



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 12.00noon Tuesday 10 May 2016.

John Fathers
ACTING CHIEF EXECUTIVE OFFICER

Committee Members

Cr K Clements, Cr L Handasyde, Cr J Moir and Cr C Pavlovich (Council 223/15)

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Membership

Cr K Clements

Cr L Handasyde

Cr J Moir

Cr C Pavlovich (Presiding Member)

Cr J Hamblin (Deputy for any member)

1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

12.00noon 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 L Handasyde
Cr J Moir

Staff

Mr J Fathers - Acting Chief Executive Officer

3 CONFIRMATION OF MINUTES

Moved Cr L Handasyde, seconded Cr J Moir:

That the Minutes of the Meeting of the Audit and Risk Management Committee, held on 12 April 2016 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 ORGANISATIONAL RISK MANAGEMENT

In line with a previous Committee request, this item is listed as a permanent fixture on the agenda. The current Organisational Risk Register is attached for information, which has now been split into the various departments.

During discussion at the Audit and Risk Management Committee meeting held on 2 February 2016, the administration was requested to provide a copy of the risk matrix used in determining risk scores. This information is shown below:

Shire Appetite and Risk Tolerance Table

This table is to be used when assessing the potential impact of an activity, issue or strategy. A further risk assessment that may include specialist consultation or research should be conducted in a more formal manner for any element of the above that is perceived to be Major – Extreme.

DESCRIPTION	FINANCIAL	HEALTH	REPUTATION	OPERATION	ENVIRONMENT	COMPLIANCE	PROJECT
Insignificant	<Less than \$20,000	No injuries or illness	Unsubstantiated, low impact, low profile or "no news" item	Little impact	Little impact	Minor breach of policy, or process requiring approval or variance	Small variation to cost , timelines, scope or quality of objectives and required outcomes
Minor	\$20,000 – 100,000	First Aid treatment	Substantiated, low impact, low news item	Inconvenient delays	Minor damage or contamination	Breach of policy, process or legislative requirement requiring attention of minimal damage control	5-10% increase in time or cost or variation to scope or objective requiring managers approval
Major	\$100,000- \$500,000	Medical treatment	Substantiated, public embarrassment, moderate impact, moderate news profile	Significant delays to major deliverables	Environmental damage requiring restitution or internal cleanup	Breach requiring internal investigation, treatment or moderate damage control	10 -20 % increase in time or cost or variation to scope or objective requiring Senior Management approval
Critical	\$500,000 - \$1,000,000	Extensive injuries or disabilities	Substantiated, organisational embarrassment, high impact news profile, third party actions	Partial non-achievement of major deliverables	Minor Breach of legislation / significant contamination or damage requiring third party assistance	Breach resulting in external investigation or third party actions resulting in tangible loss and some damage to reputation	20 — 50 % increase in time or cost or significant variation to scope or objective requiring restructure of project and Senior Management or Council approval
Extreme	More than \$1,000,000	Death or permanent disabilities	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Complete non-achievement of major deliverables	Major breach of legislation or extensive contamination and environmental damage requiring third party intervention	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	>50% increase in cost or timeline, or inability to meet project objectives requiring the project to be abandoned or redeveloped.

Likelihood

The following likelihood table assists you to prioritise risk management activities and should be used in conjunction with this risk tolerance table.

RISK LEVEL	DESCRIPTION	PRESUMPTIONS	FREQUENCY
A	Almost Certain	Expected to occur in most circumstances	More than once per year
B	Likely	Will probably occur in most circumstances	At least once per year
C	Possible	Should occur at some time	At least once in three years.
D	Unlikely	Could occur at some time	At least once in ten years
E	Rare	May occur, only in exceptional circumstances	Less than once in fifteen years.

Analysis Matrix

This table takes the findings from the Likelihood and Consequences tables and allows you to calculate a potential risk rating. Once treatments are in place, the same process takes place taking into account those treatments being in place. This gives you the residual risk that goes into a risk register, and assists in determining priorities and informs decision making.

Consequence \ Likelihood		Insignificant 1	Minor 2	Major 3	Critical 4	Extreme 5
		Almost Certain A	H	H	E	E
Likely B	M	H	H	E	E	
Possible C	L	M	H	E	E	
Unlikely D	L	L	M	H	E	
Rare E	L	L	M	H	H	

Responsibility Legend

- E** - Extreme Risk – Audit and Risk Committee (ARC) Attention
- H** - High risk – Senior management attention ARC awareness
- M** - Moderate Risk – Management responsibility must be specified
- L** - Low Risk - Manage by routine procedures at operational level

At its meeting held on 1 March 2016, the Committee agreed to hold a meeting to consider the Strategic Risk Register, with a separation of items into categories, including responsible person identified. The documentation is attached, including changes to risk register items identified at that meeting. It was considered that the main points of discussion should include planning, finance, emergency services and assets.

During discussion at the meeting held on 12 April 2016, the Committee reviewed the following risks and made determinations on their inclusion or otherwise in the Strategic Risk Register. A revised Risk Register is attached.

Financial Management Risks	Include/Exclude
• Inappropriate use of resources	Include
• Budget blow-out or overpayments	Include
• Fraud or theft	Include
• Loss of funds from virus, hacking or other means	Include
Asset Risks	
• Theft, vandalism, fire	Include
• Water or vehicle damage	Exclude
• Computer virus, power or water outage	Exclude
• Footpath and road hazards	Exclude
• Failure to adequately insure buildings, property and contents	Include
• Failure to plan and manage the financial lifecycle of the asset	Include
Community Health, Safety and Wellbeing Risks	
• Natural disaster or terrorist attack	Include
• Criminal activity, civil unrest	Include
• Fuel / energy crisis	Exclude
• Injuries to public on / in public buildings / equipment	Exclude
• Transmission of airborne contaminants hazardous to health	Include
Corporate Governance / Planning Risks	
• Not providing lawful services or functions	Include
• Not fulfilling operational goals	Exclude
• Electoral campaign breaches	Exclude
• Failure to uphold local laws	Include
• Corruption and bribery	Include
• Misuse of confidential information	Include
• Non-compliance with lawful orders	Include
• Failure to declare interests	Include
• Effective project planning and management	Include
• Failure to be informed of relevant changes to legislation	Include
• Appointment / retention of key Staff	Include
• Conduct of Members and key staff	Include

The following are the remaining risks identified in the Shire's Risk Management Guidelines, for consideration by the Committee. Some suggestions have been made as to inclusion or otherwise in the Strategic Risk Register:

Human Resources Risks

- Inappropriate / difficult human behaviour Exclude (Operational)
- Inadequate staffing levels Include
- Alcohol, drug, tobacco use Exclude (Operational)
- Industrial Action Exclude (Operational)
- Poor performance or productivity Exclude (Operational)
- OSH Act breaches Exclude. Legislation breaches covered already
- Sexual harassment / discrimination / bullying Exclude (Operational)
- Professional indemnity issues Include

Knowledge Management Risks

- Misuse of public data / privacy issues Include
- Internet / e-mail / social media misuse Exclude (Operational)
- Loss of corporate knowledge ie staff turnover Include
- Misuse of council information Include
- Archiving practices Exclude (Operational)
- Non-compliance with record act Exclude. Legislation breaches covered already

Legal Compliance Risks

- Statutory law breaches Exclude. Legislation breaches covered already
- Copyright or trade practice breaches Exclude. Legislation breaches covered already
- Trade practice breaches Exclude. Legislation breaches covered already
- Wages, benefits, working hours not regulated Exclude (Operational)
- Potential public liability claims eg. Public access, egress and safety. Include
- General litigation Include

Business Continuity Risks

- Inability to conduct 'business as normal' Include
- Continuity of essential operations, functions, internal support services or vital community services Include (with above)
- Staff absenteeism Exclude (Operational)
- Changes to staff roles and responsibilities Exclude (Operational)

Damage to Reputation Risks

- Adverse publicity or Shire media attention Include
- Loss of community support Include
- Managing public complaints Exclude (Operational)
- Very high level of public embarrassment Include
- Breakdown in communication/consultation with community Include

During discussion at the meeting held on 10 May 2016, the Committee reviewed the following risks and made determinations on their inclusion or otherwise in the Strategic Risk Register:

Human Resources Risks

- *Inappropriate / difficult human behaviour* Exclude
- *Staffing levels* Include
- *Alcohol, drug, tobacco use* Exclude
- *Industrial Action* Exclude
- *CEO performance* Include
- *OSH Act breaches* Exclude.
- *Sexual harassment / discrimination / bullying* Exclude
- *Professional indemnity issues* Include

Knowledge Management Risks

- *Misuse of public data / privacy issues* Exclude
- *Internet / e-mail / social media misuse* Exclude
- *Loss of corporate knowledge* Include
- *Misuse of council information* Exclude
- *Archiving practices* Exclude
- *Non-compliance with record act* Exclude

Legal Compliance Risks

- *Statutory law breaches* Exclude
- *Copyright or trade practice breaches* Exclude
- *Trade practice breaches* Exclude
- *Wages, benefits, working hours not regulated* Exclude
- *Potential public liability claims eg. Public access and safety* Include
- *General litigation* Include

Business Continuity Risks

- *Inability to conduct 'business as normal'* Include as a heading
- *Continuity of essential operations, functions, internal support services or vital community services* Exclude
- *Staff absenteeism* Exclude
- *Changes to staff roles and responsibilities* Exclude

Damage to Reputation Risks

- *Adverse publicity or lowering community support* Include
- *Managing public complaints* Exclude
- *Very high level of public embarrassment* Exclude
- *Breakdown in communication/consultation with community* Exclude

In regard to the final three items, the Committee considered that while they can be excluded from the Strategic risk Register, the Council should be made aware when such issues occur. Thereafter, the Committee agreed to review the matrix scores at a future meeting. The Acting Chief Executive Officer was also requested to provide a list of building assets to be rated for importance as part of the preparation of an Asset Management Plan.

6 NEXT MEETING

To be advised.

7 CLOSURE OF MEETING

12.50pm The Presiding Member declared the meeting closed.

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