifested in better planning and earlier identification of project threats, issues and options identification.

Consideration of amendments to procurement policy and procedures

The Inquiry's recommendations proposed a series of reforms to procurement policy and procedures. Council agreed that this would be investigated as part of a review of procurement policy and procedures.

Officers proposed that a review of Council's procurement policies would occur by December 2022 subject to provision of resource in the 2022-23 Annual Budget. Council has four policies that are related to procurement.

While progress on the review has been made, a proposed new Council policy is yet to be presented to Council. Progress on the policy has included:

- a review of purchasing policies from local governments in the following districts: Albany; Armadale; Bayswater; Belmont; Bunbury; Canning; Cockburn; East Fremantle; Fremantle; Joondalup; Kwinana; Mandurah; Rockingham; Stirling; Victoria Park; and Wanneroo;
- preparation of initial new draft policy that was circulated for internal comment; and
- revisions of the draft policy following this internal consultation period.

Progress on the review has been constrained by delays in recruiting a suitable candidate in the Procurement Officer position which was resourced by Council in July 2022 in response to the Inquiry's findings.

An initial recruitment process which commenced in August 2022 following approval of the budget identified a preferred candidate who withdrew following an offer of employment. A second recruitment exercise which commenced in October 2022 resulted in an appointment with the new employee commencing in late January 2023. As noted in the Officer report presented to the Audit Committee at the time, the availability of additional support was critical in achieving greater service offering in procurement services.

In the absence of continuity in the Project Management Office – Leader role, finalisation of the draft procurement policy for Council's consideration has also been constrained by reprioritising efforts to support the fledgling Project Management Framework and Contract Management policy.

In addition, in October 2022 Council agreed to undertake a Ward and Representation Review to voluntarily implement the Minister's Electoral Reform program. As part of the Resolution agreeing to conduct the Ward and Representation Review in the truncated period, Council agreed to deferring work on the Project Management Framework embedding and strengthening and implementation of findings of the Abernethy Road Inquiry including procurement enhancement.

As part of the policy development, once internal agreement on the procurement policy is achieved, it would be proposed that the policy is made available for external comment prior to consideration of adoption by Council. This engagement would seek input from the general community as well as industry experts, regulators and current and future suppliers.



As recognised in the Inquiry's findings, beyond potential revisions to procurement policies, the greatest improvements to project management are likely to be yielded from better planning prior to going to tender.

As highlighted in reports to Council especially regarding the roads program, the delay in the period between funding application as well as rigid funding approaches mean that available grant funding that is applied for years in advance does not always meet the future market realities of how much this infrastructure and delivery of the project in its entirety will cost.

This is an ongoing journey but as reflected in the item presented to the December 2022 Ordinary Council Meeting regarding proposed amendments to the Capital Roads Program, a holistic approach is being undertaken to the capital program to manage cost overruns in this volatile capital market.

Overall, Officers are confident that this pragmatic approach which is delivering continuous improvement in project and contract management provides an achievable approach given the challenges in both the construction and labour market.

Options and Implications

Option 1

That the Audit Risk and Governance Committee RECOMMENDS that Council:

1. NOTES the progress implementing the findings of the Abernethy Road Inquiry.
2. REQUESTS a further progress report be presented to the Committee at the November 2023 Audit, Risk and Governance Committee meeting.

Option 2

That the Audit Risk and Governance Committee RECOMMENDS that Council REQUESTS that additional actions *[to be specified by the member moving the motion]*.

Option 1 is recommended.

Conclusion

In challenging circumstances where the labour market has led to both challenges in attraction and retention of Officers, progress has been made in the last 12 months implementing the findings of the Abernethy Road Inquiry. The design and delivery of a Project Management Framework is considered to be a significant achievement and ongoing embedding of the Framework's principles and capacity building in project management, especially in pre-planning and feasibility have occurred.

Attachments (available under separate cover)

Nil.

Alignment with our Strategic Community Plan

| | |
|-----------------------|---|
| Outcome 4.2 | A strategically focused Council |
| Strategy 4.2.3 | Provide clear strategic direction to the administration |



Financial Implications

There are no direct financial implications associated with this Report.

Risk Implications

Risk has been assessed on the Officer Options and Implications:

| Officer Option | Risk Description | Controls | Principal Consequence Category | Risk Assessment | | | Risk Mitigation Strategies (to further lower the risk rating if required) |
|----------------|--|----------|--------------------------------|-----------------|-------------|-------------|---|
| | | | | Likelihood | Consequence | Risk Rating | |
| 1 | There are no material risks associated with this option. | | | | | | |
| 2 | Depending on the additional actions requested the organisation may not be resourced to undertake the requested activities or even if resourced may not be able to secure personnel with skills and experience to implement beyond what is already planned. | Nil | Organisational Performance | Unlikely | Minor | LOW | Nil |

Voting Requirements: Simple Majority

Officer Recommendation

That the Audit, Risk and Governance Committee **RECOMMENDS** that Council:

1. **NOTES** the progress implementing the findings of the Abernethy Road Inquiry.
2. **REQUESTS** a further progress report be presented to the Committee at the November 2023 Audit, Risk and Governance Committee meeting.

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.



| 6.3 – Strategic Risk Register Quarterly Review Report – February 2023 (SJ2881) | |
|---|--|
| Responsible Officer: | Manager Governance and Strategy |
| Senior Officer: | Director Corporate Services |
| Disclosure of Officer's 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

| | |
|-------------|---|
| Information | For the Council / Committee to note. |
| 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. |

Report Purpose

The purpose of this report is to provide the Audit, Risk and Governance Committee (the Committee) an overview of the quarterly review undertaken on the Shire's Strategic Risk Register and provide the Committee with the updated Strategic Risk Register for recommendation to Council for endorsement.

Relevant Previous Decisions of Council

*Ordinary Council Meeting – 21 November 2022 – OCM262/11/22 - COUNCIL RESOLUTION / Officer Recommendation – **extract***

That Council:

- 2. ADOPTS Audit, Risk and Governance Committee Resolution ARG020/11/22 and NOTES the Strategic Risk Register Review as contained within this paper; ENDORSES the updated Strategic Risk Register as contained within attachment 1; and REQUESTS the Chief Executive Officer commence the 2023-24 budget process with a Councillor workshop to determine responses to emerging risks.*

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.

In September 2020, Council, on recommendation from the Committee, endorsed the Shire's new Strategic Risk Register and approved the revised Council Policy Risk Management (OCM281/09/20). These are important achievements towards improving the risk management processes at the Shire as they provide a mechanism for Shire executives to



manage risk at a strategic level and an avenue for the Committee and Council to monitor strategic risk through quarterly reporting.

Community / Stakeholder Consultation

N/A

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's systems and processes in relation risk management, internal control and legislative compliance (r. 17(1)). The review may include any or all of the abovementioned matters (r. 17(2)) and the results of any review must be reported to the Shire's Audit, Risk and Governance Committee (r. 17(3)). Each matter must be the subject of a review not less than once in every 3 financial years (r. 17(2)).

The most recent review of risk management was completed by the Shire in the 2021-22 financial year and considered by the Committee at its February 2022 meeting. The next review is due no later than 30 June 2025.

Comment

Strategic Risk Register Quarterly Review – February 2023

In accordance with Council Policy Risk Management, the Executive Management Group reviewed the Strategic Risk Register. Following this, Officers have prepared the following quarterly report for the Committee's noting. Committee members and Councillors agreed to the structure of this report at the Strategic Workshop held 4 November 2020.

Strategic Risk Register

Quarterly Review – February 2023

1. Changes to Risk Ratings

- Risk 11 (Community Engagement) risk rating reassessed to MODERATE (was LOW) with a revised likelihood rating of POSSIBLE (was UNLIKELY) and a revised consequence rating of MODERATE (was MINOR). This follows the appointment of a new risk owner (Director Community Engagement) and their review of the risk against the Shire's risk framework. Several other amendments to causes, consequences, controls and the addition of new actions have also been made (detailed in this report and **attachment 2**).

2. New and Emerging Risks

- Nil.

3. Updates to Risk Mitigation Strategies

Actions complete and moved to controls

Risk 1 (Culture)

- Action 6 - *Review the Employee induction process and implement improvements* is complete and added as control 11. In addition to reviewing the induction process and



establishing a new framework, the Shire has implemented a new information system to maintain and facilitate new staff inductions.

Risk 2 (Organisational Workforce)

- Action 8 - *Flexible Work Arrangement Trial at the Operations Centre* is complete. At this stage it has not been added as a control as the decision on the best way forward to manage flexible work arrangements at the Operations Centre is subject to the findings of the Operations Centre Structure Review currently underway (action 11).

Risk 3 (Financial Sustainability) and Risk 4 (Organisational Capability)

- The Development Contributions Plans for Byford and Mundijong (amendment schemes 208 and 209) have been approved the Minister. This completes action 1 on risk 3 and action 4 on risk 4 and creates two new controls on risk 3 and updates control 4 on risk 4.

Risk 12 (Desirable place – Economy)

- Action 9 - *Jarrahdale Oval Master Plan* is complete and added as control 25. The Jarrahdale Oval Recreation Space and Trail Head Master Plan was endorsed by Council at the September Ordinary Council Meeting (OCM218/09/22).
- Action 10 - *Investigate the commercial feasibility of developing LOT 814, Jarrahdale to support the Jarrahdale Trail Town Initiative* is complete and added as control 26. The Lot 814/815 Millars Road, Jarrahdale Business Case was provided to and received by Council at the December Ordinary Council Meeting (OCM325/12/22).

Risk 13 (Desirable place - Vibrant community in a rural setting)

- Action 6 - *Equine Facility Masterplan* is complete and added as control 19. The Equine Facilities Master Plan was adopted by Council at the December Ordinary Council Meeting (OCM315/12/22).

Risk 15 (Worker Work Health and Safety)

- Action 7 - *Restructure the WHS business unit to meet resource requirements* is complete and added as control 13.
- Action 9 - *Develop an operational WHS risk register* is complete and added as control 14.

Actions amended

Risk 1 (Culture)

- Action 3 - *Review the organisational vision and values* status amended to 'In Progress' (was 'Not Started'). An external consultant has been engaged to complete this work, in response to the latest staff survey and review of the Organisational Development Roadmap.

Risk 2 (Organisational Workforce)

- Action 2 – *Develop an Employee Value Proposition* status amended to 'In Progress' (was 'Not Started'). Refer to the above comment on the vision and values action. The development of an employee value proposition will be completed in parallel to this work.



- Action 10 – *Depot Accommodation Upgrades* due date amended to 31 May 2023 (was 31 December 2022). Significant work on this project has been completed including the decommission of the old building, temporary relocation of staff and fabrication of the new toilet block and building underway. Delays with the contractors supply chain has resulted in the delivery of the new transportable now estimated for March 2023. Following this, time will be required to commission the building and relocate the staff. A formal request for time extension will be made in accordance with the Shire's Project Management Framework.

Risk 4 (Organisational Capability)

- Action 1 - *Finalisation of scheme no. 3* due date amended to 30 June 2023 (was 31 March 2023). As the approval of the Byford and Mundijong DCP's has only just occurred, it is unlikely the Shire will receive approval from the WAPC and Minister by March.

Risk 7 (Environment Sustainability)

- Action 9 – *In relation to bauxite mining within the State forest surrounds of Jarrahdale, respond to environmental impact assessment once released for public comment* due date amended to 30 September 2023 (was 30 June 2023). ALCOA has advised that the public engagement process is now expected to commence in quarter 3 of 2023.

Risk 12 (Desirable place – Economy)

- Action 6 - *Masterplan of Trails Centre at Lot 814 Jarrahdale Road, Jarrahdale* is removed. This follows Councils resolution in December 2022 that this project be put on hold until Council determines whether the development of trails / centre is a Shire election priority in the 2025 State and/or Federal Government elections.
- Action 7 - *Heritage Park Business Case* due date extended to 30 June 2023 (was 31 December 2022). As detailed in the quarter 1 and 2 Corporate Business Plan performance reports, the resignation of the Deputy CEO / Director Community Development delayed this project and a new due date of 30 September 2023 to align with resource capacity will be recommended at the mid-year Corporate Business Plan review.

Risk 13 (Desirable place - Vibrant community in a rural setting)

- Action 2 – *Community Activation Strategy* removed. In consideration of the projects continued business justification, it has been determined that the project only has a tentative association with the strategic direction of the directorate and the benefits to be realised from completing this project (e.g. to guide service delivery) is not proportionate to the investment of resources required to finish it. There are several other strategies already in place to guide community activation service delivery, including the review of the Strategic Community Plan currently underway. It is appropriate that resources are reinvested into higher priority projects, such as the actions to improve community engagement and actual delivery of services to ensure tangible products are visible to the community. Outcomes from the work completed on the document to date can be utilised to inform the major review of the Corporate Business Plan, in consideration also of the new strategic community plan and recent community perceptions survey.

Risk 14 (Emergency Management)



- Action 8 - *Develop a Vulnerable Communities Plan as part of the Local Emergency Management Arrangements* due date amended to 30 September 2023 (was 30 June 2023). This project is not progressing during the fire season.

Risk 15 (Worker Work Health and Safety)

- Action 5 - *Undertake works necessary to ensure compliance to revised WHS legislation adhering to ISO45001 standard* due date amended to 30 April 2023 (was 31 March 2023). This follows completion of the operational risk register (action 9) that determined the specific actions to be undertaken and the time required to do so. The Committee should note the actions to comply with the new legislation by 31 March 2023 (actions 8 and 10) are underway and on track.

New actions

Risk 6 (Bushfire Management)

- Action 19 - *Investigate an opt in text message system for the Shire of Serpentine Jarrahdale for days of Total Fire Bans and/or Vehicle and Harvest Movement Bans* (due 30 April 2023). This follows Council's resolution in December 2022 to investigate this matter (OCM294/12/22).

Risk 8 (Asset Management)

- Action 6 - *Develop detailed maintenance schedules for all playgrounds* (due 30 December 2023). Following a spike in customer requests this has been identified as a high-risk area to be addressed.

Risk 11 (Community engagement)

- Action 2 - *Review the Strategic Communications Plan* (due 28 February 2023). This is currently underway and is a key initiative to improve the Strategic Communications Plan (control 1).
- Action 3 - *Incorporate community engagement training into staff inductions* (due 30 June 2023).

Risk 13 (Desirable place - Vibrant community in a rural setting)

- The following existing actions added to the risk, following a stringent review by the new risk owner (Director Community Engagement) in contemplation of the 'Insufficient Shire facilities / amenities to meet community needs' cause:
 - Action 3 - Byford Skate Park (Construction of Stage 2) (due date 28 February 2024 as per Corporate Business Plan)
 - Action 4 - Keirnan Park Recreation Precinct (Construction of Stage 1A) (due date 31 December 2024 as per Corporate Business Plan)

4. Other

- Following the appointment of a new risk owner (Director Community Engagement) to risks 11 and 13 and their review of the risks against the Shire's risk framework, amendments to causes, consequences and controls as detailed in **attachment 2**.
- Other minor amendments as detailed in **attachment 2**.



The updated Strategic Risk Register incorporating the amendments from the above review is contained within **attachment 1**.

Supplementary Commentary

The following accompanying information to the Executive risk review this quarter is provided to the Committee for their noting. The purpose of providing this information is remain transparent about known issues that may impact strategic risk in future reporting periods.

- As advised in the last risk report, the Executive are closely monitoring the level of risk on risk 3 (Financial Sustainability) and risk 11 (Community Engagement) due to uncertainties within the economy (e.g. inflation) that are placing downwards pressure on rate yield. This is compounded by the growing structural issues the Shire experiences (that is, the rates yield to service the number of community assets is low when compared to neighbouring local governments) and the new growth the Shire experiences that may bring increased expectations. These factors may result in financial sustainability concerns and an inability to meet community expectations. Review of the Strategic Community Plan will provide an opportunity for Officers to engage with both the community and Council on this matter. As resolved by Council following the last risk report, Officers will discuss this matter with Council in the lead up to the annual budget setting process.
- The Executive have identified that the due date on action 14 on risk 6 (*5 year Reserve (Natural Area Reserves) management plan*) is at risk and may require an extension next reporting period. There has been a loss of key staff responsible for this project (resignation of Manager Operations and long service leave of the Reserves Coordinator) that may delay the finalisation of this project (subject to the success of recruitment processes).
- Additionally, as advised in the last risk report, the Executive have identified that the due date of action 2 on risk 6 (bush fire management plans for reserves) may require an extension given the redirection of resources towards ensuring compliance with the new work, health and safety legislation.
- Several challenges within the Operations Centre such as high vacancies, turnover and discoveries from the Operations Centre Structure Review may impact critical service delivery and the priority of mitigation actions. The exact implications are likely to be realised on completion of the Operations Centre Structure Review.



Options and Implications

Option 1

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

1. NOTES the Strategic Risk Register Review as contained within this paper.
2. ENDORSES the updated Strategic Risk Register as contained within **attachment 1**.

Option 2

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

1. DOES NOT NOTE the Strategic Risk Register Review as contained within this paper.
2. DOES NOT ENDORSE the updated Strategic Risk Register as contained within **attachment 1**.

Option 3

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

1. NOTES the Strategic Risk Register Review as contained within this paper.
2. REQUESTS that the Chief Executive Officer make revisions as specified by the Committee to the Strategic Risk Register.

Option 1 is recommended.

Conclusion

This report details an increase in the Community Engagement risk which follows a stringent review by the new risk owner (Director Community Engagement). The increase in risk demonstrates the decision to refocus the directorate towards improving this function as detailed through the recruitment process. To provide greater clarity of the risk's context, including the Shire's approach to managing the risk, amendments to causes, consequences, controls and the addition of new actions have also been made.

A summary of progress towards mitigation includes the completion of eight actions resulting in eight new controls, two actions previously not started now in progress and seven actions having due dates extended due to resource capacity, Council decisions and external approval delays. The new actions added to the register this period are primarily actions that are already underway and accounted for in organisational planning.

In addition to the formal risk register review, issues related to financial sustainability and challenges within the Operations Centre have also been highlighted in this report. These areas may result in changes to the strategic risk environment in future reports.

The ongoing reporting and monitoring of Strategic Risk provides assurance to the Committee and Council that the register is being monitored and mitigation actions are underway. It is also a key tool in supporting the Committee's and Council's responsibilities pertaining to risk management.



Attachments (available under separate cover)

- **6.3 - attachment 1** – Strategic Risk Register (E20/8711)
- **6.3 – attachment 2** - Strategic Risk Register – Tracked Changes (E23/1122)

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 4.2.2 | 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

There are no financial implications associated with this report. The recommendation of additional or amended risks or controls by the Committee may be financial implications for Council to consider.

Risk Implications

Risk has been assessed on the Officer Options and Implications:

| Officer Option | Risk Description | Controls | Principal Consequence Category | Risk Assessment | | | Risk Mitigation Strategies (to further lower the risk rating if required) |
|----------------|--|----------|--------------------------------|-----------------|---------------|-------------|---|
| | | | | Likelihood | Consequence | Risk Rating | |
| 1 | There are no significant risks associated with this option. | | | | | | |
| 2 | If the Committee recommend Council DO NOT note this report or endorse the updated register <u>without reason</u> , then there is a risk the committee will be seen as non-compliant with its responsibility to monitor risk and support Council. This could lead to impacts on organisational performance as specialist input is not obtained. | Nil | Organisational Performance | Rare | Insignificant | LOW | Nil |



| | | | | | | | |
|---|--|-----|----------------------------|------|---------------|-----|-----|
| 3 | If the Committee recommends revision to the register, these may not be informed by sufficient operational information. | Nil | Organisational Performance | Rare | Insignificant | LOW | Nil |
|---|--|-----|----------------------------|------|---------------|-----|-----|

Voting Requirements: Simple Majority

Officer Recommendation

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

- 1. NOTES the Strategic Risk Register Review as contained within this paper.**
- 2. ENDORSES the updated Strategic Risk Register as contained within attachment 1.**

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:

8. Urgent business:

9. Closure: