Audit, Risk and Governance Committee Meeting

Agenda

Monday, 22 May 2023

5:30pm

Table of Contents

Dear Committee Member

An Audit, Risk and Governance Committee Meeting of the Shire of Serpentine Jarrahdale will be held on Monday, 22 May 2023 in the Council Chambers, Civic Centre, 6 Paterson Street, Mundijong – commencing at 5:30pm.

Paul Martin

Chief Executive Officer

12 May 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 – 13 February 2023

   > **That the minutes of the Audit, Risk and Governance Committee Meeting held on 13 February 2023 be CONFIRMED (E23/2051).**

   5.1.2 – Special Audit, Risk and Governance Committee Meeting – 8 May 2023

   > **That the minutes of the Special Audit, Risk and Governance Committee Meeting held on 8 May 2023 be CONFIRMED (E23/5976).**

6. Reports for consideration:

6.1 – Payroll and Leave Management Audit (SJ2895)	
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 *Local Government Act 1995*.

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.

Report Purpose

The purpose of this report is to enable the Audit, Risk and Governance Committee to consider the findings, recommendations and response to audit conducted into Payroll and Leave Management.

Relevant Previous Decisions of Council

Ordinary Council Meeting – 19 September 2022 – OCM205/09/22 - COUNCIL RESOLUTION

That Council:

1. *RECEIVES the Unconfirmed Minutes of the Audit, Risk and Governance Committee Meeting held on 22 August 2022 (E22/10666).*

2. *ADOPTS Audit, Risk and Governance Committee Resolution ARG018/08/22 and ENDORSES the provision of audit services via external contractor; REQUESTS the Chief Executive Officer engage the services of an external contractor as required; ENDORSES the Audit Program 2022-2026 as shown in Table 1; and APPROVES the budget variation below:*

Account Number	*Type*	*Account Description*	*Debit $*	*Credit $*
4700-10300-6000-0000	*Increase Expenditure*	*People and Culture - Salaries*	*78,075.25*	
4700-10300-6010-0000	*Increase Expenditure*	*People and Culture – Sick Leave*	*4,489.42*	

4700-10300-6020-0000	*Increase Expenditure*	*People and Culture – Annual Leave*	*10,614.34*		
4700-10300-6030-0000	*Increase Expenditure*	*People and Culture – Superannuation*	*15,086.22*		
4700-10300-6050-0000	*Increase Expenditure*	*People and Culture – Training*	*1,000*		
4700-10300-6059-0000	*Increase Expenditure*	*People and Culture – Workers Compensation Insurance*	*1,868*		
4000-15100-6230-0000	*Increase Expenditure*	*Internal Audit Consultancy*	*20,000*		
4000-15100-6000-0000	*Decrease Expenditure*	*Internal Audit - Salaries*		*98,075.25*	
4000-15100-6010-0000	*Decrease Expenditure*	*Internal Audit – Sick Leave*		*4,489.42*	
4000-15100-6020-0000	*Decrease Expenditure*	*Internal Audit – Annual Leave*		*10,614.34*	
4000-15100-6030-0000	*Decrease Expenditure*	*Internal Audit – Superannuation*		*15,086.22*	
4000-15100-6050-0000	*Decrease Expenditure*	*Internal Audit – Training*		*1,000*	
4000-15100-6059-0000	*Decrease Expenditure*	*Internal Audit – Workers Compensation Insurance*		*1,868*	
Reason: To allow contracting internal audit activities per the Audit Program and provide resources to People, Development and Wellbeing for strategic improvement activities.					

Background

In September 2022 Council resolved to conduct performance audit functions through the appointment of external contractors and set a forward program for audit. In 2022-23 this forward program involves an audit of payroll and leave management.

In accordance with the Shire's procurement policy, invitations to quote for the payroll and leave management audit were sent to four potential suppliers to undertake the audit in the first part of 2023.

Following an assessment of the bids received, Blue Zoo was appointed in November 2022 to undertake the audit.

Field work for the audit was conducted in February 2023 with a report being provided to the Shire initially in February before a final version was provided in March 2023.

The scope of the audit was to examine both payroll and leave processes namely:

Payroll Processes

- Process for onboarding of new employees by payroll.

- Process for changing employee details (in particular bank account details) by payroll.

- Employees were paid in accordance with payroll policies and procedures.

- Pay rate reported on the pay statement in accordance with the approved rates in the employee's personnel file.

- Segregation of duties for approval of payroll payments – test over 3 pay runs.

- Changes to other payroll information conducted in accordance with procedures.

- Hours worked and the leave taken on the timesheet agreed to the pay statement.

Leave Processes

- Process for applying and approving leave.

- Employee leave records are managed in accordance with HR policies and procedures.

- Leave audit for sample employees against the HR physical records and the payroll system to confirm that all leave has been entered correctly into the system.

A random sample of records from thirteen (13) employees were examined for payroll audit and seven (7) employees were examined for the leave management audit.

The methodology of the audit included:

- provision of discovery list of documents to provide (excluding sampled payroll records)

- entry meeting with relevant stakeholders

- agreement of audit scope and items for examination

- onsite field work to examine the document repository and human resource management system; and

- offsite examination of identified documents, registers and reports.

Community / Stakeholder Consultation

Policy Concept Forum

Nil.

Statutory Environment

Regulation 5 of the *Local Government (Financial Management) Regulation 1996* sets out the responsibilities in respect to the CEO as they relate to all aspects of financial management. This includes:

- systems and procedures for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process)

- to ensure proper authorisation for the incurring of liabilities and the making of payments; and

- for the maintenance of payroll, stock control and costing records.

Comment

Overall, the opinion of the audit is described in the report as:

> *"It is Auditor's opinion that payroll operations are generally meeting the LG industry standard at the Shire of Serpentine Jarrahdale.*
>
> *There are a small number of material findings, however these… are able to be quickly and easily remedied now that they have been identified.*
>
> *There are also a number of non-urgent opportunities for improvement that the Shire may wish to consider adopting over time and as budget/resourcing permits."*

Improvements to payroll and leave management in recent years

The generally positive findings of the audit reflect the journey that the Shire has been on to improve payroll and leave management in recent years.

Prior to the implementation of OneComm in February 2020 at the Shire, the Officers received paper leave forms for all staff, which posed a persistent challenge due to forms getting lost or not reaching the payroll area for processing. The payroll system in place at that time, SynergySoft, relied heavily on manual processes that were paper-based, and it was difficult to extract relevant information. This resulted in the generation of numerous Excel documents for Payroll and HR, leading to inaccurate reporting.

The introduction of OneComm has been instrumental in enhancing the reporting capabilities of the payroll system, and the information can now be extracted with ease. The previous system, Synergy, lacked self-service capabilities, and exceptions were communicated through forms or emails, which was risky, especially in the case of bank detail changes. OneComm, on the other hand, has a highly efficient self-service functionality with robust audit trails. The transition to OneComm enabled the organisation to eliminate the use of paper by adopting electronic personnel folders, timesheets, and leave requests.

Another major change in recent months has been the transition to the State Industrial Relations system. This change means that timesheets must be maintained for every Officer

working at the Shire. As part of the Shire's commitment to cloud computing and the Enterprise Resource Program, Officer timesheets are recorded in OneComm.

This change meant the following:

- changes to the timesheet module to enable employees to record attendance electronically (where previously electronic timesheets had only been used to record part time hours and overtime);

- rollout of training to all Officers and supervisors; and

- post launch refinements and communication of these changes.

Audit recommendations

The audit has made seventeen recommendations. The breakdown of recommendations are:

- High risk – 2

- Moderate risk – 5

- Low risk - 10

Officers support the majority of recommendations. Work is well underway to complete most of the actions by the next meeting of the Audit, Risk and Governance Committee in August 2023.

One theme across the audit is the preparation of policies related to matters such as payroll, leave and timesheets. Officers have clarified with the Auditors that from their perspective the terms policy and procedure are interchangeable. Essentially, the Auditors have identified that while the Shire in many cases has procedures set at a system level through OneComm and Quick Reference Guides that document the steps involved in related processes, that best practice would also be to have these business rules separately documented.

In keeping with the Shire's hierarchy of document control, Officers believe that this would be most appropriate as Business Operating Procedures (BOPs) which would either be modified or in some cases new BOPs. As with other BOPs these would be prepared by business units and approved by the Executive.

The recommendation and Officer comment for each of the recommendations is shown in the table below.

High risk

Audit recommendation	Recommended response	Officer comment	Completion date
Remove payroll access to employee medical records in OneComm	Agreed	Completed.	Completed
Remove payroll access to disciplinary records in Content Manager	Agreed	Payroll has had access to Personnel Files since at least 2012 as the payroll staff needed to access some workers compensation information	July 2023

		for salary payment processes. This includes some disciplinary records.	
		This is due to the way folders were established historically in the Shire's document management system which provided for no flexibility in the application of security permissions (payroll staff could be granted access to see either all or nothing).	
		This has since been rectified in the new document management process for staff files where medical and other sensitive information can be accessed by HR staff who need to provide support for injury management.	
		Removing access to disciplinary records recorded in the legacy system involves identifying these records and extracting them from the relevant Content Manager folder.	

Moderate risk

Audit recommendation	Recommended response	Officer comment	Completion date
Consider implementing a payroll policy	Agreed	This is being completed through the finalisation of a Payroll Business Operating Procedure that will document the organisational rules concerning payroll. These rules have been embedded in the OneComm system but will be included within the procedure.	July 2023
Consider implementing a timesheet approval policy or incorporating this within a payroll policy	Agreed	For the Shire's 'indoor' workforce timesheet approval processes occur entirely through OneComm. The Shire has prepared Quick Reference Guides that describe the procedures in place. Training in this system was rolled in January 2023 when recording of timesheets for all staff became mandatory with the move to the State Government Industrial relations system.	July 2023

Audit recommendation	Recommended response	Officer comment	Completion date
		The rules associated with timesheet approval will be reiterated in the timesheet Business Operating Procedure being prepared. For the Shire's 'outdoor workforce' completion of manual timesheets with renewed supervisory focus is considered to be the most appropriate option at this time. This will also be reflected in the Business Operating Procedure.	
Consider updating the leave policy which requires substantial revision	Agreed	Following a comprehensive review including consideration of the impacts associated with the transition to the State-based Industrial Relations system, draft leave Business Operating Procedures have now been prepared and approved by the Shire's Executive between the completion of the audit and the preparation of this Report.	Completed
Consider revising pay cycle timing to reduce payroll workload/error	Not supported at this time.	Officers note that payment in advance only occurs for the Shire's 'indoor' workers. For the Shire's outdoor workforce pay occurs in arears. The Shire would need to undergo a substantial change process and allow for ample lead time to implement a payment in arrears cycle for its indoor workers. Although the organisation and payroll team acknowledge the advantages of this model, Officers believe that the required workload associated with the change process outweighs the current fortnightly adjustments. Officers believe the majority of concerns raised in the audit and the additional workload currently associated with payroll are primarily	Not applicable

Audit recommendation	Recommended response	Officer comment	Completion date
		related to the outdoor workforce, who are already paid in arrears	
Consider reviewing all employee contracts to ensure that all employees have a completed signed contract	Not supported at this time	Officers note that the issue identified by the Auditor is that signed version of the contract is occasionally only the signature page and not the contract in full. This is a potential point of dispute in relation to contract conditions. Since September 2021 Shire records will have all pages of the contract and initialisation of each page. Retroactively seeking employees to re-sign each contract is not considered appropriate.	Not applicable

Low risk

Audit recommendation	Recommended response	Officer comment	Completion date
Consider implementing a payroll segregation of duties policy or incorporating this within a payroll policy	Agreed – noting that segregation of duties associated with payment of employees already occurs	It is acknowledged that in the case of the outdoor workforce, the Payroll Officers are sometimes completing timesheets on behalf of Officers at the Depot. This is resulting in issues with segregation of duties as it relates to timesheets for the Shire's outdoor workforce. This can be exacerbated when due to limited resources only one Payroll Officer is present and calculates and approves pay runs. This is still distinct from the actual payment from the municipal fund. This is proposed to be corrected in the short term by ensuring that supervisors sign off on timesheets for outdoor workforce staff. In respect to payment, segregation of duties occurs currently through the separation of function of managing payroll which is	Ongoing

Audit recommendation	Recommended response	Officer comment	Completion date
		performed by the Payroll Officer and payment which is only approved by an Officer with delegated authority under Delegation 1.1.17. This segregation of duties is effectively documented through the delegations register.	
Revise and thoroughly document payroll 'change details' procedure	Agreed	Change detail rules are set through the OneComm system and as such effectively documented at a system level but will also be incorporated in a Payroll Business Operating Procedure.	July 2023
Revise and thoroughly document payroll 'payroll approval' procedure by role	Not agreed	Payroll approval procedures are set by role through the OneComm system and as such effectively documented at a system level but will also be incorporated in a Payroll Business Operating Procedure.	July 2023
Check delegation of authority to approve timesheets and approve payroll	Agreed – noting that appropriate separation and authority and legislative delegation relates to payments already is in place.	In respect to the approval of timesheets, Officers in a supervisory role are authorised to perform their functions approving timesheets through their position description. This will also be reflected in the Timesheet Business Operating Procedure. In respect to payment, segregation of duties occurs currently through the separation of function of managing payroll which is performed by the Payroll Officer and payment which is only approved by an Officer with delegated authority under Delegation 1.1.17. This segregation of duties is effectively documented through the delegations register.	July 2023
Managers require training in identifying timesheet misconduct	Agreed	An online module to all staff is proposed to be prepared and delivered.	July 2023
Payroll require training in records	Agreed	Completed	Completed

Audit recommendation	Recommended response	Officer comment	Completion date
management obligations			
Consider revising remuneration reviews in July to reduce impact of backpay calculations	Agreed	Remuneration reviews are tied to the budget adoption which in practice usually occurs after the commencement of the financial year. In principle, this action is agreed to where budget adoption occurs early enough to be implemented.	Not applicable
Obtain signed copy of employment contract for Employee 694	Agreed	Completed	Completed
Obtain signed copy of employee contract for Employee 965	Agreed	Completed	Completed
Consider adding initialling of each page of employment contracts	Agreed	Completed for all new starters	Completed

With the majority of actions completed since the audit has taken place there are three primary proposed outstanding actions in response to the Audit that will be implemented by the end of July 2023:

- Prepare a Payroll Business Operating Procedure; and

- Prepare a Timesheet Business Operating Procedure.

Additional known areas for improvement

With the audit observations a known area for improvement in the Shire's outdoor workforce as it relates to payroll and leave management has been identified. This area, while not identified as a risk area or recommendation of the audit, is an additional stream of work where renewed effort is occurring.

The first relates to leave management.

Until recently, take up of OneComm amongst the outdoor workforce to record leave online has not been occurring as it should. This means that manual data entry by administration support including Payroll Officers is occurring to ensure that leave is being accurately recorded.

During this process, Payroll Officers are provided with a list of employee leave taken for the relevant pay period. However, when reviewed against timesheets it is evident not all leave requests are being captured.

Since January 2022, Payroll Officers have entered or modified 386 leave entries on behalf of staff at the Depot (excluding workers' compensation). While this practice has been implemented to ensure a level of scrutiny over leave management, it is not efficient or sustainable.

Since the completion of the Audit, there has been a marked improvement in use of TechnologyOne to record leave. In the pay period for the last week in April 2023, 89% of leave requests at the Depot were completed via OneComm. This continued in the first week of May 2023 where 78% of leave requests at the Depot were completed via OneComm.

This trend may be the product of recent changes in the area and will be monitored and followed up to ensure ongoing compliance.

The second issue relates to timesheets. For the outside workforce staff, timesheets within OneComm have not been made available as the intent is to implement this feature as an integration with the broader 'Works' module. This approach will enable significantly improved accounting of expenditure and resource allocation of the outdoor workforce once the full benefits of the Works module is delivered. Operations is not well positioned at this time to manage the associated change in processes and training that would be associated with implementation of the full Works module.

Instead, outside staff are continuing to complete a manual timesheet which is returned to their supervisor after each shift. An emphasis on the verification of the manual timesheet by supervisors, coordinators and managers in concert with better leave management is seeing improvement in this area.

Options and Implications

Option 1

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

1. NOTES the audit of payroll and leave management audit report contained in **attachment 1.**

2. NOTES the Officer response contained in this report and the agreed actions to be completed by July 2023:

   • Prepare Payroll Business Operating Procedure;

   • Prepare Timesheet Business Operating Procedure.

3. REQUESTS that the CEO provide a progress report on completion of agreed actions at the August 2023 Audit, Risk and Governance Committee meeting.

Option 2

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

1. NOTES the audit of payroll and leave management audit report contained in **attachment 1**.

2. NOTES the Officer response contained in this report and REQUESTS that following amendments [to be specified by the member moving the motion].

3. REQUESTS that the CEO provide a progress report on completion of agreed actions at the next Audit, Risk and Governance Committee meeting.

Option 1 is recommended.

Conclusion

The Audit of Payroll and Leave Management highlights the investment that the Shire has made in system improvement and the additional work required to embed these systems into work patterns especially for the Shire's outdoor workforce.

Attachments (available under separate cover)

6.1 - attachment 1 – Payroll and Leave Management Audit Report (E23/4662)

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

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 this option	Nil.	Organisational Performance	Unlikely	Minor	LOW	Nil.
2	There actions set may not be taking other organisational priorities into consideration.	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 audit of payroll and leave management audit report contained in attachment 1.**

2. **NOTES the Officer response contained in this report and the agreed actions to be completed by July 2023:**

   - **Prepare a Payroll Business Operating Procedure; and**

   - **Prepare a Timesheet Business Operating Procedure.**

3. **REQUESTS that the CEO provide a progress report on completion of agreed actions at the August 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.

6.2 – Strategic Risk Register Quarterly Review Report – May 2023 (SJ2881)	
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 *Local Government Act 1995*.

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 – 20 February 2023 – OCM006/02/23 - COUNCIL RESOLUTION / Officer Recommendation – **extract***

That Council:

4. ADOPTS Audit, Risk and Governance Committee Resolution ARG004/02/23 and NOTES the Strategic Risk Register Review as contained within this paper; and ENDORSES the updated Strategic Risk Register as contained within attachment 1.

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 – May 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 – May 2023

1. Changes to Risk Ratings

- Nil

2. New and Emerging Risks

Operations Centre Structure Review (including Waste Transfer Station)

In setting the 2022-23 budget and 2022-26 Corporate Business Plan, the Executive identified the need to conduct a detailed review of the operations services at the Shire's Depot and Waste Transfer Station to identify areas of improvements to achieve greater efficiencies. This project was approved by Council through the 2022-23 integrated planning and reporting process and is a project within the adopted 2022-23 budget and 2022-26 Corporate Business Plan.

The Shire engaged Glen Flood Group to conduct the review, and the review was completed in April 2023, with the provision of a draft report provided in May 2023. The Executive have identified that several areas on the Strategic Risk Register will need to reviewed in light of this report.

An initial analysis identifies that the themes of the issues are accounted for on the register as follows:

- Risk 1 (Culture) – Risk Level MODERATE - identifies that culture and values not aligned to organisational outcomes and priorities can impact the Shire's

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performance, reputation and community. Issues discovered in the review such as leadership and staff turnover are currently detailed on this risk as causes.

- Risk 2 (Organisational Workforce) – Risk Level HIGH - identifies that an inability to retain a quality workforce can impact performance. Issues discovered in the review such as poor morale, misalignment of structure with plans, high vacancy rates and insufficient resources are currently detailed on this risk as causes.

- Risk 3 (Financial Sustainability) – Risk Level MODERATE - identifies that a failure to ensure financial sustainability can expose the organisation to financial risk. The financial concerns identified in the report (primarily concerned with the escalation of costs to manage waste) are currently not well articulated against this risk. At this stage, amendments have not been made as further analysis of this risk in light of the issue and its impact needs to be undertaken.

- Risk 5 (Organisational Efficiency) – Risk Level – MODERATE - identifies that inefficient business processes and systems can impact performance, fraud control, financial sustainability and compliance. The concerns raised in the report concerning paper-based manual processes and inefficient business systems are currently detailed on this risk as causes.

- Risk 15 (Worker Work Health and Safety) – Risk Level – SIGNIFICANT - identifies that inadequate processes and systems in place for the management of workplace health and safety can lead to employee injury and impacts on the organisation's performance and financials.

Notwithstanding, work has commenced immediately to manage the significant issue highlighted in the report, being Worker Work Health and Safety (WHS) at the Transfer Station. This includes the completion of a safety audit and implementation of its consequential corrective actions. To assist with delivery of all corrective actions the WHS team are meeting with the Waste Coordinator on a fortnightly basis to provide guidance on closing off items on the Corrective Actions Register. Additionally, WHS staff are on site once a week to observe and assist with operational safety requirements and safety site inspections are being completed every month to monitor and address the items on the corrective actions.

However, it is acknowledged that further analysis, including a future report to Council at the June 2023 meeting, to identify longer term actions relating to WHS and other matters as detailed above, will be undertaken by the Executive. This may require the level of risk to be increased and/or new causes, controls and consequences to be identified. Additionally, several mitigation actions that are already assigned to the Operations department may be extended once reviewed in priority order in context of the Operations Centre Structure Review resulting recommendations.

An update in this regard will be provided to the Committee at the next quarterly review.

3. Updates to Risk Mitigation Strategies

Actions complete and moved to controls

Risk 11 (Community Engagement)

- Action 2 - *Review the Strategic Communications Plan* is complete and control 1 has been renamed to 2023 Strategic Communications Plan, endorsed by Council at the 27 February 2023 Special Council Meeting (SCM010/02/23).

Risk 6 (Bush Fire 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* is complete. This action has not been moved to controls at this time; a new action (subject to budget approval) has been added for implementation of this project (see new actions for Risk 6 below).

Actions amended

Risk 2 (Organisational Workforce)

- Action 9 – *Investigate short term alternative service delivery models for the Parks and Gardens Business Unit* action has been retitled for clarity, to '*Investigate the use of contractors to address resource shortage within the Parks and Gardens Business Unit*' and the target date has been updated to 30 June 2024 (was TBA).

- Action 10 - *Depot Accommodation Upgrades* due date amended to 30 June 2023 (was 31 May 2023) following a change request approved in accordance with the project management framework and adoption of that amendment through the Corporate Business Plan review (OCM058/03/23).

Risk 4 (Organisational Capability)

- Action 1 - *Finalisation of scheme no. 3* target date detail updated to reflect finalisation is subject to Minister approval and Gazettal (previously subject to WAPC approval).

Risk 9 (Partnerships / alliances)

- Action 4 – *Consider membership on the South East Corridor Councils Alliance* due date amended to 30 June 2024 (was 30 June 2023). Discussions are underway, further consideration will occur following the 2023 local government election.

Risk 15 (Worker Work Health and Safety)

- Action 5 - *Undertake works necessary to ensure compliance to revised WHS legislation adhering to ISO45001 standard* and Action 8 - *Delivery of the works outlined on the Corrective Action Register* due date amended to 31 December 2023 (was 30 April 2023 and 31 March 2023 respectively) due to further legislative updates (e.g. amendment of regulations relating to training requirements, some hazardous materials registers and frequency of committee meetings) from the State Government. These amendments impact the finalisation of Shire documentation and cause additional consultative requirements across the organisation. Additionally, WorkSafe has been updating the Codes of Practice that form the basis of several of the Shire's procedural documentation.

  It should be noted that due to the delays in the State Government publishing guidance Codes of Practice and updating the Regulations the transitional timeframe for compliance has been extended to 31 March 2024 (from 31 March 2023). Additionally, the work is being undertaken internally which has saved significant consultancy costs for the organisation. Of the 41 individual actions required under these actions, 29 are complete.

- Action 10 - *Implementation of agreed high risk actions related to Bushfire Brigades (ARG009/02/22)* due date amended to 30 June 2023 (was 31 March 2023). Of the 28 high risk actions identified, 23 are complete. The 5 outstanding actions are: installation of power points for air compressors at Keysbrook and Serpentine Stations, registration

of air compressor at Jarrahdale Station, platform ladder works at Mundijong and Oakford, remounting of a fire extinguisher at Mundijong, and emergency exit door works at Jarrahdale, Serpentine and Byford Stations. The target date for completion of outstanding high-risk actions is 30 June 2023.

New actions

Risk 6 (Bush Fire Management)

- Action 20 - *Implement 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* has been added as the next step of this project, subject to budget approval, with a target date of 30 June 2024. Council requested the Chief Executive Officer present a business case based on the framework of the implementation report, for Council to consider as part of the 2023-24 Budget process at the Ordinary Council Meeting on 17 April 2023 (OCM071/04/23).

- Action 21 - *Support DFES delivery of the Cardup Career Fire Station* (due 1 December 2024). Whilst this is a State Government Project, Shire support will be provided to DFES for delivery and this will be an important project that once complete will assist to mitigate the risk.

4. Other

Risk 6 (Bush Fire Management)

- Recent Organisational structure changes sees the risk owner amended from Director Development Services to Director Community Engagement on Risk 6 (Bush Fire Management) and from CEO to Director Development Services on Risk 12 (Desirable Place – Economy).

Risk 11 (Community Engagement)

- Action 3 - *Incorporate community engagement training into staff inductions* status has been updated to 'in progress' (was 'not started'). This work has commenced to ensure staff awareness of the strategic and consolidated approach being implemented by the Communications team to streamline communication with both internal and external stakeholders.

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

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**.

3. NOTES the Strategic Risk Register will be further reviewed in the context of the Operations Centre Structure Review (including Waste Transfer Station) at the next quarterly review.

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

A summary of progress towards mitigation includes the completion of two actions, creation of two new actions, one action previously not started now in progress, and two actions having due dates extended due to ongoing legislative updates and resource capacity. 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)

- **6.2 - attachment 1** – Strategic Risk Register (E20/8711)

- **6.2 – attachment 2** - Strategic Risk Register – Tracked Changes (E23/5905)

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 without reason, 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.**

3. **NOTES the Strategic Risk Register will be further reviewed in the context of the Operations Centre Structure Review (including Waste Transfer Station) at the next quarterly review.**

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:**