



AUDIT AND RISK MANAGEMENT COMMITTEE MEETING

MINUTES

SECTION 5.9(2)(a) LGA 1995

Committee Brief

1. **Provide guidance and assistance to the local government -**
 - a) **as to the carrying out of its functions in relation to audits carried out under Part 7 of the Act; and**
 - b) **as to the development of a process to be used to select and appoint a person to be an auditor; and**
2. **May provide guidance and assistance to the local government as to -**
 - a) **matters to be audited; and**
 - b) **the scope of audits; and**
 - c) **its functions under Part 6 of the Act; and**
 - d) **the carrying out of its functions relating to other audits and other matters related to financial management; and**
3. **Is to review a report given to it by the CEO under Regulation 17(3) (the CEO's report) and is to -**
 - a) **report to the Council the results of that review; and**
 - b) **give a copy of the CEO's report to the Council.**

A meeting of the Audit and Risk Management Committee was held in the Committee Room, Lowood Road, Mount Barker WA 6324, at 10.30am Tuesday 24 March 2020.

Rob Stewart
CHIEF EXECUTIVE OFFICER

Committee Members

Cr Oldfield, Cr Clements, Cr O'Dea and Cr C Pavlovich (Council 202/19 and 247/19)

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Membership

Cr C Pavlovich (Presiding Member)

Cr K Clements

Cr M O'Dea

Cr J Oldfield

Cr K Woltering (Deputy for any member)

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

10.30am The Presiding Member declared the meeting open.

2 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE

Members Present

Cr C Pavlovich – Presiding Member
Cr K Clements
Cr M O’Dea
Cr J Oldfield

Visitors

Cr L Handasyde (from 10.30am to 11.23am and 11.30am to 11.32am)
Cr K Woltering

Staff

Mr R Stewart –Chief Executive Officer
Mr J Fathers - Executive Manager Corporate Services

3 CONFIRMATION OF MINUTES

Moved Cr J Oldfield, seconded Cr K Clements:

That the Minutes of the Ordinary meeting of the Audit and Risk Management Committee, held on 3 December 2019 as circulated, be taken as read and adopted as a correct record.

CARRIED

4 DISCLOSURE OF INTEREST

Part 5 Division 6 Local Government Act 1995

Nil

5 REPORTS OF COMMITTEE MEMBERS AND OFFICERS

5.1 POLICY REVIEW - RISK MANAGEMENT

| | |
|-------------------------------|--|
| File Ref: | N50764 |
| Responsible Officer: | Rob Stewart Chief Executive Officer |
| Author: | John Fathers Executive Manager Corporate Services |
| Proposed Meeting Date: | 28 February 2020 |

PURPOSE

The purpose of this report is to review Risk Management Policy – C/RM/1. It will be recommended that the current policy be revoked and a replacement policy be adopted. Further, this report provides information on an updated risk management framework and risk register.

BACKGROUND

This policy was last reviewed by the Council at its meeting held on 14 August 2018.

STATUTORY ENVIRONMENT

Local Government (Audit) Regulations 1996. Regulation 17 states as follows:

- '(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —*
- (a) risk management; and*
 - (b) internal control; and*
 - (c) legislative compliance.*
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.*
- (3) The CEO is to report to the audit committee the results of that review.'*

FINANCIAL IMPLICATIONS

There are no specific financial implications for this report.

BUDGET IMPLICATIONS

There are no budget implications for this report.

POLICY IMPLICATIONS

This policy is presented to the Council as part of its ongoing policy review cycle.

STRATEGIC IMPLICATIONS

The Shire of Plantagenet Strategic Community Plan 2017-2026 provides at Outcome 4.6 (Effective and efficient corporate and administrative services) the following Strategy:

Strategy 4.6.2:

'Develop and maintain Risk Management policies and procedures'.

Accordingly, the recommended outcome for this report aligns with the Strategic Community Plan.

RISK IMPLICATIONS

This report deals with a new risk policy, framework and register.

OFFICER COMMENT

In 2019, a risk specialist from Local Government Insurance Services workshopped a new risk management framework with the senior management team. An updated policy, framework and risk register were provided.

These documents have been brought into a suitable format and information from the Shire's current strategic risk register has been added to the new register. The Shire's management team has assigned ratings and key actions to the register.

The Risk Management Framework sets out the Shire's approach to the identification, assessment, management, reporting and monitoring of risks. All components of this framework are based on AS/NZS ISO 31000:2018 Risk management - Guidelines.

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

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

This framework aims to balance a documented, structured and systematic process with the current size and complexity of the organisation. All levels have some responsibility for risk management and the framework spells these out. At this stage, the framework will be managed from within existing resources.

It is considered that the new policy is appropriate and should be endorsed. The framework is provided for information and the new register is provided for comment and future reference.

VOTING REQUIREMENTS

Simple Majority

OFFICER RECOMMENDATION / COMMITTEE DECISION

Moved Cr O'Dea, seconded Cr K Clements:

That:

1. It be a recommendation to the Council that the current Risk Management Policy C/RM/1 be revoked and a replacement policy, as follows:

'OBJECTIVE

To state the Shire of Plantagenet's (the Shire's) intention to identify potential risks before they occur so that impacts can be minimised or opportunities realised; ensuring that the Shire achieves its strategic and corporate objectives efficiently, effectively and within good corporate governance principles.

POLICY:

1. Policy Statement

- 1.1 It is the Shire's Policy to achieve best practice (aligned with AS/NZS ISO 31000:2018 Risk management – Guidelines), in the management of all risks that may affect the Shire meeting its objectives.

- 1.2 Risk management functions will be resourced appropriately to match the size and scale of the Shire's operations and will form part of the strategic, operational and project responsibilities and be incorporated within the Shire's Integrated Planning Framework.

- 1.3 This policy applies to Council Members, executive management and all employees and contractors involved in any Shire operations.

2. Policy Aims

- 2.1 The policy aims to:

- (a) Align with and assist the implementation of all Shire policies.

- (b) Optimise the achievement of the Shire's vision, mission, strategies, goals and objectives.

- (c) Provide transparent and formal oversight of the risk and control environment enabling effective decision making.

- (d) Enhance risk versus return within the Shire's risk appetite.

- (e) Embed appropriate and effective controls to mitigate risk.

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

- (g) Enhance organisational resilience.

- (h) Identify and provide for the continuity of critical operations.

3. Key Policy Definitions

- 3.1 Risk - Effect of uncertainty on objectives.

Note:

- (a) An effect is a deviation from the expected – positive or negative.

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

- 3.2 Risk Management - Coordinated activities to direct and control an organisation with regard to risk.**
- 3.3 Risk Management Process - Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.**
- 4. Roles and Responsibilities**
- 4.1 The CEO is responsible for the:**
- (a) Implementation of this policy.**
 - (b) Reporting on the performance of risk management.**
 - (c) Review and improvement of this policy and the Shire's Risk Management Framework at least biennially, or in response to a material event or change in circumstances.**
- 4.2 The Shire's Risk Management Framework outlines in detail all roles and responsibilities associated with managing risks within the Shire.**
- 5. Risk Assessment and Acceptance Criteria**
- 5.1 The Shire quantified its broad risk appetite through the development and endorsement of the Shire's Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Framework and as a component of this policy.**
- 5.2 All organisational risks are to be assessed according to the Shire's Risk Assessment and Acceptance Criteria to allow consistency and informed decision making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisations appetite and are to be noted within the individual risk assessment.**
- 6. Monitor and Review**
- 6.1 The Shire will implement and integrate a monitor and review process to report on the achievement of the Risk Management Objectives, the management of individual risks and the ongoing identification of issues and trends.**
- 6.2 This policy will be kept under review by the Shire's Management Team. It will be formally reviewed biennially.**

7. Risk Assessment and Acceptance Criteria

7.1 Measures of Consequence

| Rating (Level) | Health | Financial Impact | Service Interruption | Compliance | Reputational | Property | Environment | Project |
|--------------------------|-------------------------------------|-------------------------|---|--|---|--|---|---|
| Insignificant (1) | Near miss. Minor first aid injuries | Less than \$20,000 | No material service interruption | No noticeable regulatory or statutory impact | Unsubstantiated, low impact, low profile or 'no news' item | Inconsequential damage. | Contained, reversible impact managed by on site response | Small variation to cost, timelines, scope or quality of objectives and required outcomes |
| Minor (2) | Medical type injuries | \$20,001 - \$100,000 | Short term temporary interruption – backlog cleared < 1 day | Some temporary non compliances | Substantiated, low impact, low news item | Localised damage rectified by routine internal procedures | Contained, reversible impact managed by internal response | 5-10% increase in time or cost or variation to scope or objective requiring managers approval |
| Moderate (3) | Lost time injury <30 days | \$100,001 - \$500,000 | Medium term temporary interruption – backlog cleared by additional resources < 1 week | Short term non-compliance but with significant regulatory requirements imposed | Substantiated, public embarrassment, moderate impact, moderate news profile | Localised damage requiring external resources to rectify | Contained, reversible impact managed by external agencies | 10 -20 % increase in time or cost or variation to scope or objective requiring Senior Management approval |
| Major (4) | Lost time injury >30 days | \$500,001 - \$1,000,000 | Prolonged interruption of services – additional resources; performance affected < 1 month | Non-compliance results in termination of services or imposed penalties | Substantiated, public embarrassment, high impact, high news profile, third party actions | Significant damage requiring internal and external resources to rectify | Uncontained, reversible impact managed by a coordinated response from external agencies | 20 — 50 % increase in time or cost or significant variation to scope or objective requiring restructure of project and Executive Management or Council approval |
| Catastrophic (5) | Fatality, permanent disability | More than \$1,000,000 | Indeterminate prolonged interruption of services – non-performance > 1 month | Non-compliance results in litigation, criminal charges or significant damages or penalties | Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions | Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment and building | Uncontained, irreversible impact | >50% increase in cost or timeline, or inability to meet project objectives requiring the project to be abandoned or redeveloped |

7.2 Measures of Likelihood

| Level | Rating | Description | Frequency |
|-------|----------------|---|----------------------------|
| 5 | Almost Certain | The event is expected to occur in most circumstances | More than once per year |
| 4 | Likely | The event will probably occur in most circumstances | At least once per year |
| 3 | Possible | The event should occur at some time | At least once in 3 years |
| 2 | Unlikely | The event could occur at some time | At least once in 10 years |
| 1 | Rare | The event may only occur in exceptional circumstances | Less than once in 15 years |

7.3 Risk Matrix

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

7.4 Risk Acceptance Criteria

| Risk Rank | Description | Criteria | Responsibility |
|-----------------|---------------------------|--|-------------------------|
| LOW | Acceptable | Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring | Operational Manager |
| MODERATE | Monitor | Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring | Operational Manager |
| HIGH | Urgent Attention Required | Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring | Executive Manager / CEO |
| EXTREME | Unacceptable | Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring | CEO / Council |

7.5 Existing Control Ratings

| Rating | Foreseeable | Description |
|-------------------|---|---|
| Effective | There is <u>little</u> scope for improvement. | Processes (controls) operating as intended and aligned to policies / procedures. Subject to ongoing monitoring. Reviewed and tested regularly. |
| Adequate | There is <u>some</u> scope for improvement. | Processes (controls) generally operating as intended, however inadequacies exist. Nil or limited monitoring. Reviewed and tested, but not regularly. |
| Inadequate | There is a <u>need</u> for improvement or action. | Processes (controls) not operating as intended. Processes (controls) do not exist, or are not being complied with. Have not been reviewed or tested for some time.' |

be adopted.

2. The Shire of Plantagenet Risk Management Framework and updated Risk Register be noted.

CARRIED

6 GENERAL BUSINESS

6.1 PROTECTION OF CEOS FROM BULLYING IN THE WORKPLACE

For information, I enclose a recent assessment of the health and wellbeing of local government CEOs in WA. The report was commissioned by Local Government Professionals WA and carried out by the University of WA.

McLeods Barristers and Solicitors have also provided the attached advice in regard to the legislative framework and responsibility of councils in this regard.

Cr L Handasyde departed the meeting at 11.23am.

Cr L Handasyde returned to the meeting at 11.30am.

Following discussion on this matter, the view was expressed that the Council should engage an experienced professional to provide independent advice on the development and ongoing review of key performance indicators for the new Chief Executive Officer. The Chief Executive Officer was asked to prepare an appropriate report for consideration and recommendation to the Council.

It was further agreed that the new Risk Register be amended to incorporate the risk relating to the CEO relationship with the Council.

COMMITTEE DECISION

Moved Cr K Clements, seconded Cr J Oldfield:

That the Chief Executive Officer be requested to report back to the Committee recommending a policy position on the appointment of an external consultant to assist with the development and ongoing monitoring of Chief Executive Officer key performance indicators, with an appropriate budget allocation in draft 2020/2021 budget.

CARRIED

7 NEXT MEETING

To be advised.

8 CLOSURE OF MEETING

11.32am The Presiding Member declared the meeting closed.

CONFIRMED: PRESIDING MEMBER _____ **DATE:** ____ / ____ / ____